



Acerca de este libro

Esta es una copia digital de un libro que, durante generaciones, se ha conservado en las estanterías de una biblioteca, hasta que Google ha decidido escanearlo como parte de un proyecto que pretende que sea posible descubrir en línea libros de todo el mundo.

Ha sobrevivido tantos años como para que los derechos de autor hayan expirado y el libro pase a ser de dominio público. El que un libro sea de dominio público significa que nunca ha estado protegido por derechos de autor, o bien que el período legal de estos derechos ya ha expirado. Es posible que una misma obra sea de dominio público en unos países y, sin embargo, no lo sea en otros. Los libros de dominio público son nuestras puertas hacia el pasado, suponen un patrimonio histórico, cultural y de conocimientos que, a menudo, resulta difícil de descubrir.

Todas las anotaciones, marcas y otras señales en los márgenes que estén presentes en el volumen original aparecerán también en este archivo como testimonio del largo viaje que el libro ha recorrido desde el editor hasta la biblioteca y, finalmente, hasta usted.

Normas de uso

Google se enorgullece de poder colaborar con distintas bibliotecas para digitalizar los materiales de dominio público a fin de hacerlos accesibles a todo el mundo. Los libros de dominio público son patrimonio de todos, nosotros somos sus humildes guardianes. No obstante, se trata de un trabajo caro. Por este motivo, y para poder ofrecer este recurso, hemos tomado medidas para evitar que se produzca un abuso por parte de terceros con fines comerciales, y hemos incluido restricciones técnicas sobre las solicitudes automatizadas.

Asimismo, le pedimos que:

- + *Haga un uso exclusivamente no comercial de estos archivos* Hemos diseñado la Búsqueda de libros de Google para el uso de particulares; como tal, le pedimos que utilice estos archivos con fines personales, y no comerciales.
- + *No envíe solicitudes automatizadas* Por favor, no envíe solicitudes automatizadas de ningún tipo al sistema de Google. Si está llevando a cabo una investigación sobre traducción automática, reconocimiento óptico de caracteres u otros campos para los que resulte útil disfrutar de acceso a una gran cantidad de texto, por favor, envíenos un mensaje. Fomentamos el uso de materiales de dominio público con estos propósitos y seguro que podremos ayudarle.
- + *Conserve la atribución* La filigrana de Google que verá en todos los archivos es fundamental para informar a los usuarios sobre este proyecto y ayudarles a encontrar materiales adicionales en la Búsqueda de libros de Google. Por favor, no la elimine.
- + *Manténgase siempre dentro de la legalidad* Sea cual sea el uso que haga de estos materiales, recuerde que es responsable de asegurarse de que todo lo que hace es legal. No dé por sentado que, por el hecho de que una obra se considere de dominio público para los usuarios de los Estados Unidos, lo será también para los usuarios de otros países. La legislación sobre derechos de autor varía de un país a otro, y no podemos facilitar información sobre si está permitido un uso específico de algún libro. Por favor, no suponga que la aparición de un libro en nuestro programa significa que se puede utilizar de igual manera en todo el mundo. La responsabilidad ante la infracción de los derechos de autor puede ser muy grave.

Acerca de la Búsqueda de libros de Google

El objetivo de Google consiste en organizar información procedente de todo el mundo y hacerla accesible y útil de forma universal. El programa de Búsqueda de libros de Google ayuda a los lectores a descubrir los libros de todo el mundo a la vez que ayuda a autores y editores a llegar a nuevas audiencias. Podrá realizar búsquedas en el texto completo de este libro en la web, en la página <http://books.google.com>

This is a reproduction of a library book that was digitized by Google as part of an ongoing effort to preserve the information in books and make it universally accessible.

Google[™] books

<https://books.google.com>



SENATE

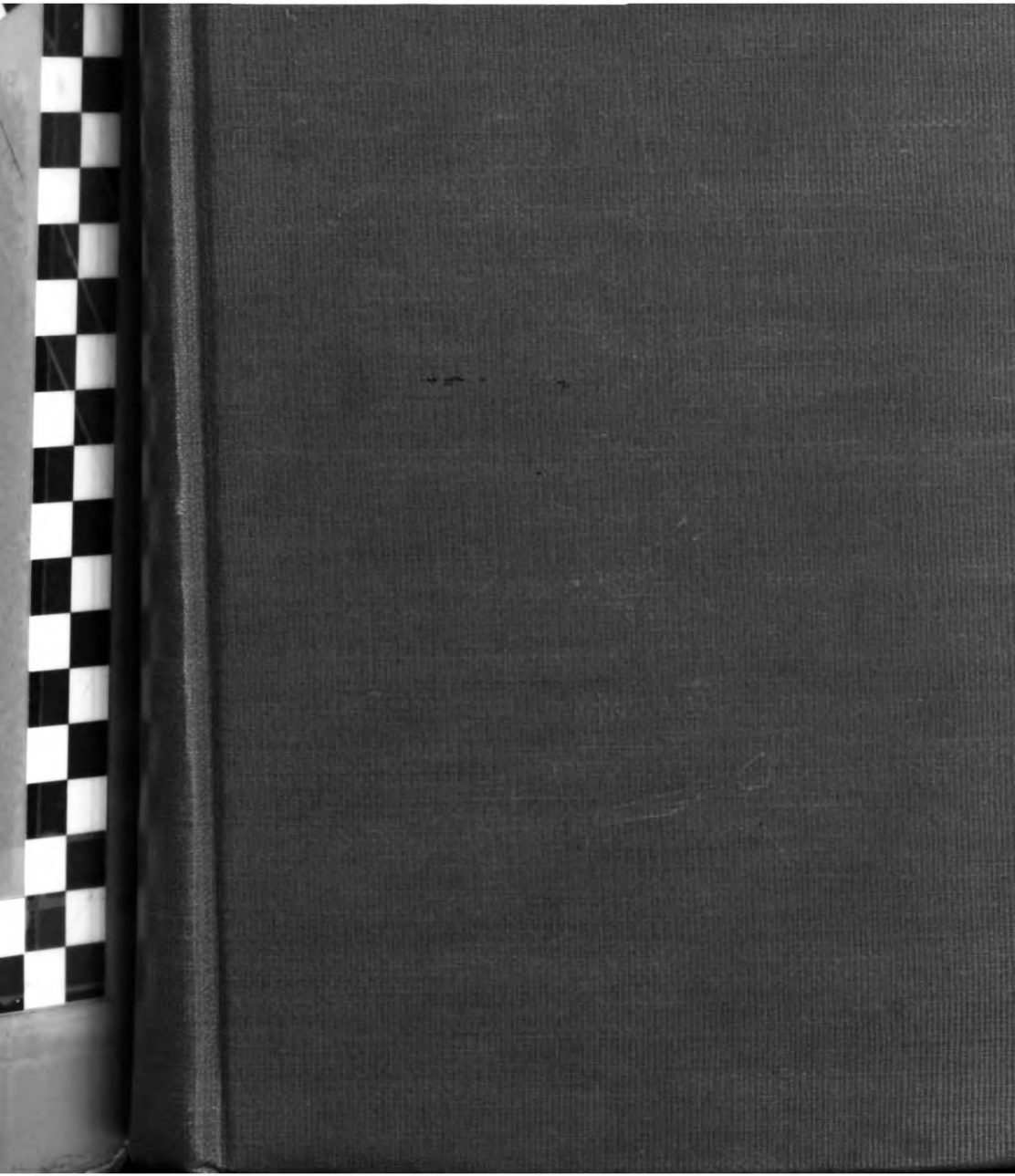
HEARINGS

MILITARY
AFFAIRS

PL 1-11

GERMAN
RESOURCES
FOR WAR

WILS
GOVU
Y 4.M 59/2:G 31/pt.1-11



THE LIBRARY



4. 109² : 931 78.1

ELIMINATION OF GERMAN RESOURCES FOR WAR

RECEIVED
JUL 13 1945
LIBRARY

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 107

(78th Congress)

AND

S. Res. 146

(79th Congress)

AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS

PART 1

TESTIMONY OF
HON. BERNARD M. BARUCH
BEFORE THE FULL MILITARY AFFAIRS COMMITTEE

JUNE 22, 1945

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

ELIMINATION OF GERMANY'S WAR POTENTIAL

FRIDAY, JUNE 22, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
Washington, D. C.

The committee met in the caucus room, Senate Office Building, at 10:30 a. m., pursuant to notice, Senator Elbert D. Thomas (chairman) presiding.

Present: Senators Thomas (chairman), Johnson of Colorado, Hill, O'Mahoney, Stewart, Austin, Gurney, and Revercomb; also Senators Guffey, Johnston of South Carolina, White, and Brooks; and Representative White.

The CHAIRMAN. The committee will please be in order.

Mr. Baruch, as we were saying before the hearing started, the period of disintegration has set in. I think I ought to repeat that, to my mind, our troubles are just beginning. The war is a rather simple affair; the peace is very complex. The single objective which we had in the war is now gone, so that definitely the period of disintegration has started.

Our job in Germany is not yet completed. The Nazi armies have been defeated, and the powerful German industrial and economic war machine has been crippled. But the United Nations are still confronted with the great task of dismantling the war machine which supported the Nazi armies as they overran Europe and challenged the freedom of the world.

Bitter experience after World War I has shown us that we must not rest until we have thoroughly and permanently removed Germany's potential for future war. It will require wise policy and conscientious administration to destroy the economic and industrial base for aggression, and to reorganize the economy of Germany on a firm basis for peace. The presence of an Allied army of occupation in Germany is itself testimony that a major task lies ahead.

The Military Affairs Committee of the Senate has a continuing interest in the German settlement as it relates to the military security of our Nation and to world peace. In the Seventy-eighth Congress, and in the present Congress, a subcommittee of the Military Affairs Committee has studied the economic warfare which was waged by Germany for the purpose of rearming itself and disarming its prospective victims. This economic warfare was begun by Germany almost immediately after the Treaty of Versailles.

The subcommittee, under the chairmanship of Senator Kilgore, will begin next week a series of public hearings on Germany's attempts to preserve and strengthen her resources for renewed aggression.

Preliminary to the subcommittee hearings, I have asked Mr. Bernard Baruch to testify on the entire problem of eliminating Germany's economic potential for military aggression. Although Mr. Baruch is appearing as a private citizen, his active participation in our mobilization for both World Wars I and II, his studies of the peace settlements of Versailles and his understanding of their inadequacies, and his present concern with these problems, makes his testimony of unusual interest and value. Mr. Baruch has only recently returned from Europe, where he studied first-hand the devastation wrought by the Nazis and met with Allied leaders on the very problem on which he is testifying this morning.

On behalf of the Senate Military Affairs Committee, I would like to express deep appreciation to Mr. Baruch for his appearance here today.

Mr. Baruch, will you proceed as you wish?

Mr. BARUCH. Thank you very much, Senator.

STATEMENT OF BERNARD M. BARUCH

Mr. BARUCH. Mr. Chairman and gentlemen of the committee, I am honored by your request to appear before you. Your esteemed chairman, in his letter of invitation, described the objective of this committee's inquiry as "the elimination of Germany's economic potential for military aggression."

No more important question ever will come before you than this one—of how to prevent the revival of Germany's war-making might. It is the heart of the making of the peace; it is the heart of the keeping of the peace.

What is done with Germany holds the key to whether Russia, Britain, and the United States can continue to get along. It will affect profoundly the jobs and livelihoods of everyone, everywhere, for none of the economic problems of the peace can be solved except in the light of German reparations policy and the measures taken to demilitarize Germany's traditional war economy.

Is it possible to control and transform a nation of more than 60,000,000 persons, with an economy as intricate and efficient as that of the Germans?

I believe it can be done. I know it must be done.

GERMANY'S THIRD TRY

It will not be easy. But if not done, we face the certainty that Germany will make a third try to conquer the world. Five times within the memories of some persons now living the Germans have waged aggressive war—against Denmark in 1864, Austria in 1866, France in 1870, against the world in 1914, and again from 1933 to 1945. This must be made the last German war.

DEFEATISM UNFOUNDED

By itself, no German settlement can be enough. If this is to be a sure peace, we must be prepared to see the peace through with an international organization to maintain common unity among the

Allies, with a determined preparedness, including universal military training, with an as-long-as-it-takes occupation of Germany, with the judicious use of our great productive power, and a living faith in our democracy strong enough to give the world the moral leadership in progress toward greater freedom and steadily rising living standards that America has stood for since its creation.

The defeatism that prevails in the minds of some is unjustified. At the close of any great war there are always some who despair of the future. It was that way after the last war. We have only to learn the lesson of these two World Wars and work at the peace and we need not fear what the future holds in store for us—a new Cave Age of bomb shelters or prosperity and security for ourselves and our children.

BOLD LEADERSHIP NEEDED

The time has come to end piecemeal peacemaking and to write the peace in Europe as an entirety. In this total peacemaking America should move forward with a positive program of bold leadership.

It is important that we think of the condition of the peoples involved in the war. What are the hopes and fears of the people in Russia and England? In the countries completely overrun by the Germans, many have lost faith in government, in themselves—in everything but force. Seared and scorched, they do not know where their next meal is to come from; how they will be able to make a living in the future. Not only physical but great psychological lesions will have to be healed in the peacemaking.

All these people look to the United States as the one great untouched reservoir of productive resources in the entire world. We have no problems of physical reconstruction. Yet, these people must be made to realize, we cannot do all they would ask of us and survive ourselves. They must relearn self-reliance. With wisdom we can use our productive capacity to lead the way for these countries to help themselves so that together we can implement one another's security.

To Russia we can show the means of making herself so strong she need not fear Germany; and this while permitting her to reduce military expenditures, leaving more for lifting the living standards of her heroic people.

EXPANDING TRADE FOR BRITAIN

To Britain we can show the way to expanding world markets, steering her away from an economic war that could only be disastrous to her and the world.

To the United Nations we can direct a converted arsenal of democracy to aid in establishing a new peaceful economic equilibrium with increased numbers of jobs and steadily rising standards for all.

DON'T OVERPROMISE

We cannot do this by promising more than we can deliver. We can by organizing priorities of production for peace—so that our vast productive capacity is directed to where it will do the greatest good. In return, we need ask only that the terms of the peace square with the American conscience. Which is not to say that we—or anyone else—can have all we want.

STRATEGY OF PEACEMAKING

Effective handling of this productive power assumes a strategic, positive concept of the peacemaking, knowing what we must have and what we are ready to yield on, where American interests lie and how they can be harmonized with the interests of others. We must not find ourselves thrust into the position of seeming to have no program other than to object to the proposals of others or, by failing to move decisively, to drift into complications. We must realize that unless we are prepared to exercise leadership the peace will be shaped by other forces. A vacuum does not long remain unfilled.

To unify all of the many peace problems into one whole, integrated with the Pacific war, all governmental agencies dealing with these matters must be streamlined under a top group acting as a focus of decision for recommendations to the President. I speak of a council because with matters of such profound importance, the many different viewpoints should be examined by the best collective wisdom our Nation can muster.

NO INTERNATIONAL LOGROLLING

Our peacemaking must rise above any and all questions of partisan politics, above any pressure group or vested interest—whether on the right or left, at home or abroad—above any individual's desires for kudos or headlines.

We must be alert not to slip into the temptations of international logrolling, of handling conferences as if they were mere political conventions, of writing peace agreements as if they were political platforms to mean different things to different men. If the stakes of war are mortal, the stakes of peacemaking are life giving and they require methods and thoughts of heroic stature, worthy of the stakes.

THE GERMAN PROBLEM

At Yalta an excellent beginning was made by the major powers on the German problem, covering in the main the more immediate measures for Germany's occupation. The need now is to fill in the Yalta agreement in detail and to enlarge it to settle definitely Germany's future.

Is Germany to be occupied in four zones for a certain period of time and then restored as a whole or is the occupation to be the preliminary to a lasting dismemberment into lesser parts? How long is the occupation to last? What kind of Germany do we want to end up with? Will the United Nations ask for reparations which require the rebuilding of destroyed German factories and which compel Germany to work at full tilt, thus again becoming highly industrialized and a menace to the world? Or is German war-making industry to be curtailed and if so what level of industrial capacity can safely be allowed her?

It is not enough to answer "we want an economically weak Germany." This program should be sufficiently specific—industry by industry—so all of the occupying nations know they have agreed to the same thing. It should be put into writing and made public. Until such a program is given common acceptance, the basis for peace in Europe will be lacking.

WE WANT A SURE PEACE

Any effective approach to the German question, it seems to me, must begin by recognizing one inescapable fact—there is no blinking a thorough overhauling of Germany's economy, for the simple reason that there is no "normalcy" to return to in Germany except that of war making.

Whether one wants to be nice or harsh to Germany makes no difference. War must be displaced as Germany's chief business.

Will the measures taken be thoroughgoing enough to be effective? Will they disarm Germany in a way to bring unity to the great powers? Those are the issues.

I have not thought in terms of a hard or a soft peace. I seek a sure peace.

Therefore I recommend:

Settle Germany's future

1. The earliest definite settlement of what is to be done with Germany.

Break German dominance

2. Economically, this settlement break once and for all Germany's dominance of Europe. Her war-making potential must be eliminated; many of her plants and factories shifted east and west to friendly countries; all other heavy industry destroyed; the Junkers estates broken up; her exports and imports strictly controlled; German assets and business organizations all over the world rooted out.

Priorities for peace

3. Through priorities for peace to the peoples Germany tried to destroy, to build up the strength of the United Nations in both Europe and overseas while reducing Germany's over-all industrial and technical power. Only when such a new equilibrium is established will it be safe to readmit Germany to the family of nations.

Full Soviet agreement

4. That this German settlement be used as a basis for a comprehensive, all-embracing agreement with Russia on the major peace problems. By tackling immediately and forthrightly the question uppermost in the Russian mind—security against Germany—I believe we can arrive at full understanding with the Soviets. If it is not possible, the sooner we know it, the better.

All agreements public

5. This agreement with Russia—as well as agreements with other nations—to be in writing and promptly made public in full detail. This has been a people's war. Let it be a people's peace.

General staff for peace

6. Tighten our peacemaking machinery here at home to give us the effect of a general staff for peace, charged with drawing up a master plan for the peacemaking so America can exercise the leadership which is her heritage.

Free look-see in Europe

7. America's role in dealing with Russia should be one of tolerance and fairness. Cooperation is a two-way street. I would like to see

this simple rule laid down: What we permit the Russians to do, they should permit us to do. There should be a free look-see for all the United Nations throughout Europe.

More recognition for Russia

8. The United States should use her offices to persuade those nations who still refuse to recognize Soviet Russia to do so.

Security above reparations

9. Reparations should be fixed at the maximum within Germany's capacity to pay, consistent with security and not to undercut living standards by forcing exports. Russia and other countries are entitled to labor reparations, particularly if they will include in their labor battalions the principal war makers—the Nazis, the Gestapo, Junkers, the General Staff, geopolitikers, war industrialists, war financiers—leaving the ordinary peasants and workers.

Long occupation vital

10. We must ready ourselves for a long occupation of Germany—as long as it takes for her spiritual and economic rebirth.

Supreme European council

11. Create a Supreme European Reconstruction Council to coordinate the many aspects of European reconstruction with the German settlement, reparations, and other problems.

Positive foreign economic policy

12. Develop a positive American foreign economic policy bringing tariffs, monetary agreements, foreign credits, cartels, and all other economic matters into a coherent whole which will meet this one decisive test—how to preserve the American free enterprise system in a world drifting to cartelizations of various kinds—to statism—so we can provide jobs for all? Shall we settle the shooting war only to plunge into economic war?

Raise living standards

13. Raising human standards all over the world must be a bulwark of postwar economic policy. I would insert into all financial and economic arrangements we make, a denunciation clause giving us the right to terminate any agreement which results in lowering of wages or lengthening of hours—an undercutting of human standards.

Determined preparedness

14. Finally, we must see the peace through with speedy ratification of the United Nations Organization and with a determined, enduring program of preparedness, including universal military training, adequate stock piles of strategic war materials, unflagging intensive research, and the many other things indicated by a modernized mobilization plan designed to convert our Nation in quickest order to the conditions of any possible war in the future.

The logistics of war and the potentialities of yet unheard of weapons for destruction are such we must shorten the lag in any future war mobilization or risk defeat.

PEACE A PAINFUL PROCESS

There is no use talking about peace unless you are ready to do what needs to be done to make it—and maintain it. The program I have

outlined will entail many painful adjustments. I cannot see how we can afford to do less.

The cost of two German world wars—an estimated 25,000,000 killed; and millions more left maimed and crippled, homeless and emaciated; the twice-repeated devastation of Europe; the destruction of hundreds of billions of dollars in painfully accumulated wealth; the wastes of four generations whose normal lives have been disrupted by the enemy, with the aftermath of this war still to roll over us and our children—the terrible cost of total war demands that we now resolve to accept no terms but unconditional peace.

After the last war, the victorious Allies acted as if they were determined to forget the plainest lessons of the war. In contrast, the German General Staff set about systematically to remedy the mistakes they had made. As a result, the German war machine for World War II was far more efficient, its mobilization more ruthless, yet better organized. We know how much closer the Germans came to winning; how much greater an effort in lives, time and treasure was required to beat them.

RECOVER SECRETED ASSETS

When defeat became certain, many of Germany's Junkers, Nazi leaders, and war industrialists sneaked abroad assets of every type as reserves for that day in the future when they could try it again. German business abroad has traditionally been an instrument of economic and propagandistic war. These assets and organizations should be rooted out and taken over—everywhere. No hocus-pocus. No falling for "dummy" contrivances. If necessary to make sure that these properties really change hands, I would set up a corporation to finance such transfer.

FORMULA FOR PRIVATE PROPERTY

Enemy assets in each country should be used to make restitution to nationals of that country for properties lost or damaged in enemy countries. In the United States the value of German properties taken over by Congress would be pooled and from this fund Americans with property in Germany or her satellites would receive restitution. Anything left after these claims are met would be turned into a common pool to pay for necessary German imports, with the balance going as reparations. This will make possible deindustrializing German heavy industry even where American or other foreign-owned plants are involved.

I want this to be a just peace—not one of vengeance. This program does not mean the destruction of the German people. They would have to suffer a comparatively low living standard for a time—but nowhere as low as what they imposed upon enslaved Europe and not much lower than the standards which they themselves assumed to give Hitler and the general staff the stuff to attempt world enslavement.

HEAVY COST OF WAR

The immediate, emergency problem of feeding Germany is a most difficult one. Still it should not affect the program here recommended. The heavy industries which need to be removed from Germany produced guns and munitions. Consumer goods industries can be re-

vived to a scale that will meet Germany's own domestic needs. How much food will be available in Germany will depend in great measure on the Germans themselves.

There will be shortages all over the world—even here. With whom shall we share? Who—in justice—should get the highest priorities? The Germans or the peoples they ravaged?

UNITED STATES OF EUROPE

Unchaining the German people from a war machine which has consumed an easy one-half of Germany's total substance should ease their adjustment. Eventually, purged and reorganized, and the Europe around her made strong, Germany will be able to take her place with her neighbors.

The new equilibrium of industrial strength in Europe might take the form of a United States of Europe—a United States of Europe in which Germany would be one of several peaceful equals, not the dominating war organizer.

PIECEMEAL CONTROLS FAIL

A number of other proposals for less drastic control of Germany has been proposed—as placing her heavy industry under international trusteeship or limiting the control to a few so-called key industries. As temporary aids to the occupation authorities, such proposals have some merit. They fail completely to provide a basis for lasting peace. Only by permanently reducing Germany's over-all war-making potential in relation to Russia, Britain, the rest of Europe and the overseas nations can we know that Germany will be unable to go to war again.

Great care should be used in authorizing the rebuilding of German industries, especially heavy industries. It will be easy to permit many industries to revive on a basis of expediency because of present needs, and later find them reestablished to stay.

The argument is raised that Germany is the industrial giant of Europe and that deindustrializing her to any extent would have disastrous economic effects on the rest of Europe and the whole world. There is no denying that Germany has dominated Europe economically. So she did militarily. Nor is there any denying that this domination has been the ruin of Europe and the world. Where has German economic influence been felt and smiles left to that country's people? In Poland? Rumania? Hungary? Greece? Yugoslavia? Austria? Italy? France? Holland? Belgium? Norway? Denmark? In Germany herself?

CAVE AGE VERSUS PROSPERITY

To accept the view that the restoration of German industrial dominance in Europe is inevitable—something we can do nothing about—is to resign ourselves to the return to a new cave age. We might as well begin to put our factories and plants underground.

As a result of controlling Germany, great economic benefits will flow to all of the United Nations. It will open expanded industrial opportunities to them and agricultural and other products which Germany will not use, will be taken up by other countries. Britain,

which, after the war, will be confronted with a grave need for increasing the volume of her exports to pay for food and raw material imports, will fall heir to many former German and Japanese markets. Instead of trading with Germany, the United Nations will have more trade with one another. More jobs and more business will permit the United Nations to pay part of the war's costs out of high wages, increased profits, and greater tax revenues.

For at least five and possibly seven years there will be an enormous over-consuming demand for everything—raw materials, manufactured goods, food, clothing, housing, transportation, machinery, and capital. If the peace soon to be written permits men to look forward to the future with hope, not fear, prosperity of unpredictable length lies before us.

ALLAY SOVIET FEARS

How to insure our working with Soviet Russia is a difficult problem, which has been perplexing many people of late. I have tried to ask myself what would I think if I were a Russian?

Uppermost in my mind—if I were a Russian—would be the almost infinite suffering endured from the Germans during the past 30 years. In World War I, western Russia was overrun and looted. In this war Russia was twice ravaged, as the Germans went in and again as the Germans came out. Any nation which has undergone such experiences is bound to be security-conscious to a very high degree.

To illustrate the point, I quote from the introduction to a book I wrote at the close of the last war, *The Making of the Reparations and Economic Sections of the Treaty*:

From wantonly devastated France had not departed the fear and inherent hatred of the enemy who but a few months before had pierced almost to her heart—the traditional enemy who had brought upon her the bitter days of 1870. With the World War already history, the shadow of the Prussians still hung over the Republic. France was fixed in her determination to erect an impregnable wall, economic or geographical, or both against future German invasion. This, in greater or lesser measure was the attitude of the other Allies.

WE FAILED THE LEAGUE

If "Russia" were substituted for "France," this quotation would apply equally well to the present situation in Europe. Nor would France's experience after Versailles lessen Russia's concern over her security. At Versailles, France did not obtain her impregnable wall. Instead, she was persuaded to place her reliance on the League of Nations, which we in the United States, who had put it forth, then refused to join. Is it then so surprising to find the Russians shying from placing their first reliance for the security they are determined to gain on peace machinery still untested and whose predecessor failed? Is it so surprising to find Russia insisting on what her officials regard as more realistic security measures?

The occupation of Germany will be difficult enough at best. In the absence of common policy as to the long-range fate of Germany, the Soviets are bound to question Allied moves as dictated by a desire to rebuild Germany into a buffer against Russia. In turn, the western democracies will suspect Russia of seeking to communize Germany. The Germans can be expected to resort to every imaginable trick to

foment discord among the four occupying nations. They will play one nation against the others, one zone against the next, hoping to break the common unity of the Allies, so controls will be permitted to lapse, giving her a chance to recoup, as after Versailles.

SUPPORT EISENHOWER

General Eisenhower, in my judgment, is ideal to head our occupation in Germany. His deputy, Lt. Gen. Lucius Clay, is another excellent man, with whose work I am quite familiar. I have every confidence they will handle themselves effectively, with firmness and tact. Recently General Eisenhower described himself as the "executor not policymaker" in Germany. Give him an agreed upon policy. Don't handicap him.

While on the subject of Russia, I would like to add this general observation: I have no fear of the spread of bolshevism in the United States—jobs and higher living standards are the proven antitoxins. I have stressed the importance of lifting wage and hour standards all over the world. It is crucial if only to keep to a minimum the disruptive effects of the inflation already loose in the world. And as living standards within Russia improve, the atmosphere there should lighten, and some practices which strike us unfavorably are likely to disappear. I am mindful of the tremendous changes in our country as we grew from Thirteen Colonies on the Atlantic. When we recall that it was nearly 10 years after the Revolution was won, before our 13 States could agree on a Constitution for ourselves alone, I am not dismayed that more was not done at San Francisco.

MUST UNDERSTAND SOVIETS

Relations with the Russians may continue difficult for a time, not only in Europe but on other fronts. Again I point out, we should not be surprised that Soviet suspicions have survived our fighting together against the common enemy. When one reviews recent world history, one find considerable cause for suspicion between Russia and the western democracies—on both sides. After the Red revolt in 1917, the Tsarist powers made three major attempts to reconquer Russia, efforts largely armed and supplied by the British and French. The deepest significance of the Munich Pact was the exclusion of Russia. It is not that all of Russia's acts were justified but it is important that we understand the Russian point of view.

RUSSIA MUST COOPERATE, TOO

On the Russian side there must be equally sincere efforts to understand us. The Russians must appreciate that refusal of Soviet authorities to permit free access to the countries of eastern Europe has a most adverse effect on American public opinion and will jeopardize any program for the reconstruction of these countries. Another cause of suspicion has been a tendency for the Russians to act unilaterally in many countries. Such actions irritate us less because of our interests in those countries than because we feel a moral responsibility to those peoples which we cannot shirk. On our part we must shift our peacemaking machinery into high gear and avoid delays which may prompt unilateral action.

The pledged word kept is the best antidote to suspicion. Above everything else, there must be the most meticulous observance on our part of all our obligations with the Soviets, written or implied, while insisting firmly that they do the same. By doing our homework before going to conferences, agreements can be free of ambiguity.

Before the war, business interests in this country acquired the greatest respect for the manner in which Russia kept all contracts and observed all credit arrangements. Our admiration has been increased by her incomparable military accomplishments during the war. It would be tragic for the Soviet at this point to permit doubts of her motives to mar this splendid record—tragic for both them and us—since it would react against all who want peace.

There are many detailed aspects of German demilitarization and reparations not dealt with here which can be covered in the discussion. The public statements of Messrs. Pawley and Lubin, our reparations commissioners, indicate a clear grasp of the issues. Whether the reparations agreement will have to be ratified by the Senate, I do not know. If so, the Russians and British should be told that now.

CONFUSION ABOUT CARTELS

This committee has asked that I discuss cartels. First, as I see it, we should determine just what we mean by a cartel. The Germans employed cartels as an instrument of economic warfare, which was what they did with every aspect of the German economy. Soviet Russia is an example of a completely cartelized state—only one buyer, only one seller—the Government. Within the British Empire, trade preferences or sterling bloc restrictions can accomplish the same effects as cartels; so can import and export quotas, compensatory payments, currency depreciations, wage reductions, or lengthening of hours. The last two are more disintegrating. Cartels are established for the purpose of advantage to those engaged in them but these advantages can be obtained in many different ways.

Are all cartels bad? Or are there good cartels as well? Is all competition good, no matter how destructive the result? Shall we return to the unrestricted jungle law of tooth and fang? We have legislated for both sides of the argument. We have antitrust laws and we have laws and commissions which seek to restrain competitive practice.

SOME COMPETITION BAD

In stabilizing farm practices, our Government, year after year, approves cartel-like practices and I think you gentlemen will agree with me that it is a good thing. I have always felt that in any area where competition becomes so disruptive as to hurt the general good, the Government was duty-bound to correct the worst effects of unbridled competition.

With some raw materials not produced in this country, we may find cartels forcing us to pay higher prices. Should our Government use its influence to see that our manufacturers are not squeezed, particularly where materials vital to our defense are involved? We can protect ourselves somewhat by keeping in reserve our stocks of these strategic materials.

PATENTS MEAN KNOW-HOW

Foremost in the minds of the committee, I gather, is the relationship between German, other foreign and American manufacturers in the use of patents. In most instances, I think you will find that Americans have improved upon the processes which they obtained through these negotiations. Should the Americans not have bought those patents? If that is the desired policy, it can be put into effect simply by prohibiting the use of those patent processes in America. This would force the things manufactured under those patents to be produced outside of the United States without benefit to our economy or increasing our know-how.

One proposal is that all international business agreements entered into by American firms be registered with the Government, say, the State Department. Any businessman should welcome such a law since it would free him of danger that a business act taken in good faith in one year could be accused against him years later, possibly under changed international conditions.

REGISTRATION NOT ENOUGH

Will the State Department or any other agency that is set up to handle such registrations know which agreements are in the national economic interest and which are not? Do we have enough of a positive foreign economic policy in this country?

This question goes beyond patent matters. Are American businessmen to be encouraged to invest abroad and to widen their exports and are their interests to be protected by the Government or disregarded? What if we grant Government credits to a country like Soviet Russia? What becomes of little business if it has to face an import and export monopoly of another government? Under the Bretton Woods agreements are loans to be made to countries which may evade the agreements through cartel-like methods?

ROUNDED POLICY NEEDED

I do not want to seem to leave you in confusion on this matter. What I am trying to get across is that there has been too much discussion of this question without regard to the part it plays in the broader picture of the need for a coherent American foreign economic policy, which we still lack.

Every report from abroad indicates the different nations of the world are becoming more—not less—cartelized—cartelized in many different forms, especially as to foreign trade. How free will the economy of any European country be after this war? What if certain industries in these countries are nationalized? What then becomes their position and how do we adjust ours to it? Suppose a United Nations registration of all cartels were suggested? What would that cover?

KEEP OUR LEADERSHIP

In conclusion, in making my recommendations, I have sought only to stimulate action so that we will exercise the leadership which is ours. I would not want to see that leadership which we have held for 150 years now lost to others or wasted through disuse.

A vastly better world lies ahead if we use the intelligence and gifts of nature that have been bestowed upon us. We cannot live alone. Be sure of that. Let us then encourage and help those who live with us to live our way, not to copy our way in detail, but to stand with us on the broad base of expanding human dignity and freedom.

The CHAIRMAN. Thank you, Mr. Baruch.

Mr. Baruch, I have prepared a series of questions which I would like to put to you and get your answers, if I may.

This morning's Washington Post carries a statement by Field Marshal Montgomery that the army of occupation would have to remain in Germany from 6 to 10 years. He is quoted as saying:

I don't agree with people who say Germany is down and out. The country is down on its knees and needs watching.

He says there are many young German officers who want a chance to prepare another war. Do your experience and your investigations confirm Field Marshal Montgomery's views?

Mr. BARUCH. They certainly do.

The CHAIRMAN. You believe, then, Germany is actually planning a third world war now?

Mr. BARUCH. I cannot recollect the couplet from Byron which tells of "the patient search and vigil long of him who treasures up a wrong." But war is the German's principal business, and always has been. I have documents here—reports from our military attaché in Germany—going back before the war, quoting the efforts of the German General Staff to prepare for war.

You have got to root them out—lock, stock, and barrel; hair, skin, and bones. You have to do that to the military caste in Germany.

The CHAIRMAN. Thank you. Mr. Baruch, from your knowledge of the development of the Nazi regime, would you consider that men like Krupp and other industrial leaders actively participated in planning the present war of aggression? To what extent would you consider them responsible for the atrocities and other crimes committed by the Nazis?

Mr. BARUCH. The answer is they did it.

The CHAIRMAN. Then there is no doubt—

Mr. BARUCH. There is no doubt whatever, whether they plotted or pulled the pistol, they are both guilty of murder.

The CHAIRMAN. So the war guilt extends to the German industrial leaders?

Mr. BARUCH. They are certainly guilty of carrying out the orders of Hitler. I do not know what punishment should be meted out to them, but they should not be permitted to have those industries again.

To continue the Krupps or any war-making industry of that kind, I do not think, is in the back of anybody's mind, except someone in an insane asylum.

The CHAIRMAN. I mentioned on the floor of the Senate that several German industrial leaders had gone to Spain and were already organizing there—

Mr. BARUCH. I know they will if they can. The thing to do is to root them out, and that is the reason I say German assets and business organizations in foreign countries should be pulled out—uprooted.

Senator O'MAHONEY. Mr. Chairman.

The CHAIRMAN. May I finish here, please? Off the record.

(Discussion off the record.)

The CHAIRMAN. Do you think, Mr. Baruch, we can dismantle or control the German economic war machine by selective control of certain key industries, as proposed in the Brookings Institution study made by Messrs. Moulton and Marlio?

Mr. BARUCH. I think I answered that in my statement.

The CHAIRMAN. You do not think so?

Mr. BARUCH. It is not sufficient.

The CHAIRMAN. Could you tell the committee more about the reasons why you believe reparations should take the form of labor rather than of the production of finished goods or the payment of money, as was done after World War I?

Mr. BARUCH. If our first object is to have a sure peace that means we have to deindustrialize Germany, and that means we must not let her pay in finished manufactured goods, even in kind, to such an extent that her war potential is restored and maintained. We must also see that her exports are not forced, which would pull us down, undercutting our living standards. Therefore her principal payment will have to be in labor. All the countries seem to want it so, and I would let them have it.

The CHAIRMAN. Mr. Baruch, can we avoid in using labor reparations, labor slavery?

Mr. BARUCH. What do you mean by labor slavery? This was an unconditional surrender. The workers involved in reparations are going to be paid something, I assume, and there will undoubtedly be some kind of arrangement to see they are not treated like the Germans treated their war prisoners and labor.

I do not think anyone has in mind the establishment of slave labor; I do not suppose the United Nations will undertake anything of that kind.

The CHAIRMAN. I do not suppose it, either, and I thank you for saying these persons will be paid and will have good jobs, or at least comparable with the jobs they have had in peacetime.

Mr. BARUCH. Well not "good jobs." They may not be as good as the ones they had before but they will be better than the ones they insisted upon the conquered United Nations having.

If you want to demilitarize Germany, do it, and do it as quickly as you can with decency and humanity. I do not want to see us do anything unjust—or unwise. I think we can do the just and wise thing together.

The CHAIRMAN. Do you believe it necessary to control German research and technological development?

Mr. BARUCH. I certainly do.

The CHAIRMAN. If so, should the control include chemical and physics research in universities, that is, basic science research, as well as industrial laboratories?

Mr. BARUCH. Yes, sir.

The CHAIRMAN. Should German scientific activity be reduced?

Mr. BARUCH. It should be kept under constant watch all of the time.

The CHAIRMAN. And controlled?

Mr. BARUCH. Yes, sir. There lies the greatest possibility of success in any future war.

The CHAIRMAN. As a result of the war experience there appears to be a great deal of interest in having our Government contribute greater support for research, particularly for national defense, health, and medical care, and basic science. Do you believe this is desirable?

Mr. BARUCH. I have never made a statement on any subject when I did not say that. I have said it today. I have never made a statement, on reconversion or in the rubber report, that I did not say something like that.

The CHAIRMAN. We would like to hear you repeat it, Mr. Baruch.

Mr. BARUCH. I think the educated man, the scientific man, not alone brings new things to us, but he brings us trained minds that can differentiate between good and bad, true and false.

There was something I started to tell you about the development of science along electronic lines. I am not a scientific man, but the idea is now being discussed by intelligent and realistic men, of using electronics to treat the lower grade ores much more efficiently and economically. That would open up tremendous possibilities to our country and to the whole world.

I only mention it because it lies along the line of the discussion.

The CHAIRMAN. I have noticed in the papers reports that individual German plants have already begun to operate. For example, only recently it was reported that the Zeiss optical works had been reopened. Do you think we are running any risks in starting up German industry of this kind before we develop our final policy on the treatment of Germany?

Mr. BARUCH. You will remember I said if we do not have a policy, there will be a vacuum, and something will fall into that vacuum, either the Germans or someone else. We ought to be ready to meet that, and I presume we are. As to any particular industry, I would not want to answer the specific question, but I think the men you have in charge of the occupation are perfectly capable men. I do not know what their policy is, but if it is to keep Germany down, they ought to know how to handle it.

They should watch, industry by industry, if that is what your question involves.

The CHAIRMAN. In the past Germany has imported food from other countries and has exported finished products. Is it your suggestion that this relationship between Germany and the surrounding countries now be reversed?

Mr. BARUCH. I saw a statement, either in 1938 or 1939, by the German food agency—my German is not good enough to remember the full name—in which it was claimed Germany was self-sufficient from the standpoint of food. Whether that is true or not, I do not know. How much of the bread basket is taken away with East Prussia I do not know, but the difficulties in many of these countries are not only a matter of food but other things as well.

For instance, you gentlemen who have been over France, have seen it is like a garden. There is considerable food in France, although some things here and there may be short, but they have no monetary system. A farmer who grows something does not want to take it to Paris because he will only get a piece of paper for his food and the paper isn't much good. What the conditions in Germany are I do not know. I think these problems will always be exaggerated because they

will try to weep us out of all determination to control Germany. I saw it done once before.

The CHAIRMAN. In flying over Germany and France a little while ago it was apparent every farm in both countries had been properly prepared and each farm was full of fine prospective crops. The Germans have a basic advantage. Aside from the money difficulty in France, France is very short of fertilizing materials, while Germany has plenty of them. So as between countries with full farms, one would produce a better crop than the other.

Mr. BARUCH. I think the thing that would affect Germany and the whole situation is what monetary unit, transportation, and communications there will be between the four zones; how free is enterprise to be; how freely can the people produce and move; will they have four customs to go through, or not?

Those questions will have to be answered before you can answer the one you are discussing. If the military authorities set up a system that will permit free intercourse, a monetary system, and a transportation system, their food problem will not be as bad as we think or as has been suggested.

The CHAIRMAN. To what extent do you think the administration of the four separate occupation areas can be carried on independently by the British, French, Russians, and ourselves, and to what extent is unified control in administration needed?

Mr. BARUCH. I thought that question would be asked, so I prepared these notes:

Different sections of Germany might receive markedly different treatment and Germany would have opportunities to play the Allies against each other.

The eastern half of Germany has a food surplus which is needed in the west.

It would be difficult to enforce a rational reparations policy without unified control.

Finally there would be much greater danger of rivalry between the Allies over Germany.

Some raw materials from the Ruhr might have to be moved to Silesia and some Silesian materials be moved elsewhere. You should have a complete flow of men, food, everything, including telephonic and telegraphic communications, between the zones.

I have great confidence in Eisenhower—but there will be frictions and difficulties that the Germans will try to raise between the four occupying countries. It is not going to be an easy job.

The CHAIRMAN. You will remember in the last war we occupied only the Rhineland; we had the British at Cologne, the Americans at Coblenz, and the French at Metz, and the Italians farther down, and it was only a matter of months before the Germans began to weigh one against the other, and it resulted in chaos, rather than the right kind of administration. Can we avoid that this time?

Mr. BARUCH. It is much more necessary to avoid it now than before, because the relationship between the three great powers is the most important thing—England, Russia, and the United States, if they can hang together—and France of course. But the three great powers must hang together.

The CHAIRMAN. There is a much more complex administration because of the two sides, from the east and the west.

Mr. BARUCH. That is right.

The CHAIRMAN. Could you expand your statement, "What is done with Germany holds the key to whether Russia, Britain, and the United States can continue to get along"?

Mr. BARUCH. It seems so self-evident, as I said a moment ago, and partly answered the question. We have these three great powers. If they cannot get along in Germany, can they get along in anything else? If, in the new task of keeping the enemy down, we cannot get along together, as we did during the war to destroy the enemy, we will never get a lasting peace organization.

What we determine with Germany will affect the economic relations of the rest of the world. I could not say what would happen to loans or tariffs, or monetary relationships, until you determine what effect Germany is going to have upon the rest of the world.

I do not think that during the first 5 or 7 years it will make much difference what you do. There will be a tremendous demand for goods. In most of the countries of the world there isn't going to be much to sell, in my opinion; no large excesses beyond what can be produced to meet that country's own demands. In England they talk a great deal about exports. They will not have much to export. From sources I consider authoritative, I know the British workman has 100 to 300 pounds' savings, more than ever before. He will want to buy something. If this demand is met, where will they get any goods to export? Even if Empire preferences and sterling blocs are kept, we could jump all of the barriers they raise for 5 years.

Canada and Australia and the Dominions, if they want to buy goods, will not wait until the day after tomorrow to buy them from the home country. They will want the goods right away. You know how the people in England need things. You know what people in our country do when they have money and want something.

That is one of the great problems you gentlemen will have to face, supplying soon enough the tremendous demand for goods—which goes into the great question of inflation.

To return to your specific question on the importance of the German problem, if we can settle this policy and gear all of our economies into that, it will keep the relationships between countries sweet. That is so important. I do not mean that we should give way on any great American principles to do that. If something is worth fighting for, we will have to fight, but I do not want to fight; I have seen enough of that.

I would like to see us work out an agreement and I do not see any difference which, with wisdom and tolerance, cannot be worked out.

That is rather long-winded, but it seems to me I covered a good many of these questions in my answers before.

The CHAIRMAN. I thank the members of the committee for letting me proceed.

Senator O'Mahoney?

Senator O'MAHONEY. Thank you, Mr. Chairman.

I was about to say, Mr. Baruch, that first of all I should like to remark that I know of no other private citizen who could have brought so many members of the Senate to one committee meeting as you have done this morning.

Mr. BARUCH. I thank them all for being present.

Senator O'MAHONEY. You have made a very lucid statement, and I think one of the most important statements that have been made.

I was prompted to ask for opportunity to question you when you referred to the Krupp works. Last Sunday, in the New York Times, there was a story to the effect that the Krupp works were already constructing steel structural pieces for bridge work, at the orders of the United States Army. There was a story to the effect that the Ford plant at Cologne is now operating under orders from the American Army to build some 500 trucks. I understand the International Harvester is operating its plants in Germany.

Have you anything to say about that development?

Mr. BARUCH. I referred to that in my statement. We are bound to be attracted by the thought that there is a terrific shortage in the world and we had better get some of these things produced now. Tractors and trucks are needed in Germany, so why not, for 6 months or a year, let them get busy, and that will relieve the pressure over here?

That is a hard argument to overcome. I do not want to see these industries started on any scale because that might lull us to sleep, and we would find these industries reestablished permanently. I have heard the problem discussed in a great many quarters, and I think it is a dangerous procedure to permit them to do that.

Senator O'MAHONEY. Do you mean to recommend that as a permanent policy we should deprive the people of Germany of the opportunity to supply their own needs in these heavy industries?

Mr. BARUCH. If it would build a war machine.

Senator O'MAHONEY. Your real purpose is to prevent the building of a war machine?

Mr. BARUCH. That is my No. 1 proposition. No matter what it may entail—our casualties are already tremendous and we have a terrific war in the Far East on our hands.

Senator O'MAHONEY. The primary purpose is to adopt a policy which will prevent the utilization of heavy industry, of patents and of industrial processes for the purpose of dominating the economic life of the world and to declare a war?

Mr. BARUCH. That is right, sir.

Senator O'MAHONEY. May I call attention to page 22 of your statements? After having referred to the registration of cartel agreements, you say this, and I am reading from the top of page 22:

Will the State Department or any other agency that is set up to handle such registrations know which agreements are in the national economic interest and which are not? Do we have enough of a positive foreign economic policy in this country?

Can we adopt a foreign economic policy without having a domestic economic policy?

Mr. BARUCH. Surely not.

Senator O'MAHONEY. Well, are we to—

Mr. BARUCH. Let me say this, which I believe will answer your question.

If we do not control our inflation, it is going to change our economic policy completely, because if our prices soar too high nobody will be able to sell us anything.

Senator O'MAHONEY. Now, I assume from what you say on page 9 in paragraph 12 with respect to the development of a positive foreign economic policy, that it is your belief—I take it from your statement

in paragraph 12 advising us to develop a positive foreign statement policy, your belief is such a policy should be designed "to preserve the American free enterprise system in a world drifting to cartelizations of various kind."

Mr. BARUCH. That is right.

Senator O'MAHONEY. Then, are we to understand that your recommendation here is that if cartel agreements tend to suppress free enterprise, cartel agreements rather than free enterprise should be brought to destruction?

Mr. BARUCH. I am in favor of free enterprise as against the other, surely.

Senator O'MAHONEY. So, any type of economic organization, whether in the United States or abroad, which fences in free enterprise, that being the enterprise of the individual, is unwise from our point of view?

Mr. BARUCH. I wonder if you realize the extent to which the world has become cartelized. Russia is one country, with one buyer and one seller. There is no free enterprise there. We are going to cartelize Germany in the sense that it is going to be controlled; all her exports and imports will be controlled. De Gaulle has announced he is going to nationalize certain industries. There is a great political discussion in England today about nationalizing industry there. I am not talking for or against it. Coal is one industry which may be nationalized and England exports a good deal of coal. I am afraid if they commence to nationalize one or two or three things, that will make them drift into other things.

I certainly favor free enterprise. But as I say in my statement, our system of free enterprise is being encompassed on all sides by world cartels. How are we going to meet that issue?

Senator O'MAHONEY. Do you have in mind that free enterprise cannot endure in the face of either private or Government cartels?

Mr. BARUCH. Unfortunately, we have a few of them ourselves, Senator.

Senator O'MAHONEY. That is what I want to emphasize.

Mr. BARUCH. We have legislated on both sides of this question. I fought very hard for the agricultural program, as some of you gentlemen know. We got pretty well cartelized agriculturally, and we tried to do it internationally. Under the Webb-Pomerene Act, exporters in this country can get together and sell against the rest of the world as one seller.

Take the railroads. When I was a young man, everybody got after the railroads as the great trust. Since they have gone through receiverships, they do not bother them so much. Today we have a Government institution, the Interstate Commerce Commission, run by good men.

The Government, through that agency, makes the rates, and you cannot raise or lower rates without the approval of the ICC. They tell you what kind of service you can give, and you can go there with a complaint and get your service changed if you do not like it. You cannot rip up any tracks without the approval of the ICC; you cannot reorganize your property without its approval. The Government tells you what securities you can sell, at what price, and the manner in which you can sell them. You cannot cut rates.

There is nothing you can do on a railroad that is not supervised or directed by the Government, even on the question of wages. As you know, we have a very excellent arrangement in that regard, the wage matters being handled by the Mediation Board. Yet, with the railroads so much under Government regulation—and I am not reflecting upon the Government—an action is brought against them on the ground of being a trust.

Now comes civilian aviation. The Civil Aeronautics Board decides what companies fly where and under what conditions they operate, their rates, and other things. As you know, aviation is getting to be one of the most important, if not the most important, method of transportation. What rules and regulations is Congress going to make for that so there will not be a kind of no man's land of doubt as to what these companies or businesses can do under an act of Congress?

Excuse me for going off on that tangent.

Senator O'MAHONEY. It is always very interesting and we like to have your tangents.

Mr. Chairman, may I ask one more question? I would like to call Mr. Baruch's attention to page 10 of his statement and his recommendation No. 13, which reads as follows:

I would insert into all financial and economic arrangements we make a denunciation clause giving us the right to terminate any agreement which results in lowering of wages or lengthening of hours—an undercutting of human standards.

I assume you are referring there to wages and hours of American workers.

Mr. BARUCH. Yes, sir.

Senator O'MAHONEY. And when you speak of "economic arrangements," you mean reciprocal trade agreements?

Mr. BARUCH. To all economic and financial agreements. I am not referring to tariffs alone but am pointing my gun at them, too.

Senator O'MAHONEY. So your recommendation on any reciprocal trade agreement which results in the lowering of wages or lengthening of hours of American workmen is that it ought to be subject to denunciation?

Mr. BARUCH. Yes.

Senator O'MAHONEY. I am glad to have you give your answer in the affirmative.

The CHAIRMAN. Senator Hill.

Senator HILL. Not at present.

The CHAIRMAN. Senator Austin?

Senator AUSTIN. Mr. Baruch, I am attracted by something that appears on the first page, "What is done with Germany holds the key to whether Russia, Britain, and the United States can continue to get along."

Assuming that is true, the practical question arises in my mind of how and by what means we are going to arrive at an agreement for the years in which four different parts of Germany are occupied by military troops controlled separately by four different countries. Is it not true that we cannot have a unified policy of the four countries except through the agreement of these military officers; the military government, in other words, of four countries will have to be respon-

sible for whatever arrangement is made to unify the policy over Germany during that time. Is that not true?

Mr. BARUCH. They will have to carry out the policy agreed upon; they do not make the policy.

Senator AUSTIN. Does your emphasis on carrying out mean you envisage an agreement entered into by those countries, and many others, with respect to the economic policy on Germany? That is what I am after, really, and I am trying to see what your plan contemplates. Does it contemplate an agreement made by the diplomatic departments of these several governments and other governments, rather than an agreement among the military powers of those four that are going to occupy it?

Mr. BARUCH. As I understand it, Senator, the policy is made by the governments themselves and then given to Eisenhower and his people to execute. There are two hurdles—one, getting together on a policy and, second, when you have given it to these four men to execute in four different areas. The method and manner of executing that policy is going to be another hurdle.

I do not know whether we can go back and do anything different now, but that leaves the power of veto to one of the four; there must be unanimity.

Senator AUSTIN. Yes; there has to be uniformity of agreement.

Mr. BARUCH. Yes; and we have that in the San Francisco arrangement. It is not going to be easy. It is going to take all of the wisdom and tolerance. I realize we will have to go through something to bring this about. If I were easily discouraged, I might be, but I think we are making progress all of the time. I would rather see some other arrangement, but we might as well see what we can do with what we have, recognizing the difficulties involved, and try to meet them. I would like to meet them right away.

Senator AUSTIN. I gather your view of the matter contemplates the military occupancy of these four parts of Germany as cooperating as an operating agency, and administrative rather than policy making; is that right?

Mr. BARUCH. Yes, sir.

Senator AUSTIN. That is all.

The CHAIRMAN. Senator Gurney?

Senator GURNEY. Thank you, Mr. Chairman.

Mr. Baruch, you mentioned universal military training, and I thank you for that. Certainly you would not have mentioned it if you did not feel it was a necessary insurance in this time of uncertainty.

Mr. BARUCH. Quite right. I did not go into the argument about it because you have heard all of the pros and cons.

Senator GURNEY. That is right. I want to ask you just one or two small questions on that program that you advocate. You have been in Europe for some time and have talked with our Army men and our GI's over there.

There is a great deal of talk here that it should be delayed until our soldiers are back and voting for themselves. What do you think those soldiers and sailors—do you think they regard it as something we should not tackle until they get home?

Mr. BARUCH. I have made up my mind; I do not know what they think about it.

Senator GURNEY. That was my question.

Mr. BARUCH. That is a human or political problem, but I am satisfied if those young men do not feel it now, in a few years they will feel as I do. I have seen two wars. I have seen 25,000,000 people killed, and I do not know how many more made homeless like stray dogs, all over the world, with no place to go and no citizenship. There is no use talking about peace unless you are ready to enforce it.

Had this country been ready, there never would have been a war. That is what I think.

Senator GURNEY. Thank you very much.

Mr. BARUCH. We have to have adequate force. As soon as America goes into organization with the rest of the world and says, "We are going to carry this through and have the means"—no conversation—I have seen conversation twice, and it is no good. We have to be ready for action, and that is what I am talking about.

I want to prevent these GI's and sailor boys having to do it all over again, with infinitely greater suffering to them and civilians. I have seen four generations, whose lives have been disrupted, and whether you want to consult them or not, I would not want to change my mind.

Senator GURNEY. I would still be interested in whether you had any observations on the thoughts of the soldiers you contacted overseas.

Mr. BARUCH. My general impression from contact with these boys is that they want to fix it so it will not happen again.

Senator GURNEY. From your long experience and general good powers of observation, what do you think will happen to our educational system in this country provided we take boys between high school and college and give them 1 year's training? The direct question I want your thought on is, Will more go to college or will fewer, after 1 year's training?

Mr. BARUCH. Your question, if I heard it correctly, is what will happen to the youth of the country if we take a year out of their lives to train them?

Senator GURNEY. Yes.

Mr. BARUCH. I think it would be a darn good thing. I would like to have had it myself. Of course, that is easy for me to say at 74.

It might take a year out of their lives, but I think education is more than something in the head; it is mental and physical discipline. The boys and girls who have to fight to get their education must undergo mental and physical discipline, and they are the ones who generally make good.

I do not think it will do them any harm, but that they will get great gain, a credit instead of a debit.

Senator GURNEY. Do you think because of taking 1 year universal military training a greater or lesser number will go to college?

Mr. BARUCH. A greater or lesser number go to college?

Senator GURNEY. That is right. Will it stop them from going on with their college education?

Mr. BARUCH. I should not think so. It should not make any difference. You have got to decide whether you are going to stop wars or not. I am over here on this side—to stop wars—and there is the other side. It is not going to be a cakewalk or a honeymoon. This is tough self-control we have to enter into. We have to make up our minds whether we will institute something here that will prevent war or keep people from warring with us. That is the first thing to decide.

There are bound to be a lot of unpleasant things about it.

Senator GURNEY. Thank you.

The CHAIRMAN. Senator Johnson?

Senator JOHNSON of Colorado. Mr. Baruch, I want to congratulate you upon being the author of a document that is timely and thought-provoking. Of course, you do not expect all of us to agree with everything you say, and I most heartily disagree with some of your conclusions but, of course, that is my American privilege.

I will not go into them, but I want to refer briefly to the observation made by Senator Austin from page 1, "What is done to Germany holds the key to whether Russia, Britain, and the United States can continue to get along."

The fact we have divided Germany into zones with four different policies, probably indicates a weakness in the very heart of the United Nations, as I see it. What do you think about that?

Mr. BARUCH. As I replied to Senator Austin, there are several hurdles to be overcome. The first is getting a policy, and the second is the manner and method of carrying it out. It is going to be difficult. No doubt about it, but I do not see any other way out of it.

We have to try, unless you say we are going it alone. You have to make up your mind whether we are going to have peace with the rest of the world.

Senator JOHNSON of Colorado. But the fact we have divided Germany into four zones with four different policies, does that not indicate the United Nations cannot get along and the only way they could make agreement as to the disposition of Germany was to divide it into separate direction and policy?

Mr. BARUCH. No; I do not say that.

Senator JOHNSON of Colorado. No; but I did.

Mr. BARUCH. It is a fait accompli I am facing. I would have preferred to see it under one command, but it has been decided otherwise, and I am trying to face conditions as I see them and not as I would like to have them.

Senator JOHNSON of Colorado. I understand that very well and I think your position is sound, and I am in agreement except my conclusion is the fact we divided up the problem shows we have not a perfect set-up from the United Nations point of view.

The next observation I have, I am heartily in agreement with your No. 1 purpose, which you have said is to demilitarize Germany and keep her from making war again.

Mr. BARUCH. Until she has had a rebirth.

Senator JOHNSON of Colorado. I think with that objective, all right-thinking people must join you. But all through your testimony today I have noted you have a No. 2 purpose, which seems to be grounded in a fear of Germany's industry, science, thrift, and ability to work hard. You seem to want to get away from the competition that Germany might give. I am somewhat disappointed in your No. 2 objective.

Mr. BARUCH. What did you say my No. 2 objective is?

Senator JOHNSON of Colorado. It seems to be grounded, as I say, in fear of German industry, German competition in industry, in science, in thrift, and all of those things.

Mr. BARUCH. I will be glad to answer. German industry is a war industry, and I have document after document which will show that the general staff regarded Germany's economy as a war economy,

how all of its diplomacy and all of its business and other activities were geared to the war machine. There is indubitable evidence of that over the years that have gone by.

I do not want to discourage the thrift and hard work and all of that kind of thing—

Senator JOHNSON of Colorado. Or the science?

Mr. BARUCH. I do not want to discourage German thrift and science and hard work, but I do want to keep these things from being geared to a war machine again, just as the Japs have tied their people, like a lot of peons, to their war machine.

Senator JOHNSON of Colorado. I am in complete agreement with that objective, but it seems to me you go far beyond her potentialities as a war-making country.

Mr. BARUCH. That may be possible, but I do not think so. I think you will find several times in my statement I have said, "Until Germany has a rebirth." I would not trust her until there is a rebirth. You just cannot take that chance. I have seen it twice and so have you, Senator.

Senator JOHNSON of Colorado. Are you going to help in that rebirth or hinder it?

Mr. BARUCH. What is that?

Senator JOHNSON of Colorado. Are you going to be helpful toward that rebirth or hinder it?

Mr. BARUCH. I do not think it will hinder it. I think as soon as Germany shows any inclination toward conversion or gets religion, I think it will be observable to everybody, and I think the American people, and also the English, will be the first ones to change their viewpoints. I saw it change pretty fast the last time.

Senator JOHNSON of Colorado. On page 8 in paragraph 7, you say, "there should be a free look-see for all the United Nations throughout Europe." Just what do you mean by that? Do you mean the United States should have an observation agency all through Europe, including Russia, and know what is going on everywhere?

Mr. BARUCH. Let us be very frank about it. I mean Americans should be permitted to go into Poland, Bulgaria, and all of the other countries that have been occupied by our associates in the war.

Senator JOHNSON of Colorado. I am glad you mean that, and I hope we may make it one of our key objectives.

Mr. BARUCH. If we allow the Russians in here to have a look-see, I want the same right. I do not want to pry into anyone's political methods; I want to keep my nose out of their politics, but I think it should be a 50-50 proposition.

Senator JOHNSON of Colorado. That would be good for us and would be good for them.

Mr. BARUCH. I did not hear you.

Senator JOHNSON of Colorado. It would be mutually beneficial?

Mr. BARUCH. Certainly, sir.

Senator JOHNSON of Colorado. On page 19 you say, in the second paragraph:

By doing our homework before going to conferences, agreements can be free of ambiguity.

What do you mean by "our homework"?

Mr. BARUCH. I want to be frank with you. There seems to be a good deal of doubt as to what took place in regard to Poland, and I

do not know whether it was because our full homework was not done before the agreement was signed. Again, the Bulgarians wanted to surrender to us, but we were not ready. I am not blaming anybody because we had a terrific job. But when the Bulgarians wanted to surrender to us, we were not ready and while we were arguing about it, or getting ready, the Russians moved in.

Senator JOHNSON of Colorado. What is the "homework"?

Mr. BARUCH. I mean study and preparation—preparing for problems that will come up at any conference. I did a lot of homework for this before I came here.

Senator JOHNSON of Colorado. That is all, Mr. Chairman.

The CHAIRMAN. Senator Guffey?

Senator GUFFEY. In the last World War, No. 1, I had the pleasure of serving on Mr. Baruch's war service committee, and from that experience I know how careful he is in investigation, and when he makes a recommendation, I have to disagree with my friend from Colorado, and thoroughly approve all of them.

Mr. BARUCH. Thank you, sir.

The CHAIRMAN. Senator Revercomb?

Senator REVERCOMB. Mr. Baruch, you have spoken interestingly here of Russia. I ask you, do you believe Russia will expand her European domain beyond the boundaries she had prior to this war?

Mr. BARUCH. I did not quite get that, Senator.

Senator REVERCOMB. Do you believe Russia will expand her physical domain in Europe?

Mr. BARUCH. I would want to if I were a Russian. If I were a Russian I would want to get every impregnable wall or semi-impregnable wall to protect myself. I would do what she is trying to do—to have all along her border countries under Russian influence.

Mind you, I am not advocating that, I am trying to answer your question of what I believe the Russians want to do. Do not forget that Russia has long had a desire to get to warm-water ports. Maybe she will make some demand about Kiel. I do not know what is in her mind because I have not seen any Russians since the war.

They may want to get to the Mediterranean and undoubtedly are casting eyes toward the Persian Gulf and watching interestedly proceedings on the Chinese and Japanese fronts.

That is what I meant in my statement by "other fronts" in which they were interested.

Senator REVERCOMB. I am thinking particularly of the small, independent countries, Lithuania, Latvia, Estonia, who were innocent victims of this war. Do you think that any American can give the stamp of approval to any such plan, when we are trying to settle the whole postwar problem on a basis of fairness and justice for the weak as well as the strong?

Mr. BARUCH. I did not quite get the question. Do you mean we cannot approve of anything that does not meet with the conscience of America? That is one reason why we should have a look-see, the right to go into all of Europe. We have a responsibility we cannot shirk. How far we want to go on any specific issue is another question. In some instances we may decide there is nothing we can do about it. When we come to what I consider the vital political, spiritual, and human side of American interests, when those are affected, I would say, "Stop right here."

While I do not want to fight, I am not much for appeasement.

However, I do not think you will have to do much. I am not in the know; I am not in the look-see, but I do know it is important to get along with these people and we should do everything we can to do it.

Senator REVERCOMB. But there is a limit beyond which we should not go.

Mr. BARUCH. Not too much—

Senator REVERCOMB. That is right.

You have made a statement with which I heartily agree, that peace will be kept in the world only by the three great powers. In my opinion we will only have peace as long as the three strong-arm powers get along together.

Mr. BARUCH. Unless we have all I have talked about in the way of preparedness nobody will pay any attention to us. The world has been amazed by our great military machinery. On the same day that Von Rundstedt hit us on the western front we landed in the Philippines thousands of miles away—two full-scale tremendous operations, with all the logistics involved, going on at the same time. Besides that, we are scattered all over the globe. No country's achievement is comparable to what this country has done. All we have to do is let them know we are ready and nobody is going to tackle this country with the power that they have seen.

That is the price we must pay not only for peace but freedom. If we have that, when we say something they will know we mean it.

I do not know whether I have answered your question or not.

Senator REVERCOMB. I agree with the view expressed.

Now, coming back to the question of getting along, you do not mean to say we should surrender our views of what is just and right in order to get along with any nation in the world?

Mr. BARUCH. I did not quite get that. I would do anything to get along except to give up our vital human rights. I would let everyone know we would go just so far and no farther, and as long as you have this tremendous power back of you, this tremendous know-how—not an armed camp—they will respect what you say. These great nations are going to move as fast and as far as they can and it is up to us to see they do not affect our vital interests.

I do not want to force any war, but you have to look out and see that no one surrounds us and is able to make war against us at will.

Senator REVERCOMB. Our desire to get along with the powers of the world does not require we give up our own views of what is right in the treatment of smaller nations, does it?

Mr. BARUCH. You say we should not give up our future—

Senator REVERCOMB. Not give up our views on the rights of the smaller nations in order to appease any power in the world.

Mr. BARUCH. No. I do not think we should give up on high principles to appease anybody, and we have shown that. All we have to do is to be ready, and when we say something it will mean something.

Senator REVERCOMB. Thank you.

The CHAIRMAN. Senator Johnston.

Senator JOHNSTON. I have enjoyed very much what you have had to say here today, Mr. Baruch. Having lived in Germany for about 6 months in the Army of Occupation after the last World War, when we in the Army of Occupation did nothing, as I see it, to try to

prevent or keep another war from coming, and at this time, as I see it, our Nation is going to be watched more than any other nation in the world, the attitude we take toward Germany and toward the other nations of the world to prevent another war, the attitude we take in the formation of some kind of an organization to try to prevent another war, is a great duty upon the backs of Americans today.

Having been a soldier in the last World War, the question has come up, What would be the attitude of the soldier boy if we should go ahead and act while he is away; what do you think would be the attitude of the soldier toward preventing war, to keep from having another war?

Mr. BARUCH. What would be what?

Senator JOHNSTON. What do you think would be the attitude of the soldier when the people back home are trying to do something to prevent another war; do you think they would ask us to do something or sit idly by and wait?

Mr. BARUCH. I think they would want us to do something.

Senator JOHNSTON. Now, in regard to universal training, what percent of the young men go to college? Do you have the statistics?

Mr. BARUCH. What percentage do what?

Senator JOHNSTON. What percent of the young men of America have attended college in the past? It is very low, is it not, as they reach 21?

Mr. BARUCH. Do you mean how many enter?

Senator JOHNSTON. Yes.

Mr. BARUCH. I could not answer that.

The CHAIRMAN. There are about 900,000 young men, not counting women, who turn 18 every year, and there are about 1,000,000 students in the United States of collegiate grade.

Senator JOHNSTON. Could something be worked out, in your opinion, Mr. Baruch, to permit the young men who desire to go to college to take such training in college, something like the ROTC?

Mr. BARUCH. We are talking about universal military service. I believe in it and I believe in it from my own experience. A wise man like General Marshall, who has elements of greatness about him, and Eisenhower, who is not only a soldier but a statesman, both believe in it. I believe in universal military service. When we get ready to stand up for our rights, we want to be ready.

Of course, it will inconvenience a lot of people. You cannot eat your pie and have it at the same time. There are a lot of things you do not like to do. There will be a lot of unpleasant things which will have to be swallowed if we are to have peace.

Senator JOHNSTON. So you think if we have a strong trained Army the other nations will hesitate before they begin a war?

Mr. BARUCH. I want universal military training so that everybody will have the physical and mental training and knowledge of the use of arms.

The CHAIRMAN. Senator White, did you have a question?

Mr. WHITE. I would like to ask a question.

Speaking of the future of Germany in solving the problems of Germany's place in the world's trade and business, what is your idea of what the Germans will use for money?

Mr. BARUCH. Did you ask what will they use for money?

Mr. WHITE. What will they use for money in establishing their place in the world? They are going to be a factor; they are efficient and industrious, and I am wondering in the light of past experience, what the Germans will use for money, domestically or internationally.

Mr. BARUCH. I do not think they will have much chance for a good many years, until they have shown a rebirth and ability to live in peace with their neighbors. When that is done I am quite sure there will be no difficulty in their getting credit. Certainly after the last war they got it in great quantity.

Mr. WHITE. Will we rehabilitate German credit as a means of doing business with them?

Mr. BARUCH. I do not want to build up their machinery now; I do not want to do business with them now. I do not think they should be permitted to produce beyond what they need for their own necessities. I want to break their war machine once and for all. I want to keep them from exporting and waging economic war as well as military war. Germany and Japan have cut down the living standards in this and other countries by excessive governmental subsidies on exports.

Mr. WHITE. Do you think permanent peace lies in the direction of subduing and keeping these people from doing business and participating in world trade?

Mr. BARUCH. Until war is displaced as their chief business, certainly, if you want to keep out of war. If our first object is to keep them from having another war machine, you have to do what needs to be done. You cannot let them revive industrially and become a war-like nation again.

I have made my choice. This is the Second World War I have seen, and I do not want to see a third one. In my opinion you cannot industrialize Germany and keep her from being a war agency.

Mr. WHITE. Thank you.

The CHAIRMAN. Senator Hill?

Senator HILL. I find myself so much in accord with what Mr. Baruch has said that, although there are many questions we might ask, I shall not ask any questions at this time. I have been listening to Mr. Baruch too many years for Mr. Baruch and me to admit. He always comes with an able and informative challenging statement, but I do not think, Mr. Baruch, you have ever come with a finer or more important or more statesmanlike statement than you have brought here this morning. I think you have made a very magnificent contribution to the tremendous problem that challenges the Congress and the American people at this hour.

Mr. BARUCH. Thank you very much.

The CHAIRMAN. Thank you, Mr. Baruch.

The hearing will stand in recess.

(Whereupon, at 12:25 p. m., the committee adjourned.)

×

17592: 4217.22
ELIMINATION OF GERMAN RESOURCES FOR WAR



HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 107
(78th Congress)

AND

S. Res. 146
(79th Congress)

AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS

PART 2

TESTIMONY OF
STATE DEPARTMENT

JUNE 25, 1945

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

74241

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, *Utah, Chairman*

EDWIN C. JOHNSON, Colorado	WARREN R. AUSTIN, Vermont
LISTER HILL, Alabama	STYLES BRIDGES, New Hampshire
SHERIDAN DOWNEY, California	CHAN GURNEY, South Dakota
ALBERT B. CHANDLER, Kentucky	CHAPMAN REVERCOMB, West Virginia
HARLEY M. KILGORE, West Virginia	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	JOHN THOMAS, Idaho
JOSEPH C. O'MAHONEY, Wyoming	HAROLD H. BURTON, Ohio
ROBERT F. WAGNER, New York	
TOM STEWART, Tennessee	
BURNET R. MAYBANK, South Carolina	

PAUL BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, *West Virginia, Chairman*

ELBERT D. THOMAS, Utah	CHAPMAN REVERCOMB, West Virginia
EDWIN C. JOHNSON, Colorado	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

CONTENTS

Testimony of William L. Clayton, Assistant Secretary of State.....	Page 29
--	--------------------------

SCHEDULE OF EXHIBITS

No.	Exhibit	Appears on p. —
1	Summary of the findings of the report on the examination of the affairs of the German Transatlantic Bank (Banco Aleman Transatlantico) in Montevideo.....	85
2	Bayer letters (letters from the Bayer subsidiaries in Argentina to Farbenindustrie in Leverkusen, Germany).....	91
3	Excerpts from the report on the third meeting of the Ministers of Foreign Affairs of the American republics, Rio De Janeiro, Brazil, Jan. 15 to 28, 1942.....	94
4	Final act of the Inter-American Conference on Systems of Economic and Financial Control, Washington, June 30, July 10, 1942.....	97
5	Blocking resolutions.....	104
6	Brazil blocking decree.....	110
7	The elimination of enemy interests in spearheads of Axis economic penetration.....	115
8	Charts on proclaimed list.....	127
9	Charts on enemy trading list.....	131
10	Statements of May 4, 1944, and Sept. 25, 1944.....	132
11	Final act of the Inter-American Conference on Problems of War and Peace.....	133
12	Interallied declaration on Axis acts of dispossession.....	134
13	Gold declaration of Feb. 22, 1944.....	134
14	Bretton Woods Resolution VI adopted by the United Nations Monetary and Financial Conference at Bretton Woods, N. H.....	135
15	Model note to a neutral country regarding Safehaven objectives.....	136
16	Swiss federal decree regarding provisional measures for regulation of payments between Switzerland and Germany.....	138
17	Spanish blocking decree.....	140

ELIMINATION OF GERMAN RESOURCES FOR WAR

MONDAY, JUNE 25, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:40 a. m., pursuant to call of the chairman, in room 318, Senate Office Building, Senator Harley M. Kilgore, West Virginia (chairman) presiding.

Present: Senators Harley M. Kilgore, of West Virginia, James E. Murray, of Montana.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order.

If you will come forward, Mr. Clayton, with such members of your staff as you may want with you, we will begin.

First, I want to put in the record the announcement of the hearings of this week, together with the documents released on last Thursday, as part of the record in lieu of an opening statement.

(The announcement referred to follows:)

COMMITTEE ON MILITARY AFFAIRS, SUBCOMMITTEE ON WAR MOBILIZATION

STATEMENT BY SENATOR HARLEY M. KILGORE

Senator Harley M. Kilgore (West Virginia), chairman of the War Mobilization Subcommittee of the Senate Military Affairs Committee, today announced that the subcommittee will hold a week of preliminary fact-finding hearings, beginning June 25, on the economic base for German aggression.

Subcommittee hearings will be preceded by the appearance of Bernard Baruch before the full Military Affairs Committee (Chairman Senator Elbert D. Thomas, Utah) on Friday, June 22, room 183 of the Senate Office Building, to testify on the same subject.

Witnesses who have been asked to testify before the subcommittee include Assistant Secretary of State William L. Clayton, who is scheduled for Monday, June 25, Senate Office Building, room 318; Foreign Economic Administrator Leo T. Crowley, on June 26 in room 357; Michael L. Hoffman, Acting Director, Foreign Funds Control, Treasury, June 27, room 357; Assistant Attorney General Wendell Berge, June 28, room 357; Maj. Gen. John H. Hildring, head of the Civil Affairs Division, War Department, June 29, room 357. Other agencies, among them the Office of Alien Property Custodian and the Office of Strategic Services, have been asked to file statements and supporting materials which the subcommittee will make public.

In connection with the hearings, Senator Kilgore released a press story of a recent interview with the manager of the Krupp Works obtained by an American newspaperman, and a number of hitherto confidential documents which came to the attention of the subcommittee in the course of its investigations of German economic warfare. Senator Kilgore pointed out that these documents—a report on the postwar plans of the Krupp Armaments Works, a statement on the connections of its Essen manager, Eduard Houdremont, with the Nazi Government, and a memorandum on a secret meeting of German industrialists in August 1944 to discuss the post-defeat military revival of Germany—are evidence of how German industry worked hand in hand with the Nazi Party to unloose against the world a war of aggression.

The Senator stated further:

Documentary material of this type shows that with the defeat of the German Army and the discrediting of the Nazi Party, the German cartelists are attempting to dissociate themselves from their coconspirators. Masquerading as “neutral” businessmen without political allegiance, they have already conceived vicious plans for a third attempt at world conquest.

Senator Kilgore explained that the subcommittee’s interest in the economic base for German aggression is an outgrowth of its earlier investigations on cartels and national security.

The Senator quoted from a report on that subject issued by the subcommittee in November 1944:

At the end of the First World War Germany was outwardly a defeated nation. It was assumed that the sources of her military strength had been dried up when she was disarmed. But this was not the case. The war had greatly expanded the industries on which Germany had depended to supply the armaments, munitions, and raw materials for the German war machine. Defeat did not permanently reduce the productive capacity of these industries, nor did it alter their high degree of concentration or impair their position of dominance in the German economy. * * * The German aggressors have begun to pursue a strategy which they found successful a quarter century ago; they are already deploying their economic reserves throughout the world in preparation for a third attempt at world domination.

Senator Kilgore expressed the hope that the witnesses to be heard by the subcommittee would give particular attention to the technological aspects of Germany’s economy. He said:

Because of her tremendous technological advances, Germany for the past 50 years has been a leader in the development and sale of war material in time of peace.

The Senator added:

Germany must be deprived of the devices and techniques which she has used to menace world peace. Effective elimination of German economic warfare is not only a first step toward national security but is indispensable to world prosperity.

A REPORT ON A MEETING OF GERMAN INDUSTRIALISTS TO MAKE POSTWAR PLANS, STRASBOURG, AUGUST 10, 1944

NOVEMBER 7, 1944.

1. A meeting of the principal German industrialists with interests in France was held on August 10, 1944, in the Hotel Rotes Haus in Strasbourg, France. Among those present were the following:

Dr. Scheid, who presided, holding the rank of S. S. Obergruppenführer and Director of the Hece (Hermadorff & Schenburg) Co.

Dr. Kaspar, representing Krupp.

Dr. Tolle, representing Rochling.

Dr. Sinceren, representing Messerschmitt.

Drs. Kopp, Vier, and Beerwanger, representing Rheinmetall.

Captain Haberkorn and Dr. Ruhe, representing Bussing.

Drs. Ellenmayer and Kardos, representing Volkswagenwerk.

Engineers Drose, Yanchew, and Koppshem, representing various factories in Posen, Poland (Drose, Yanchew & Co., Brown-Boveri, Herkuleswerke, Buschwerke, and Stadtwerke).

Captain Dornbursch, head of the Industrial Inspection Section at Posen.

Dr. Meyer, an official of the German Naval Ministry in Paris.

Dr. Strossner, of the Ministry of Armament, Paris.

2. Dr. Scheid stated that all industrial material in France was to be evacuated to Germany immediately. The battle of France was lost for Germany and now the defense of the Siegfried line was the main problem. From now on, also, German industry must realize that the war cannot be won and that it must take steps in preparation for a postwar commercial campaign. Each industrialist must take contacts and alliances with foreign firms, but this must be done individually and without attracting any suspicion. Moreover, the ground would have to be laid on the financial level for borrowing considerable sums from foreign countries after the war. As examples of the kind of penetration which had been most useful in the past, Dr. Scheid cited the fact that patents for stainless steel belonged to the Chemical Foundation, Inc., New York, and the Krupp Co. of Germany, jointly, and that the United States Steel Corp., Carnegie, Illinois, American Steel & Wire, and National Tube, etc., were thereby under an obligation to work with the Krupp concern. He also cited the Zeiss Co., the Leisa Co., and the Hamburg-American Line as firms which had been especially effective in protecting German interests abroad and gave their New York addresses to the industrialists at this meeting.

3. Following this meeting a smaller one was held, presided over by Dr. Bosse, of the German Armaments Ministry, and attended only by representatives of Hecho, Krupp, and Rochling. At this second meeting it was stated that the Nazi Party had informed the industrialists that the war was practically lost but that it would continue until a guaranty of the unity of Germany could be obtained. German industrialists must, it was said, through their exports increase the strength of Germany.

They must also prepare themselves to finance the Nazi Party which would be forced to go underground as Maquis (in Gebirgsverteidigungsstellengehen). From now on the Government would allocate large sums to industrialists so that each could establish a secure postwar foundation in foreign countries. Existing financial reserves in foreign countries must be placed at the disposal of the party so that a strong German empire can be created after the defeat. It is also immediately required that the large factories in Germany create small technical offices or research bureaus which would be absolutely independent and have no known connections with the factory. These bureaus will receive plans and drawings of new weapons as well as documents which they need to continue their research, and which must not be allowed to fall into the hands of the enemy. These

offices are to be established in large cities where they can be most successfully hidden, as well as in little villages near sources of hydro-electric power, where they can pretend to be studying the development of water resources. The existence of these is to be known only by very few people in each industry and by chiefs of the Nazi Party. Each office will have a liaison agent with the party. As soon as the party becomes strong enough to reestablish its control over Germany the industrialists will be paid for their effort and cooperation by concessions and orders.

4. These meetings seem to indicate that the prohibition against the export of capital which was rigorously enforced until now has been completely withdrawn and replaced by a new Nazi policy whereby industrialists with Government assistance will export as much of their capital as possible. Previously exports of capital by German industrialists to neutral countries had to be accomplished rather surreptitiously and by means of special influence. Now the Nazi Party stands behind the industrialists and urges them to save themselves by getting funds outside Germany and at the same time to advance the party's plans for its postwar operation. This freedom given to the industrialists further cements their relations with the party by giving them a measure of protection.

5. The German industrialists are not only buying agricultural property in Germany but are placing their funds abroad, particularly in neutral countries. Two main banks through which this export of capital operates are the Basler Handelsbank and the Schweizerische Kreditanstalt of Zurich. Also there are a number of agencies in Switzerland which for a 5-percent commission buy property in Switzerland, using Swiss cloak.

6. After the defeat of Germany, the Nazi Party recognizes that certain of its best known leaders will be condemned as war criminals. However, in cooperation with the industrialists it is arranging to place its less conspicuous but most important members in positions with various German factories as technical experts or members of its research and designing offices.

REPORT ON THE PREPARATION OF KRUPP WORKS FOR POSTWAR USE

Step I.—The Krupp Works were recently returned to "private" ownership. It is the hope of the Germans that under the conventional international law concepts "private" property would have an excellent chance of remaining untouched by the Allied occupation forces.

Step II.—Germans anticipated that private ownership alone might not be enough. The occupation forces might be directed to take severe measures against Nazi ownership and control of industrial organizations. With this in mind, the Nazis are reported to have issued a decree prohibiting all Nazi Party officials and all persons who held Government posts to which they had been appointed by the Nazi Party from holding any official or managing position in any business undertaking, regardless of whether such position carried with it any remuneration or not.

Step III.—Not wholly satisfied that property which was both privately owned and was not controlled or owned by Nazis would escape the Allied controls, a further precaution was taken to make

assurances doubly sure that the really important industries would be saved from Allied destruction or control. Germans have reported on several occasions that Gustav Krupp von Bohlen and Halbach, the head of the great Krupp munitions combine, who was instrumental in bringing Hitler into power, was arrested for making defeatist utterances and for organizing anti-Nazi resistance groups. Thus the Krupp Works, one of the backbones of German aggression, is now "private property," owned and controlled by persons who not only are not Nazi Party members or Government officials, but who are seemingly in disfavor of the Nazi Government.

The Krupp example is but one illustration in a pattern of behavior. The Krupp case is too obvious to fool many people—other cases will be less obvious. The underground which will keep the Nazi fire burning will be nourished and supported by the trustees of German heavy industry and the trustees of German economic and financial interests within and outside Germany. They are the true underground.

Incidentally, step III above is a favorite Nazi device for screening the true character of potential underground leaders. Hjalmar Schacht, former president of the Reichsbank, who but recently was sufficiently in favor with the Nazis to be assigned to special missions, has been reported several times under arrest and later released. Similar reports have been circulated regarding Alfred Krupp and George van Schnitzer, one of the ardently pro-Nazi executives of I. G. Farben. Other evidence indicates that minor officials reported executed for treason are reappearing in neutral countries with fake passports.

EDUARD HOUDREMONT

Eduard Houdremont, managing director of the Krupp Armaments Works, is also an official of the Ministry of Armaments and Munitions headed by Albert Speer holding the post of Special Deputy for Metal Substitutes. In this post Houdremont is director for the coordination of all private, semipublic, and public agencies (cartels, groups, etc.) engaging in finding substitutes for scarce metals.

Ministry of Armaments and Munitions

The Ministry of Armaments and Munitions must properly be classified as a military institution. Its functions consist exclusively of the control of the sector of the German economy that is concerned with the manufacture and distribution of combat material in the widest sense. The Ministry achieved its predominant position in the spring of 1942 when, under the impact of the defeat suffered in Russia, a reorganization of the German economy was undertaken. At that time the Ministry of Armaments and Munitions took over from the Office for War Economy and Armaments the control of armaments inspections. Thus the Speer Ministry obtained a highly developed management for the control of armament production and full control of the military sector of the German economy.

Houdremont appears to have no connections other than those mentioned above.

The CHAIRMAN. I want to introduce into the record also a statement from the Bureau of the Budget listing all Government agencies participating in the controls which are now in effect, and giving the

extent of their responsibilities in that control. I am introducing this before the testimony of Mr. Clayton and the witnesses who will follow him so that it will be very easy to see whose responsibility is involved in any given case.

(The document referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C.

MY DEAR SENATOR KILGORE: This is in response to your request of June 14, 1945, for information with respect to the Federal agencies concerned with German occupation and control problems. You will find attached as tab A a list of the agencies involved in the control of Germany and Austria, together with statements concerning their responsibilities, their sources of information, and the means for coordinating their activities.

If at any time we can be of further assistance to you and to the members of your committee do not hesitate to call on us.

Very truly yours,

HAROLD D. SMITH, *Director*.

TAB A: UNITED STATES AGENCIES PARTICIPATING IN THE CONTROL
OF GERMANY AND AUSTRIA

A. PARTICIPATING AGENCIES

War Department

1. Responsibilities:

(a) Subject to established United States policies, has operating responsibility for this Nation's participation in German and Austrian control. This includes United States collaboration with control authorities of Britain, Russia, and France where quadripartite control is exercised. All activities of the United States military in Germany and Austria and of civilian personnel representing the various Washington agencies are coordinated by and under the direction of the United States military commanders.

(b) Has major responsibility for planning, organizing and recruiting military and civilian personnel for the United States groups for the occupation and control of Germany and Austria. (Other Federal agencies assist in recruiting civilian personnel as indicated below.)

(c) Assumes the major financial responsibility for operations and personnel in Germany and Austria.

(d) Provides civilian supplies under the "disease and unrest formula" for the United States zones in Germany and Austria.

(e) The War Department is one of the chief participants in the interagency committees which deal with German and Austrian control matters.

2. Sources of information:

(a) Almost all information from Germany and Austria reaches Washington through War Department channels. The War Department receives information not only from its representatives in Europe, but also acts as the medium through which information is channelled to Washington for the use of other agencies and to Germany and Austria for use of the United States control groups.

Navy Department

1. Responsibilities:

(a) Participates in the coordination activities of the Joint Chiefs of Staff.

(b) Furnishes personnel for service with the United States control groups for Germany and Austria in several fields, notably disarmament and intelligence.

(c) Participates in interagency committees which consider German and Austrian control problems.

2. Sources of information:

(a) Receives information from Germany and Austria through military intelligence and War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

State Department

1. Responsibilities:

(a) Performs a leading role in the formulation of United States policies on German and Austrian control.

(b) Furnishes political advisers and their staffs to the United States commanders in Germany and Austria.

(c) Performs consular functions in controlled area.

(d) Assists the Civil Affairs Division of the War Department in the recruitment of civilian personnel for service in Germany and Austria, particularly in the political and political-economic fields.

(e) Participates in interagency committees which consider German and Austrian control problems.

(f) The State Department, through the Foreign Service, has responsibility for investigations in neutral and United Nations concerning concealed German and Austrian assets beyond their borders. Takes a leading role in the necessary background work in Washington.

2. Sources of information:

(a) Received information from Germany and Austria through War Department channels and directly from the political advisers to the United States commanders in Germany and Austria. World-wide coverage through the Foreign Service.

(b) Shares in the exchange of information among agencies in Washington.

Treasury

1. Responsibilities:

(a) Assists the Civil Affairs Division in the recruitment of civilian personnel for service in Germany and Austria, particularly in the fields of finance, fiscal policy, and control of enemy assets.

(b) Participates in interagency committees concerned with the formulation of United States control policies.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

Foreign Economic Administration

1. Responsibilities:

(a) Takes a leading role in the collection of data and in making technical studies in Washington on German and Austrian economics and technical means of carrying out United States policies.

(b) Assists the War Department in the recruitment of civilian personnel for the United States control groups for Germany and Austria, particularly in the economic field.

(c) Assists in Washington studies of concealed Axis assets in Germany and Austria and the transfer of such assets to neutral or Allied countries.

(d) Participates in interagency committees which deal with German and Austrian control problems.

(e) Provides a chairman, the secretariat, and administrative personnel for the Technical Industrial Intelligence Committee discussed below.

(f) Provides a secretariat and administrative personnel for the Technical Industrial Disarmament Committee discussed below.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information received from a variety of sources by Washington agencies.

Justice

1. Responsibilities:

(a) Assists the Civil Affairs Division in the recruitment of civilian personnel for the United States control staff in Germany and Austria, particularly in the fields of restrictive trade organizations and the detection of Axis assets.

(b) Participates in interagency committees which consider German and Austrian control problems within its fields of interest.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

Agriculture

1. Responsibilities:

(a) Assists the Civil Affairs Division in the recruitment of civilian personnel for the United States control groups in Germany and Austria, particularly in the field of agriculture and food production.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

Department of Commerce

1. Responsibilities:

(a) No formal responsibilities have been assigned to the Department of Commerce, but representatives of the Department participate on an ad hoc interagency committee concerned with concealed German assets.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*Office of Price Administration***1. Responsibilities:**

(a) Has been requested to supply civilian personnel for duty with the United States control group in Germany.

*Alien Property Custodian***1. Responsibilities:**

(a) No formal responsibilities, but representatives of this office participate on an ad hoc interagency committee concerned with concealed German and Austrian assets.

2. Sources of information:

(a) Receives information from Germany and Austria through War Department channels.

(b) Shares in the exchange of information among agencies in Washington.

*Office of Strategic Services***1. Responsibilities:**

(a) Assists the military in intelligence functions in Germany and Austria.

2. Sources of Information:

(a) From the customary sources available to other agencies and from certain confidential sources.

*Office of War Information***1. Responsibilities:**

(a) Assists the military in the development and execution of information policies and programs in Germany and Austria.

(b) Currently furnishes civilian specialists, technicians, and special supplies and equipment for the operation of information control by the Psychological Warfare Division, SHAEF.

2. Sources of Information:

(a) Receives information through military channels.

(b) Shares in the exchange of information among Washington agencies.

B. COORDINATION OF AGENCY ACTIVITIES

1. Interagency Committees.—The activities of the various Federal agencies concerned with the occupation and control of Germany and Austria are coordinated primarily by the following interagency committees:

(a) *The Joint Chiefs of Staff (War and Navy Departments).*—Coordinate activities of military forces and issues directives to the United States commanders in Germany and Austria. Certain papers and directives prepared by other interagency committees are referred to the Joint Chiefs for final clearance.

(b) *State, War and Navy Coordinating Committee*.—The problems concerning the occupation and control of Germany and Austria represent only a part of the subjects dealt with by this committee. However, certain directives concerning Germany and Austria are cleared through it.

(c) *Informal Policy Committee on Germany (State, War, Navy, Treasury, and Foreign Economic Administration)*.—This committee, chaired by State, is chiefly responsible for the formulation of policy and clearance of directives on other than purely military matters pertaining to the occupation of Germany and Austria. This committee uses the secretariat of the State, War, and Navy Coordinating Committee.

(d) *Technical Industrial Disarmament Committee*.—This is an interdepartmental committee, consisting of representatives from Commerce, State, Interior, War, Navy, OSS, OSRD, and WPB, which prepares studies, reports, and recommendations for the control of the enemy economy from the standpoint of industrial disarmament.

(e) *Technical Industrial Intelligence Committee*.—This is an interdepartmental committee, consisting of representatives of WPB, OSRD, OSS, PAW, State, and FEA, working under the Joint Intelligence Committee of the Joint Chiefs of Staff. The committee obtains information on industrial processes of the enemy to aid United States war production, assist military government in the control of German economic potential, and obtain information on new techniques that may be turned over to United States industry. The work of field investigators, jointly operating with the British, are coordinated with other intelligence operations by SHAEF. Such activities as may be continued in the field will require coordination by the United States groups of the control councils.

(f) *Interdepartmental Board on Prisoners of War (State, War, and Navy)*.—This committee is responsible for coordinating activities of the three departments with reference to matters affecting United States prisoners of war.

2. *Civil Affairs, Division, War Department*.—Coordinates the staffing of the United States control group for Germany and Austria. Coordinates activities within the War Department.

3. *Foreign Economic Administration*.—Coordinates the activities of the interagency Technical Industrial Disarmament Committee and the Technical Industrial Intelligence Committee.

4. *The States Department*.—Coordinates interagency activities in Washington with respect to concealed German assets in foreign countries.

N. B. The foregoing does not include international committees and agencies.

The CHAIRMAN. Mr. Clayton, will you go ahead with your statement in your own way, and then we have some questions which we want to ask you.

STATEMENT OF HON. WILLIAM L. CLAYTON, ASSISTANT SECRETARY OF STATE

Mr. CLAYTON. Mr. Chairman, I have a prepared statement which I will file with the reporter, and then I have a summary of that.

The CHAIRMAN. We will introduce your complete statement in the record as though it were read, and then you may go ahead with your summary.

(Mr. Clayton's prepared statement follows:)

PREPARED STATEMENT BY HON. WILLIAM L. CLAYTON, ASSISTANT
SECRETARY OF STATE

In all questions affecting the treatment of Germany, the Department of State has one paramount objective—security against a renewed German aggression. And security can be assured only so long as there is agreement with our allies on the basic principles of the treatment of Germany.

We have reached that agreement as far as the basic objectives of the occupation of Germany are concerned. The late President Roosevelt, Prime Minister Churchill, and Premier Stalin jointly announced, in the communique from Yalta:

We have agreed on common policies and plans for enforcing the unconditional surrender terms which we shall impose together on Nazi Germany. * * *

It is our inflexible purpose to destroy German militarism and nazism and to insure that Germany will never again be able to disturb the peace of the world. We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all Germany military equipment; eliminate or control all German industry that could be used for military production; bring all war criminals to just and swift punishment and exact reparation in kind for the destruction wrought by the Germans; wipe out the Nazi Party, Nazi laws, organizations, and institutions, remove all Nazi and militarist influences from public office and from the cultural and economic life of the German people; and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world.

The task of destroying the economic basis of German aggression is one that requires vigorous, simultaneous action along a number of lines. I am very glad to discuss this morning those three aspects of this problem on which your committee has asked me to report. These are, first, the serious problem of Axis economic penetration in Latin America; second, the problem of tracking down and frustrating German efforts to hide abroad a stake for another gamble of aggression; and third, the question of the treatment of German cartels, combines, and technology.

I. AXIS REPLACEMENT AND PROCLAIMED LIST PROGRAM IN LATIN
AMERICA

The unity in the Western Hemisphere which has been achieved by the American republics over the course of the past years has been not less remarkable than important. When the suspicion and mistrust with which the United States was regarded in the other republics not many years ago is recalled, it seems all the more remarkable that several of the other republics declared war on Japan after the treacherous attack on Pearl Harbor, even before the United States did. It is a tribute to the wisdom of the good neighbor policy and the strength of our friendly relations with the republics to the south that cooperation and mutual interest in the defense of the hemisphere should have marked all of the difficult years since Nazi aggression was first loosed on the world.

The importance of the other American republics to the defense of the United States of America can hardly be overemphasized. No testimony of mine is necessary to show the extent to which the United States has profited in obtaining bases and support in other of the American republics, or how much we might have been imperiled by enemy radio stations operating in countries from which it would have been extremely easy to follow the movements of our merchant ships, particularly in those crucial days when submarine warfare was at its most successful peak.

The problem of Axis penetration in the American republics was, both in 1939 and in 1941, a very serious one. In the United States, although we had our Bund, our Fritz Kuhns, and our similar rabble, our economic system was not under the domination of such persons, nor was it likely to be gravely shaken by the elimination of these persons from our business economy.

Some of the companies which have been vested by the Alien Property Custodian as German dominated or controlled are highly important in the American industrial picture, but they are not dominant concerns. Nor did our richly developed industrial system feel the problem of replacing undesirable personnel, however highly qualified for technical positions they may have been.

In the other American republics, or at least in many of them, the problem was quite different. In the field of drugs and pharmaceuticals, for example, the Bayer, Merck, and Schering companies enjoyed a virtual monopoly. I. G. Farben subsidiaries had a firm hold on the dye and chemical market. German enterprises such as Tubos Mannesmann, Ferrostaal, AEG, and Siemens-Schuckert played a dominant role in the construction, electrical, and engineering fields. Shipping companies and, in some areas, German air lines, were well entrenched. In addition, other strong pro-German firms were engaged in miscellaneous types of business, some of which were partly or wholly owned from Germany and some of which were wholly owned by persons of German origin who had acquired citizenship in one of the American republics. The Staudt companies, which were large dealers in wool, are typical examples of this type of enterprise.

In all of these cases, German capital represented a large proportion of the total business investment, and in many cases there were no competitive industries which were capable of serving the essential requirements of the local economy. The economic importance of German industry to the other American republics and the difficulties of eliminating and replacing that industry were, therefore, apparent.

The selection and designation of important enemy firms to be eliminated also presented serious political problems, particularly in those countries which had strong opposition parties in the legislature. In some cases the other American republics had taken steps short of war against the Axis, such as the severance of all commercial and political intercourse with Axis territory. Others had declared a state of belligerency. In the countries which took steps short of war, the constitutional authority of the administration to proceed with an elimination program was open to serious question. In many cases the worst of the Axis firms were incorporated under local law and well able to claim the protection of the courts. In some cases it was claimed that the beneficial ownership was not German, which made it necessary laboriously to trace ownership through a maze of dummies

and holding companies. Furthermore, many of the other American republics, perhaps to an even greater relative degree than the United States, have large numbers of citizens of German descent. In most cases these persons were loyal to the country of their domicile, just as most of those who live here are loyal Americans; but in each country there were, particularly under the impetus of Nazi successes, certain numbers of these persons who were willing to believe the pompous rantings of Hitler and his aides and who were trying to lead the countries in which they lived to the objectives envisaged by the Nazis.

The Department of State, throughout this period, has had to take full account of the many factors which make the eradication of Axis influence in the American republics a difficult and arduous job. In the first place, it was necessary to avoid putting the United States in the position of the whipcracking "colossus of the North." More has been achieved by means of cooperation and an honest attempt to understand the problem of the other fellow than could have been achieved by dictation; and our long-range objective of sound and good neighborly relations has not been imperiled. In the second place, we have had to understand problems which do not appear to be very important when one is thousands of miles away, but which are seen to be very serious when one is on the scene. We have had to bear in mind that large bodies of Latin-American citizens of German descent were present in many of the other American republics and that these persons, although perhaps loyal citizens, tended to regard as less dangerous than did we or did the local government the activities of German business houses and of Germans who had been resident for many years in the country.

Realizing also the difficulties of eliminating important business enterprises in economies which did not possess substitute enterprises, we have tried to work with the local governments in building up substitute enterprises.

We have tried also to make sure that these successor enterprises remain in the hands of local nationals. We have been careful to avoid actions which would afford the slightest justification for an accusation that the United States used economic warfare controls in order to further the economic interests of its nationals.

Another problem which we had to contend with in the early days of the war was the difficulty of obtaining proof of Axis ownership, and of the extent of the inimical activities of these Axis spearheads, sufficient to support proceedings for their nationalization in a court of law. Our own ability to produce such evidence was limited since we did not then have access to the records of these firms in Germany, nor were we able to seize the books and records of the firms in the other American Republics. The cooperation of the other American Republics and of our allies was invaluable in making possible a mutual interchange of information concerning inimical activities in the hemisphere. The local police were able, on numerous occasions, to uncover evidence in spite of the elaborate security precautions which the Nazis had taken.

I should like to cite an illustration of this kind of cooperation. An agency of the Government of Uruguay seized the books and records of the Banco Aleman. The findings of that agency are summarized in English in a report which is contained in exhibit 1. The extent of the participation of these spearhead firms in the Nazi plan, the value of their contribution to that plan, and the insidious nature of their

operations are clearly shown in this summary. Doubtless the full story will be forthcoming from an inspection of the records in Germany.

Through the cooperation of our British allies, we obtained access to a large cache of mail from the Bayer subsidiary in Argentina to I. G. Farbenindustrie, Leverkusen, Germany, which was intercepted in 1943 at Gibraltar. Of particular interest are two letters from the Argentine subsidiary which summarize the position of the important Bayer companies as of mid-1943. English translation of the text of these two letters are available in exhibit 2.

Another example of the cooperation between this Government and the other American republics is the work of the small mission which visited one of the Latin-American Republics in the fall of 1943. This mission, aiding those officers of the Embassy who had already been working on this problem, presented a set of objectives to the local government—a sort of statement of principles. After this was subscribed to by the local government, the members of the mission, together with officers of the Embassy, sat down at the conference table with officials of that government interested in the control of enemy business enterprises and in production and distribution in the country. In the mission were officers of the Department of State, of the Office of Alien Property Custodian, and independent experts who had been retained for the purpose by the Custodian. The result of this work over a period of a few weeks was a comprehensive report which went into the business of each of the important Axis companies in the country, indicated the manner in which those companies might be replaced without loss to the local economy, and mentioned those American companies which could make available either supplies or technical assistance in working out the replacement of the Axis concerns.

The basis for cooperation in the elimination of Axis-dominated companies was laid in the Rio de Janeiro Conference in January 1942. Resolution V of that Conference, recalling the declaration of the previous Conference in July 1940, that an attack by a non-American state on one of the American republics would be considered as an attack on all of them, recommends the elimination of all commercial and financial intercourse between the Western Hemisphere and the Axis. The resolution contemplated the elimination of "all other financial and commercial activities prejudicial to the welfare and security of the American republics." At the Conference held in Washington in June and July of 1942, these matters were elaborated and it was recommended that the businesses of any persons who were acting against the political and economic independence or security of the American republics "shall be the object of forced transfer or total liquidation." Under certain circumstances, these companies may be the "object of blocking, occupation, or intervention." I offer copies of the resolutions of both these Conferences as exhibits 3 and 4.

The adoption of these recommendations was not empty phrase-making. The resolutions were followed by action in almost all of the other American Republics. Some of the legislation which was drafted in these other republics was based upon United States legislation in the field or was drafted with the assistance of United States experts. The legislation adopted in most countries was extremely effective and thoroughgoing. I am submitting for purposes of illustration, as

exhibits 5 and 6, copies of legislation enacted in Mexico and in Brazil, which, I believe, compare favorably with that of the United States.

Our missions in Latin America have, of course, worked energetically and zealously in following the progress made under this legislation, in discussing individual cases with the commissions, and working out with them particular methods of eliminating spearhead companies. In general, the policy has been to liquidate those spearhead firms whose disappearance would not injuriously affect the local economy. Whenever the enterprise was essential to the local economy, the procedure has usually been either to vest the business with all its assets in much the same way that the Alien Property Custodian has moved against enemy property in this country, or to force the undesirable owner to sell to satisfactory purchasers. In many cases, of course, only some of the partners or stockholders were undesirable; and in these cases only the undesirable interest has been eliminated—either by a partial vesting of the assets of the firm or by a forced sale of the undesirable interest to a satisfactory purchaser. In all of these cases the practice has been to block the payments accruing to the former owners.

This Government has also rendered such services as the issuance of a booklet giving medical equivalents for German products which were in common use in particular countries. Since German medicinals occupied a very important place in many of these countries, the issuance of such a booklet made simpler the problems of local doctors who were eager to cooperate by prescribing products manufactured by American or local concerns, but who were so accustomed to the German product that they often did not know whether an equivalent existed or was sold in the particular country.

A very good idea of what our goal has been and what has been actually accomplished can be gained from a list of the enterprises in the other American republics which are regarded as spearhead in character and the progress which has been made toward their total and permanent elimination. Such a list, compiled on a country-to-country basis, has been offered as exhibit 7.

An examination of this document will, I believe, support the conclusion that encouraging results have been realized in the job of eliminating Axis spearhead firms in Latin America. We naturally expect to continue to press for the elimination of such firms in those countries where the task is not already substantially accomplished.

The Department of State has, of course, given much thought to the possibility that some of these Axis spearheads will survive the program which I have described, and to the related possibility that some of the former German owners may find ways to regain their control over enterprises from which they have been ousted. Steps have been taken to guard against these possibilities by the addition of paragraphs in the various national laws on the subject to the effect that the assets in question may be transferred only to a national of the country concerned; or to the effect that such assets may not be transferred to German nationals. Assurances have been received from various American Republics that the return of these properties to their former owners will not be allowed, and that the replacement program will continue unabated. Moreover, the Department of State has followed, on a case-by-case basis, the transfer of all Axis spearheads, as well as

other Proclaimed List properties, to make sure that the transfer was bona fide in each case. No man can look too far in the future. It seems a safe prediction, however, to say that German economic and political penetration in this hemisphere has, for the most part, been dealt a blow from which it will probably not recover; and that the prospects are reasonably bright for the substantial elimination of Axis spearhead firms even in the areas where they still survive.

The fact that the United Nations are now in possession of the head offices of these Axis concerns in Germany would, moreover, seem to put it within their power to take over any Axis firms that should remain untouched by the nationalization program. This is an approach which is now being considered in relation to the whole question of reparations and war claims. The present cooperative program of the other American Republics to discover and block German and Japanese assets in this hemisphere—a matter which I shall discuss in some detail at a later point—strengthens the probability of further action and is a logical consequence of the replacement program which I have described.

At this point, I want to say a few words about one of the weapons of economic warfare which has been wielded by the United States and which has been a most effective supplement in accomplishing the elimination of Axis influence in the Americas. This instrument, which has been used in consultation with the Governments of Great Britain and Canada, is the Proclaimed List. The list is designed to specify publicly those persons whom this Government considers to be undesirable and whom it, therefore, proscribes from communication or dealing with United States nationals under the Trading With the Enemy Act. The list contains the names of all kinds of persons—individuals whose political views publicly expressed are antagonistic to the Allied war effort as well as Axis branch companies. In the main, however, the list has been used as an instrument to designate those persons with whom trade was undesirable or prohibited. As a trading weapon, it has been much more effective than it would have been had it been used chiefly to designate persons who, for one reason or another, were undesirable, or persons who, however undesirable, carried on no business.

It should be understood, however, that the list is not a perfect weapon. Where local cooperation was not forthcoming, the list was much less effective than in those places where there was good local cooperation. If the citizens of a community insist on trading with a particular person, even if he is on the Proclaimed List, the efforts of the United States to prevent him from getting goods from Allied sources and to deny him other commercial facilities do not have the maximum effect.

The chief problem in maintaining an effective Proclaimed List has been that of preventing goods from reaching the hands of Proclaimed List nationals through dummies. If a listed individual or concern attempts to order goods from the United States, he cannot receive them because all shipments of goods abroad are screened against the Proclaimed List. The Proclaimed List national therefore tries and tries again to order goods through dummies or cloaks. These dummies may be minor employees or insignificant individuals whose listing would cause them no real concern. Consignees are sometimes fictitious people, people who have long been dead, etc. Purchase of

goods in the local market is another way of obtaining goods. These local purchases may, in the case of indigenous products, be made from the original producer; in the case of imported goods, purchases are made through cloaks so that often legitimate importers of United States goods innocently make sales which benefit Proclaimed List nationals.

The Department and the other agencies charged with the administration of the Proclaimed List have, in cooperation with the governments operating similar lists, made determined efforts to prevent any goods from reaching Proclaimed List nationals with the aim of depleting stocks and ultimately forcing liquidation or bankruptcy. The size of the task is illustrated by charts, offered as exhibit 8, showing the total number of persons and firms on the list in this hemisphere and in each country in this hemisphere. For purposes of comparison, a similar chart of the listings in this hemisphere in the last war is offered as exhibit 9, although I believe this chart does not reflect the size of the list in the last few weeks of that war. In addition to approximately 8,000 names on the list for this hemisphere, there are more than 5,000 names on the list for the European neutrals.

Because of our controls over shipping and supply, and because of the alert work of our missions in the field, I am glad to say that the Proclaimed List has been far more effective in this war than in the last and that, as a result of its operations, hundreds of firms have been reorganized so as to eliminate undesirable elements, or have been forced to shut down.

Only a small fraction of goods from this country ever reached Proclaimed List hands, and in the Western Hemisphere at least, the task of acquiring goods locally was made so difficult and expensive as to be generally prohibitive. The fear of inclusion in the list also has a strong deterrent effect on many whose cupidity might otherwise have led them into the enemy camp.

It has been necessary to keep in mind the desirability of using the list only insofar as local controls were not effective to do the job. It has often been pointed out to us by our neighbors in the other American Republics that we do not maintain a Proclaimed List in Great Britain or in Canada or in many other Allied Nations.

Our reply has been that the list is not maintained in those countries where local controls are so effective as to make the list unnecessary; and as a corollary we have undertaken in public statements to withdraw the list first and most rapidly from those countries which cooperate with us in the elimination of Axis spearhead concerns. We have said, in effect, that if a country completely eliminated Axis influence in a firm like Bayer or Anilinas, we would be able to take off the Proclaimed List for that country not only the name of that reorganized company but also the names of a large number of people who had been listed for the offense of cloaking for the previous Axis company. In other words, we have said to the other American Republics that if their controls were effective, in the same manner that Great Britain's are effective, we would then be prepared to withdraw the list from those countries.

Withdrawal in this manner does not imply in any way a white-washing of all the persons taken from the list. It does not mean that a particular German national who has been on the list for 2 or 3 years has suddenly changed his stripes. It only means that we are

carrying out the promise which necessarily had to be made to the other American Republics that we would gradually withdraw the list from those countries which imposed effective local controls, and that we would then expect the local government to deal with the local undesirables.

I want to be extremely explicit about this point, lest it be mistakenly construed as an indication of softness or weakness in our economic policies. The policy stated in May and in September 1944 (and I attach as exhibit 10 copies of these statements) is neither soft nor weak. It is based on realistic and hard-headed recognition of the fact that local controls are much more effective than those imposed from a distance of thousands of miles. It is based on realization that the list is not liked by the other American Republics and that, if we were proposing to continue the list without regard to local controls, they would have ample justification for complaining against our policy. It is based on the knowledge that our willingness to discuss the conditions under which we would be willing to withdraw the Proclaimed List, and to turn the situation over to local controls, accelerates the implementation of these local controls and the elimination of the dangerous Axis spearheads. Pursuant to this policy, the list in such countries as Mexico and Chile has been quite drastically cut in recent months. It may be cut again in the months to follow. All that these cuts mean is that local controls are considered effective, at least under conditions presently existing, and that we are carrying out our long-standing commitment to withdraw the list first from those countries which had imposed effective local controls. The others which have not imposed effective local controls may expect continuation of the list for some time to come.

Finally, I should like to point out that our so-called economic warfare objectives in the Western Hemisphere tend to change with changing war conditions. We no longer have to worry about blockade, about the dangerous Axis companies receiving supplies from Germany, or even, since we can handle the problem from Germany, about the reestablishment of trade relationships between the Western Hemisphere and Germany. What we do have to worry about are those persons who may be hiding Nazi loot or flight capital, and about the control of German investments in all of the republics. We are attacking these problems cooperatively with the other American Republics just as we have cooperated in our economic warfare measures. The Mexico City Conference on Problems of War and Peace adopted a resolution in this connection which I should like to introduce as exhibit 11.

The resolution, which was sponsored by Mexico, refers to documents which have been issued by some or all of the United Nations and adopts and reaffirms the principles and objectives of these documents. The documents in question are the declaration with respect to Axis acts of dispossession issued on January 5, 1943, the Gold Policy Declaration of February 22, 1944, and resolution VI of the Bretton Woods Conference. The resolution resolves that the American republics will maintain existing measures in force so far as applicable and will take further measures to attain the objectives of these declarations and resolutions including specific further measures along lines stated in the resolution. I should like to quote two paragraphs

from the Mexico City Resolution XIX, which I believe to be as good a statement of the problem as I have seen:

There are reasons to believe that Germany and Japan will again attempt, in spite of their certain defeat, to conceal their property, and property which they have unjustly obtained and which they have placed in other countries in order to finance, during the postwar period, activities of every sort inimical to the security and safety of the Western Hemisphere and of the world in general;

The peace and welfare of the postwar world must be based on justice and an organization that assures justice, and that, therefore, all necessary steps must be taken in a manner consistent with the laws and practices of each country to facilitate the location and restitution of property unjustly taken from the peoples of occupied countries, and the uncovering and treatment of hidden property, directly or indirectly originating in Germany or Japan or which is owned or controlled by Germany or Japan or by individuals and entities within such countries, all for the purpose of making it impossible again for Germany and Japan to be able to provoke and make war.

II. THE SAFEHAVEN PROGRAM

The Department of State has abundant evidence that the Nazis, in anticipation of military defeat, made careful plans to carry on in foreign countries a wide range of activities necessary to support an eventual resurgence of German power. For this purpose plans were made, and carried out in part, to transfer abroad sufficient funds and specially trained personnel to carry on pan-German activities, even while the Allied armies were in occupation of Germany.

These instrumentalities through which the Germans planned to rebuild their military, economic, and political strength in foreign countries were principally the following: First, the large foreign industrial concerns owned or controlled by such firms as I. G. Farben, Siemens, Bosch, and Telefunken; second, scientific research laboratories located in foreign countries for the development of new weapons and new industrial processes important to war; third, subsidized colleges, technical schools, high schools, and elementary schools to spread pan-German doctrines; fourth, German owned or controlled newspapers, magazines, and radio stations to spread antidemocratic propaganda and to create disunity among the peace-loving nations of the world.

The nature, scope, and complexity of this program for the recreation of German military might has required, during recent months, and will require for some time in the future, a carefully organized effort on the part of the United Nations to eliminate this German threat to international security. Although my remarks today will be almost wholly confined to the economic aspects of the problem, I want to assure you that this Government, in conjunction with other United Nations, is actively engaged in an integrated external security program aimed at frustrating the German plan.

The success of German efforts to carry on in foreign countries activities inimical to the United Nations must depend on their ability to mobilize funds to support the execution of their plans. Consequently, they have made strenuous efforts to move abroad assets of all kinds which can be converted into funds for the financing of hostile activities.

Our safehaven program is a combined effort of the Department of State, the Treasury Department, and the Foreign Economic Administration to forestall German attempts to hide assets outside of Germany,

particularly in the European neutral countries. I should like to describe in some detail the policies which we are putting into practice in the implementation of this program.

The safehaven program has the same general objective as the replacement program which I have already discussed. The object of both is to deny to Germany the economic bases of future aggression.

Operationally, both programs draw upon the vast amounts of information compiled by the Department of State during the war years, especially in its files developed for the administration of the proclaimed list and related controls. A master index, containing approximately 500,000 names of individuals and concerns abroad, affords a ready reference for investigation of the relation of old cases to new transactions, and provides the focal points for the maintenance of vigilance over the scattered scraps of information which regularly come to our attention.

The replacement and safehaven programs are both based upon the common knowledge that totalitarian Germany was able to marshal the ostensible private interests of German nationals abroad for the purpose of waging economic war. The replacement program was an earlier phase. Because of the cooperation of the other American Republics, it was possible through the replacement program to combat German economic power in most American countries at a relatively early date after we entered the war. Moreover, the Western Hemisphere was isolated from German-occupied European areas by communications, blockade, and financial controls. Essentially, therefore, the problem in the other American republics has been one of reducing and eliminating the prewar economic potential of totalitarian Germany.

In neutral Europe the problem was to prevent growth as well. During the war, the Germans were able to siphon wealth out of Germany and occupied areas to neutral countries, because geographic contiguity greatly lessened the effect of controls of the sort that I have enumerated above. Germans passed from enemy Europe to the neutral countries completely free of Allied control over movement. Communications were open. It was not practicable until recently to turn the blockade against the importation into a neutral country of goods and other wealth from Germany. The presence in the neutral countries of German diplomatic missions, all swelled to abnormal proportions, was a tremendous additional advantage to Germany in furthering its objective of hiding a stake for another gamble.

Another difference between the replacement and safehaven programs is that the former was voluntary, based upon the freely given commitments of the Western Hemisphere nations. The neutrals, however, resisted our requests for adequate local controls over German schemes, until our economic bargaining power and the obvious decline of Germany's military strength convinced them that another course was desirable.

The safehaven program concerns itself with denying to Germany, in the interests of justice and future security, the economic power arising from (a) the organized looting of occupied countries, (b) the flight of German capital in anticipation of defeat, and (c) the German capital investment already located abroad when the war began. Our chief efforts in this connection are directed against areas which have not cooperated in the extirpation of prewar, and the prevention of

wartime, Axis economic penetration. In the Western Hemisphere, safehaven is of primary importance only where the replacement program has lagged or where there is reason to believe that blockade controls have been evaded with some frequency.

Perhaps it would be helpful at this point to illustrate the ways in which Germany sought to build up and safeguard its foreign holdings of the types of property mentioned above. To demonstrate the possibilities inherent in intercorporate manipulation of German interests, I need only refer to the I. G. Farben empire, which the committee has previously studied.

The extent to which holding companies within a single country can be misused to evade controls and hide true ownership is known to all of us from certain pages of the financial history of this country; we can, therefore, appreciate the possibilities when incorporations in several nations are employed. German enterprises frequently masked the true extent of German control in a particular country through the incorporation of holding companies in other countries, through the use of cloaks to hold German stock interests, and even by abandoning formal voting control but retaining a firm grip on the local industry through domination of technical processes used in manufacture.

The Germans have been aided in their attempts to mask the German interests in corporations chartered in neutral countries by the European preference for bearer shares and the restrictive requirements of certain European tax systems, which have made it customary for majority foreign interests in domestic corporations to be understated as minorities.

The potentialities of bearer shares are readily seen if it is recalled that such shares are negotiable by delivery and that it is exceedingly difficult to trace the chain of title to a particular bearer share. Thus it was possible for the Germans to loot securities in bearer form in occupied territory and turn them over to an agent, who would then appear in a neutral country, posing as a valiant national of the occupied country, and proceed to exercise voting control of the local subsidiary, to the covert advantage of the Third Reich. Obviously, the bearer share seriously complicates the problem of achieving restitution of looted securities.

The importance of national taxation laws in relation to the concealment of true control is illustrated by the case of Spain. Since 1921 Spain's tax laws have made it expedient for foreign capital to show no more than a 25-percent interest in domestic corporations, since the tax on foreign corporations was prohibitive. As a consequence, techniques were evolved long before the war for concealing the true facts of ownership, and the Germans made full use of such devices.

During and after the war, these schemes became expedient for safehaven reasons as well. Moreover, business customs and practices in the interests of ordinary commercial secrecy have been used to advantage by the Germans.

All this is not to say that the laws of the various neutral states have designedly favored German schemes. Rather, the Germans have been clever enough to take advantage in this instance, as they have in so many others, of the liberality of foreign laws and practices. The Germans have also taken advantage on occasion of administrative inefficiency, nonfeasance, and corruption. The extent to which this can be said in every neutral country to have been the fault of private individuals alone is problematical.

The Germans systematically looted all manner of valuable property, not only to satisfy the esthetic sensibilities of such celebrated collectors as Goering, but to acquire wealth cheaply for concealment abroad. Looting reached its nadir when gold was picked from the teeth of gas-chamber victims. A more subtle form of looting was outright "purchase" with occupation currency from fearful vendors.

The Nazis during their occupation of Belgium, the Netherlands, and France, confiscated or looted by various devices in contravention of the Hague Regulations of 1907, paintings and objects of art worth considerable sums. It is estimated that the value of such objects looted in Holland alone reaches approximately 200,000,000 guilders, or \$136,000,000. The total value of works of art confiscated or acquired by fictitious purchase in paper marks by the Nazis is estimated at more than a billion and a half dollars.

Among the German "buyers" or recipients of these works of art have been Goering, Hitler, Goebbels, and von Ribbentrop. The methods of acquisition included forced purchases with "occupation guilders," or with German marks pumped into the circulation of the occupied country. Some paintings were seized as Jewish property. Three of the agents engaged in acquiring works of art for Goering and the others were Alois Miedel in the Netherlands, Dr. Hans Wendland in France, and Andreas Hofer, the Berlin art dealer.

The Department of State has been active in liaison with the Roberts Commission, OSS, FEA, and the British Ministry of Economic Warfare in discovering, identifying, and listing these looted art objects with a view to aiding in their restitution to their rightful owners in accordance with the Hague regulations. Looted art objects, because of the ease with which they can be concealed and smuggled, constitute one means by which the Nazis could transmit property abroad to be converted into cash for use in armament research and development, espionage, or propaganda.

The case of Alois Miedel furnishes an example of the successful discovery, identification, and immobilization of a valuable shipment of looted art. After the German occupation of Holland, in May 1940, Miedel went to that country and acquired by the methods described above, on behalf of Goering and the others, a number of art collections, including the Goudstikker collection of Amsterdam. On July 24, 1944, three cases of paintings from France were deposited in the name of Alois Miedel in the free port of Bilbao, Spain, by the German firm of Bacquera, Kusche & Martin, a firm which was on the British Statutory List and the United States Proclaimed List for trading with the enemy. Ramon Talasac (also on the Proclaimed List) was the agent of B. K. & M. in depositing the cases at Bilbao.

Confidential sources identified the shipment as including paintings from the Gouldstikker collection confiscated by Miedel in 1940. It was reported that Miedel was engaged in smuggling looted works of art from France into Spain, and endeavoring to dispose of them in Spain. As the result of confidential information transmitted to the Embassies at London and Madrid, Miedel was placed on both the British Statutory List and the United States Proclaimed List for Spain. It was reported that in November or December 1944 the Spanish police issued an order for Miedel's arrest. Miedel had been arrested by Maquis on the French side of the border, but escaped back to Spain and disappeared.

In March 1945 the American Embassy in Madrid secured from the Spanish Foreign Office permission for a representative of the Embassy and for the Dutch Minister to inspect the paintings deposited at Bilbao. The American representative photographed the pictures. Of the 22 paintings, 10 were identified as belonging to the Goudstikker collection, one to the Van Oalst collection, and one to the Valkenburg collection. Among the artists represented were Corot, David, and Van Dyck.

The Dutch Minister was of the opinion that he would be able to repossess the paintings on the basis of the evidence thus secured.

The problem becomes more complex when the looting action rests upon the ostensible authority of a puppet government in enemy-occupied or enemy-dominated territory, and when neutral nationals acquire an interest in the property under color of being bona fide purchasers for value.

The following is a classic example: Under the Vichy equivalent of the Nuremberg anti-Jewish laws, certain furs belonging to Simon Freres, Paris, were seized and sold at public auction to a collaborationist, one Radenac. These furs then appeared at the free port of Barcelona, Spain. By this time Radenac had acquired a prominent Spanish co-adventurer. As soon as the case came to the attention of the American Embassy at Madrid, the Embassy invoked the Inter-Allied Declaration Against Acts of Dispossession, which I shall discuss later, by calling the matter to the attention of the Spanish Government. Radenac was called into the American consulate general at Barcelona to explain. His explanations were unconvincing, and he was black-listed by the British and ourselves. The word was spread around that a similar fate awaited those who might buy the looted furs from him. Moreover, the effect of the Inter-Allied Declaration was to make it clear to potential purchasers that the United Nations would not recognize the validity of a title through Radenac. The French Mission was kept fully informed; and as France regained her diplomatic powers, she was able to take over the case herself vis-à-vis the Spanish and press for rectification of rights. The case is now before the courts in Spain, with the French claimant adequately represented by counsel. For the period of over 12 months between the arrival of the goods in Spain and this proceeding, dissipation was prevented by the efforts of the American Missions in Spain and their British and French colleagues.

Having mentioned some of the schemes by which German external assets were cloaked and looted property turned to German economic advantage, I should like to discuss the third phase of safehaven, the detection and control of German flight capital. It is not possible yet to state at exactly what time an official policy of hiding assets abroad was embraced by the Reich. Certainly such a policy was not generally adopted until after the flush of earlier blitz victories had well worn off.

Since the flight of Axis capital is the most recent and covert phase of German efforts to achieve safehaven, you will understand that a great many cases are presently under active investigation, both in Germany and elsewhere, and that I must exercise care in mentioning names or localities. I should like, however, to illustrate some of the devices or techniques used to foster the flight of German economic power to neutral countries.

1. In some countries, such as Switzerland, a bank account may be kept by number rather than by name, and heavy penalties face the banker who violates the secrecy rule and discloses the identity of the owner of the account. Shifts from one numbered account to another within a single country can be confusing enough, to say nothing of movements between two countries where such systems exist, especially in view of the fact that the persons who are listed as the owners of the numbered accounts may themselves be only cloaks for others. In our recent negotiations with Switzerland, we pressed for the lifting of the bank secrecy law. The Swiss decree, however, did not go beyond authorizing Swiss officials to conduct investigations regarding the identity of the owners of numbered accounts. Whether this change will yield beneficial results is yet to be seen.

2. Germans have also achieved foreign haven for flight capital by preventing the normal repatriation of German foreign earnings. German corporations have either not declared dividends or have not sought to convert them into marks. For example, the Deutsche Bank and Deutsche Orient Bank (Dresden Bank) branches located in Istanbul, Turkey, followed the policy of accumulating in Turkey rather than transmitting to their parent company in Germany their annual profits during their last 8 years of operation.

3. Another device for achieving the same result was that of building up credits for Germans in neutral countries by deferring the payment for German exports. We have reports that Germans have dumped goods in neutral countries, granting very liberal credit terms. Lest this be too obvious, a two-price system was sometimes used, whereby lower fictitious prices would be paid through the clearing at the time of importation and sale, while the difference between the simulated price and the real price would remain a postwar credit in favor of the German shipper. Checking these reports indicates that the latter variation was sometimes used for heavy industrial exports of great value. There is little to show that Germany was able to dump consumers' goods in foreign markets in volume during the war. Germany did, however, strive to maintain the prestige and morale of her export organization, with the result, for example, that German radio and photography shops in neutral countries were well stocked in comparison with the bare shelves of American outlets.

4. During the war years, German investment in neutral countries showed itself particularly disposed to enter concerns in which there was a substantial increment of neutral capital. It seems fairly obvious that one reason for this was the expectation that in case of German disaster the neutral governments would be more reluctant to take measures against such concerns than against those in which neutral interests were less involved.

5. German liquid balances in neutral countries, particularly the earnings of Germans located in those countries, were frequently invested in income-producing real estate. This, again, is symptomatic, for neutral reluctance to interfere with existing titles to land at the instance of foreign states is based on inferences from the concept of sovereignty itself. Moreover, land cannot easily be frozen in a blocked account.

6. Finally, a very simple evasive tactic, time tested by the last war, rests upon the short memory of man and his soon tiring of controlling Germany and Germans. The scheme was simply to dispose

of property by a written instrument, absolute on its face, but delivered on a secret, oral understanding that it would become void in 5 years or so. Our reports indicate that the Germans as a general rule thought that 5 years was allowing enough time for this purpose.

Flight of capital is not of treasure alone; the brains and skills of men are also the subjects of German efforts to save potential strength for another war. This is especially true of German scientific and managerial personnel. We need only recall the flight of German technicians to surrounding areas after the First World War to appreciate the existence of a similar danger today. The problem is complicated by the fact that many German technicians have assumed, with fraudulent intent, citizenship in other countries. Moreover, there may be greater neutral reluctance to permit the extradition or repatriation of Germans not regarded as war criminals than to recognize Allied competence with respect to German assets abroad.

I should like to cite a few cases which illustrate these dangers. In a certain neutral country, the German electrical company, Telefunken, bought a plant in the summer of 1943. The plant was immediately modernized and enlarged. It now has complete facilities for testing the most intricate short-wave radio equipment, and magnificently equipped laboratories for research in the ultra short-wave and tone-frequency field. As late as April of this year negotiations were in progress for the importation of skilled German technicians to work in this plant.

In another neutral country, the government was eager to encourage the growth of manufacturing in the national economy. A semiofficial German organization presented a proposal to the government of this neutral country for the equipment and establishment of a technical school system. A representative of an Allied government has seen the 5-volume dossier containing the German offers. The Germans proposed to supply a very large quantity of machinery and equipment for purposes of production, research, and teaching. In addition, they proposed to construct a fully equipped plant for the production of machine tools.

The acceptance of this offer by the neutral government would have necessitated the employment of a large number of German teachers and technicians. The offer certainly did not arise out of simple commercial motives, for the Germans were willing to guarantee delivery within 3 months at the very time when German war industry was losing the battle of production. It seems clear that the plan was intended to establish a nucleus of German personnel and equipment beyond the reach of the Allies.

Aircraft repair establishments in the same neutral country ordered certain specialized machines from German suppliers in 1941. They were unable to obtain delivery until late in 1943, at which time they received, not the amount of equipment that they ordered, but five times as much. Much of this machinery, adaptable to the large-scale manufacture of aircraft, rests today in this neutral country, still uncrated.

Germans in foreign countries, who have now been cut off from their connections with German industry, may be expected to try to turn to United Nations trade as a means of preserving their position. They did this after the last war, and they have had some experience along these lines in this war.

In one neutral country, Germans actually managed to derive large profits from the popularity and strong drawing power of American motion pictures. Their scheme was ingenious, and too long for recital here. They dealt with the unsuspecting American producers through a series of cloaks, and managed to get control of the exhibition rights of American films. The arrangement was broken up by a vigilant American diplomatic mission, which used its control over the importation and distribution of American raw film stock to forestall the dubbing and copying of films whose exhibition rights were German-held.

The United Nations have been alive to the dangers of German safehaven efforts throughout the war. It has been necessary, however, to adjust precautionary steps to particular stages of the war. The earliest economic security measures designed to extirpate Axis influence were those taken in the other American Republics pursuant to the replacement program which I have already discussed. The next was the United Nations declaration of January 5, 1943, a copy of which is herewith submitted for the record as exhibit 12.

This declaration made it quite clear that the United Nations would not recognize the validity of property transfers in enemy-occupied Europe based upon Axis acts of spoliation.

The declaration was given wide publicity and was presented by the American missions abroad in a formal diplomatic manner to the various governments not then members of the United Nations. Others of the United Nations made parallel diplomatic presentations. The American Embassies and Legations throughout the world have been instructed, moreover, to invoke this declaration in bringing to the attention of each foreign government the fact that certain property located within its area is asserted to be loot. In this way, it has been possible to forestall defenses based upon the doctrine of innocent purchaser for value. This policy was further implemented by vigorous blacklisting action. Individuals and concerns contemplating the purchase of looted property were warned that the consequences of their act would be certain inclusion in the American Proclaimed List and the British Statutory List.

Later, on February 22, 1944, the United States sponsored a specialized declaration, a copy of which I offer for the record as exhibit 13, relating to looted gold. Studies by the Foreign Economic Administration indicated that by the time of that declaration, Germany had more than exhausted all of her gold on hand when she entered the war, with the result that any gold thereafter purchased by the neutral countries from Germany would be presumed to be looted gold and hence within the nonrecognition principle of the earlier United Nations' declaration. The Gold Declaration was given publicity and diplomatic presentation similar to that of the January 5, 1943, declaration.

The next step was the inclusion in the Bretton Woods agreement of Resolution VI, a copy of which is offered as exhibit 14. This resolution broadened the scope of the earlier declarations to include enemy flight capital as well as looted property, thus illustrating a new danger that was beginning to arise as German defeat became more certain. This resolution has been given wide publicity and urged upon the United Nations for adoption as the general principle for dealing with flight capital and looted property.

Resolution XIX of the Mexico City Conference on Problems of War and Peace, which I have previously discussed, pledged the combined efforts of freedom-loving Western Hemisphere nations to forestall Axis concealment of assets abroad.

As the safehaven problem grew more acute with time, and as the German position deteriorated, it was possible to bring additional pressure to bear on the neutral countries to recognize the expressions of basic policy which I have outlined above. For some time prior to Mr. Lauchlin Currie's mission to Switzerland, representatives of the State Department, the Treasury Department, and the Foreign Economic Administration had been studying proposals for linking up safehaven objectives with Anglo-American supply purchase negotiations with the European neutrals. It was decided as a matter of basic policy that attainment of safehaven objectives should be sought in such negotiations.

I should like to introduce for the information of the committee as exhibit 15 a model note addressed to a neutral country regarding these objectives. In general, the neutral governments were called upon to subscribe to the principles of the declarations and resolutions mentioned heretofore and were requested to take the following implementing measures: (1) To freeze all German assets; (2) to investigate transactions since 1939 between persons subject to the laws of the particular country and persons in Axis or Axis-controlled territory; (3) to make the results of these investigations available to the United States Government; (4) to conduct a census to determine the extent of German ownership of assets located in the neutral country; and (5) to provide the United States with full information regarding persons of Axis nationality who entered the neutral country since 1939 and who are still there.

The Swiss negotiations resulted in the enactment of a Federal law in Switzerland providing for the blocking of German accounts and the initiation by the Swiss of a census of German property in that country. A copy of the Swiss decree is offered herewith as exhibit 16. The collapse of Germany speeded the enactment of control legislation in Spain and Portugal.

The Spanish laws are herewith introduced as exhibit 17. The Spanish decree of May 5, 1945, adhered to the principles of Bretton Woods Resolution VI and provided for a general freezing control over the assets in Spain of subject of Axis or Axis-dominated countries and gave broad discretion to the Minister of Foreign Affairs with respect to the implementation of the policy thus expressed. The Minister of Foreign Affairs, acting under this delegation of authority, has required corporations domiciled in Spain to report the capital therein owned by all nationals of Axis or Axis-dominated countries. A licensing system is provided for, and without a license all payments of dividends, debts, etc., to the nationals of Germany or territory formerly dominated by Germany are forbidden. The Portuguese decree is similar in tenor, but its operative effect is confined to the nationals of Germany, unlike the Spanish law which affects all Axis nationals or the nationals of any country which the Germans had occupied during the war. Negotiations with the Swedish Government are proceeding relatively satisfactorily, according to our Legation at Stockholm. Sweden had suspended commercial and financial transactions with Germany prior to the latter's capitulation.

With German assets now frozen in the European neutral countries and Allied investigating teams scouring Germany for evidence of the German side of safe-haven transactions, it is expected that rapid and substantial progress will be made in isolating Germans from the economic power they have sought to maintain through illegal movements in neutral countries. A great deal, however, remains to be done. The Department of State is determined to press forward, in conjunction with the other executive agencies operating in this field, in order that economic security objectives may be attained and German property outside of Germany subjected to just claims against it.

It is the objective of the United States, regarding property looted from territories occupied by the Germans, to lend every assistance to the country from which the property was taken in order to obtain return of the property for adjudication of present rights to it. German capital abroad, whether flight capital or traditional German foreign investment, must bear its full share of German responsibility for this war. I am not in a position to make any additional statement regarding the ultimate disposition of German external assets until after discussions with our allies regarding fundamental reparations and German control policies have been completed. In the interim period, one of the most important tasks in which the Department of State is collaborating with the other civilian agencies is the study of evidence available in Germany regarding German economic penetration into the neutral countries and the Western Hemisphere.

During this period, also, the Foreign Service abroad, the Department of State, and other interested agencies in Washington will continue their efforts to obtain information outside of Germany regarding the nature and extent of German holdings, to press for neutral controls which will immobilize German interests without prejudicing their ultimate disposition, and to formulate and study the principles which should govern the final settlement, to the end of assuring that Germany may never again be able to mobilize external assets for aggressive purposes.

III. CARTELS, COMBINES, AND TECHNOLOGY

I should like to turn now to the question of German participation in international cartels. The development of an effective policy on this question requires parallel action with respect to German domestic cartels and combines, international combines in which German nationals have an interest, and the treatment of German technological information.

Our policy toward German participation in international cartels is governed by two considerations. The first follows from our general opposition to cartels as devices for the regulation of world trade, while the second follows from our knowledge of the special uses to which Germany has put the international cartel system.

Studies undertaken by the State Department and other Government agencies have shown that the so-called normal operation of cartel arrangements has had undesirable and dangerous economic consequences. Private agreements of a restrictive character which fix prices, allocate markets, determine the conditions of technological interchange, and establish production quotas have operated to curtail the availability of goods and services to the consumer, to enhance prices, and to curtail employment and purchasing power. We hope

to achieve the concurrence of other governments in an agree me prohibiting participation of commercial enterprises in contracts combinations which restrain international trade, restrict access to international markets, or foster monopolistic control in international trade.

Testimony previously presented to this committee and to other congressional committees has shown that the prewar cartel system was used by Germany as an instrument of political and economic aggression. In our view the disarmament of Germany and the promotion of effective measures to prevent future military aggression by Germany requires that German participation in international cartels be promptly and effectively terminated, and that any future attempts to establish such relationships be prevented.

To put this policy into effect, we are proposing immediate action along several lines.

First, we propose to terminate German participation in all cartel contracts which fall within the following classes:

(a) Agreements between two or more sellers or between two or more buyers which provide for, or have the effect of, fixing prices or terms of sale, dividing or allocating markets or fields, assigning quotas or controlling production, capacity, sales, purchases, exports, or imports;

(b) Agreements between a buyer and one or more sellers or between a seller and one or more buyers which go beyond simple purchase and sale transactions or agency agreements and which accomplish any of the foregoing results;

(c) Agreements pertaining to patents which go beyond simple grants of exclusive or non-exclusive rights and which accomplish any of the foregoing results;

(d) Any other agreements, without limitation, which come within the scope of certain German laws which provided the legal framework for cartels.

Secondly, in order that we may have a complete inventory of all international cartel agreements to which German nationals were parties, we are planning to require the registration of all international cartel agreements in effect in Germany at any time and for any period after January 1, 1933. A comprehensive collection of international cartel agreements should prove of immense value to us in revealing the location and magnitude of Germany's foreign assets and in disclosing in greater detail the extent of German economic penetration in foreign countries.

Thirdly, our proposal to terminate German participation in international cartels and similar organizations would be of little value if we did not take adequate steps to prevent the resumption of such relationships. Accordingly, not only do we intend to declare such resumption of cartel relationships to be illegal, but we also intend to press for the establishment of a system of policing all business communications between Germany and other countries. Under the proposed arrangements, all international business communications would come under military government surveillance, and all persons who are permitted to enter Germany during the occupation period, no matter what their official or semiofficial status, would be required to submit all private business communications through official channels.

The failure to adopt such precautions would not only jeopardize the success of our security policy, but would also enable German firms to effect concealed transfers of foreign property to cartel partners or affiliated interests abroad in order to frustrate seizure.

It is a common observation that one country's domination of an international cartel is facilitated when all of the producers within that country act in unison. Such united action may be, and usually is, a consequence of the rigid cartelization of the domestic economy, or of the ownership by combines of all or predominant parts of the production facilities of major industries.

Consequently, the internal unification of the German economy will always entail the threat that the German economic strength may be wielded as a weapon of coercive power in international markets. Moreover, the concentration of business control in Germany would preserve the great economic and political power which rests in the hands of those same industrialists who financed Hitler and supported him until it became clear that he had lost his great gamble.

These considerations have led us to the conclusion that German domestic cartels, and other related German associations which have the character of cartels, such as economic groups, should be dissolved by the military government authorities.

It is recognized that German cartels and economic groups have, to an increasing extent under the Nazi regime, been used as semi-autonomous public organs to aid in the administration of Government procurement, allocation, price stabilization, and standardization and rationalization programs in the field of production. However, insofar as these functions must be performed during the occupation period, it is our view that they should be performed, not by cartels, but by public administrative authorities, under the close supervision of military government.

As I have already suggested, Germany's position in international cartels, and the organization of her domestic economy through cartels and cartel-like organizations, is closely related to the existence within Germany of large business aggregates such as combines, communities of interest, and trusts. It would be unrealistic for us to advance a policy calling for a prohibition on German participation in international cartels, and dissolution of German domestic cartels, unless we were also prepared to deal with these other forms of business centralization. This problem is receiving our serious attention, to the end that decisive action may be taken to eliminate the dangers of German corporate combination.

Certain additional actions, which will be taken without primary reference to the policy I am now advancing, will have the direct effect of disestablishing German industrial control aggregations. To the extent that Germany is deprived of certain parts of her territory, the international distribution of industrial units will be changed; disarmament and the prohibition on production of war materials will cause the elimination of many facilities which now form the main assets of certain combines; Allied administration of certain strategic industries such as coal, iron, electrical power, and transportation may deprive a number of combines of control over their main economic assets and thereby contribute to their dissolution. There will, however, be a considerable field in which we must take affirmative action in cooperation with other governments in order that the control which

the larger industrial aggregates have exercised over the German economy shall be broken.

Although this aspect of the problem has been inadequately publicized, it has seemed to many of us that Germany's successful penetration of foreign economic systems has been achieved through the control of international corporate combines as often as through participation in international cartels. It is our view that continued German participation in such combines involves the same dangers to future security as does German participation in international cartels, and we take the view that equally firm defensive action is necessary in this field.

The first steps toward the dissolution of German international combines have already been taken. The various nations at war with Germany have vested or reduced to their control German interests in properties within their jurisdiction. Furthermore, we have reason to anticipate that properties in which German nationals have an interest and which are located in countries not at war with Germany will be claimed by the appropriate Allied Powers either in the name of the Allied Control Council or the Allied Reparations Commission. Thus, the financial and corporate interests of German nationals located outside of Germany either have been seized or will be subject to seizure.

I should like now to turn to certain questions related to German technological information and scientific research. If we are prepared to acknowledge that German research and scientific development have been important in the past, we must also be prepared to draw the obvious conclusion that the exclusive possession or control of certain kinds of advanced technology by German nationals involves a possible danger to our security and provides German nationals with important assets which in the past have induced other parties to join them in international cartel arrangements.

Our intentions with respect to German research and scientific information may be summarized as follows:

1. We intend to secure the full disclosure of all existing German technology and invention for the benefit of the United Nations.

2. Through seizure by the governments of the United Nations of German-owned patent rights on inventions developed before and during the war, we shall be able to withhold from German nationals the usual technological assets which have proved to be the main inducements for other parties to join the Germans in international cartel arrangements.

3. We intend to allow organized research and invention in Germany during the period of military occupation only when we are fully satisfied that such research will not contribute to Germany's future war potential.

German technology developed prior to the war and disclosed in one manner or another in countries outside of Germany has already been subject to extensive action by the various United Nations. This Government and other governments with which Germany has been at war have reduced to their control inventions and designs both patented and unpatented which were owned and controlled by German nationals at the time of the outbreak of war.

The United States Alien Property Custodian has taken over all United States patents formerly owned and controlled by enemy

nationals and has, in accordance with his general policy, extended non-exclusive royalty-free licenses on many such patents to any United States party making application. Although the ultimate disposition of these enemy inventions is a matter to be determined by the Congress of the United States, it is probable that no steps will be taken by either the legislative or executive branch of this Government which would have the effect of returning such rights to the former German owners. These matters will undoubtedly be discussed in detail in the statement which will be submitted to this committee by the Alien Property Custodian.

As to the ultimate disposition of enemy-controlled assets now under the control of the other United Nations, it is believed that the general attitude of these governments will be to prevent such assets from again coming within the control of German nationals. When this Government through the Congress has made explicit its policy with respect to the disposition of enemy technological information, it is our view that it would be desirable to insure through diplomatic action the maximum degree of coordination between our policies and those of the other governments.

We may assume that the bulk of German inventions made before the war was disclosed in one manner or another in all the United Nation countries. We are aware, however, that the prosecution of the present war has caused an immense acceleration in industrial and scientific research in Germany and that the normal channels which made German technology available to us have been closed during the war.

It is our view that we and the United Nations generally have an equitable claim against all German inventions made during the war, since the main reason for such research and subsequent development was to overthrow by military force the Government of the United States and its Allies. We have therefore taken certain steps to assure that important German scientific advance made during the war shall be known to us and put to such use as we deem desirable.

At the present time this Government, in conjunction with the Government of the United Kingdom, has dispatched to Germany a group of industrial experts whose task it is to acquire all technological information available in Germany which could be used in the prosecution of the war against Japan. Although these groups will be primarily concerned in acquiring those instruments, apparatus, and processes which are usually defined as war matériel, it is well known that the extent and scope of modern war is such that almost all technological inventions are relevant to its successful prosecution. We may, therefore, anticipate that the joint United Kingdom-United States technological missions will inspect, make inventories of, and acquire most of the important technological inventions made by our enemy during the war, and such other inventions as have not been disclosed in the United States and elsewhere through the issuance of patents to German nationals. We have already begun to receive information from our missions in Germany which indicates that scientific information of considerable value is being obtained.

Under existing arrangements a joint United Kingdom-United States group undertakes to acquire information at the request of various governmental agencies in the two countries. When the information is disseminated to the agencies involved, the responsibility of acquiring group ceases. The policy to be pursued in disclosing and

distributing the acquired information to civilian parties and organizations remains the responsibility of the government agencies who receive the information.

Naturally, a considerable portion of the acquired enemy technology has been assigned secret status by the United Kingdom-United States military authorities, since it is in the interest of the two Governments that certain classes of information should not be directly or indirectly disclosed to our remaining enemy.

I may report, however, that various Government agencies concerned with the problems relating to enemy technology have been meeting on an informal basis to study the general policy which should govern the dissemination and disclosure of this information in the United States, the problems which might be encountered in such disclosures, and the question of agreements on these matters with other United Nations.

The tentative policies which have been adopted by the interested Government agencies relating to the disclosure of enemy technological information to the public are as follows:

1. Technological information acquired in enemy territories by our military forces or other agencies may legitimately be used not only in the furtherance of our war effort against Japan, but also for postwar civilian purposes.

2. The security classifications which are necessary for reasons I have indicated should be abandoned from case to case as soon as it is assured that the disclosure of such information would not benefit our remaining enemy.

3. Subject to such limitations as may be required in the interest of security, all technological information collected in enemy countries or received as a result of exchanges with other Allied Powers should be promptly and publicly disseminated within the United States. Furthermore, information which for security reasons may be temporarily withheld from public dissemination should be promptly disclosed when the security consideration ceases to apply.

The foregoing discussion summarizes our views of the problems raised by German cartels, combines, and technology, and indicates in broad terms the action we are taking and which we propose to take. We are, I believe, alive to the importance of these questions as they affect our national defense, and the protective measures to which we are committed have an important place in our broader program to checkmate German plans for a rebirth of German economic and military power.

(End of prepared statement.)

• • • • • •

Mr. CLAYTON. In all questions affecting the treatment of Germany, the Department of State has one paramount objective—security against a renewed German aggression. And security can be assured only so long as there is agreement with our allies on the basic principles of the treatment of Germany.

We have reached that agreement as far as the basic objectives of the occupation of Germany are concerned. The late President Roosevelt, Prime Minister Churchill, and Premier Stalin jointly announced in the communiqué from Yalta:

We have agreed on common policies and plans for enforcing the unconditional surrender terms which we shall impose together on Nazi Germany * * *

It is our inflexible purpose to destroy German militarism and nazism and to ensure that Germany will never again be able to disturb the peace of the world.

We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contrived the resurgence of German militarism; remove or destroy all German military equipment; eliminate or control all German industry that could be used for military production; bring all war criminals to just and swift punishment and exact reparation in kind for the destruction wrought by the Germans; wipe out the Nazi Party, Nazi laws, organizations, and institutions, remove all Nazi and militarist influences from public office and from the cultural and economic life of the German people; and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world.

The task of destroying the economic basis of German aggression is one that requires vigorous, simultaneous action along a number of lines. I am very glad to discuss this morning those three aspects of this problem, on which your committee has asked me to report. These are, first, the serious problem of Axis economic penetration in Latin America; second, the problem of tracking down and frustrating German efforts to hide abroad a stake for another gamble of aggression; and, third, the question of the treatment of German cartels, combines, and technology.

The earliest phase of our continuing efforts to destroy the economic basis of German aggression was related to the problem of Axis economic penetration in Latin America. Not only was German economic power in the other American Republics alarmingly great, but it was all too frequently used to support antidemocratic political and propaganda activities which jeopardized the unity of this hemisphere and directly threatened the security interests of the United States.

The great German combines were the spearheads of Axis economic penetration in the other American republics. In the field of drugs and pharmaceuticals the Bayer, Merck, and Schering companies enjoyed a virtual monopoly. I. G. Farben subsidiaries had a firm hold on the dye and chemical market. German enterprises such as Tubos Mannesmann, Ferrostaal, A. E. G., and Siemens-Schuckert played a dominant role in the construction, electrical, and engineering fields. Shipping companies and, in some areas, German air lines, were well entrenched. In addition, other strong pro-German firms were engaged in miscellaneous types of business, some of which were partly or wholly owned from Germany and some of which were wholly owned by persons of German origin, who, without changing their basic allegiance, had acquired citizenship in one of the American Republics.

This Government soon determined that German enterprises could not be permitted to survive as hostile centers of Axis influence in this hemisphere. The replacement program was accordingly evolved as a means of bringing about the elimination of German enterprises and of German interests.

The obstacles to the achievement of the goals of this program were numerous. In some countries German capital represented a large portion of the total business investment, and in some important industries there were no non-German companies to serve the essential requirements of the local economy.

In those countries which took steps short of war against Germany, the constitutional authority of the Administration to proceed with an elimination program was open to serious question. In the case of some enterprises, it was claimed that the beneficial ownership was not German, which made it necessary laboriously to trace ownership through a maze of dummies and holding companies. Furthermore,

the relatively large numbers of citizens of German descent in some Latin-American countries were sometimes a political obstacle to the adoption of a satisfactory elimination program.

The CHAIRMAN. Have you not found it a practice of German companies to get their people naturalized in foreign countries, including the United States, and then under the theory of dual citizenship to operate under the protection of the chosen citizenship, but really keeping their allegiance to Germany?

Mr. CLAYTON. That is often the case, Mr. Chairman. The Germans were people who emigrated to these countries and set themselves up in business, and very soon they married some woman of the country to which they had gone, and then they became naturalized, and so they infiltrated their economy and their political ideologies in a way quite different from English or American people.

The CHAIRMAN. But they still retained allegiance to the Fatherland?

Mr. CLAYTON. For the most part I think that was true; yes, sir.

The Department of State, throughout this period, has had to take full account of the many factors which make the eradication of Axis influence in this hemisphere a difficult and arduous job. It was necessary to avoid putting the United States in the position of the whip-cracking "colossus of the north." More has been achieved by means of cooperation and an honest attempt to understand the problems of other governments than could have been achieved by dictation; and our long-range objective of good-neighborly relations has not been imperiled.

Moreover, in those countries which lacked substitutes for Axis enterprises, we have tried to work with the local governments in building up new enterprises, and we have tried to make sure that the successor enterprises remain in the hands of local nationals. We have been careful, furthermore, to avoid actions which would afford the slightest justification for an accusation that the United States used economic-warfare controls to further the economic interests of its nationals.

In obtaining information about the scope and character of German economic activity in this hemisphere, we received invaluable cooperation from the other American Republics, as well as from our British allies. For example, an agency of the Government of Uruguay seized the books and record of the Banco Aleman. The findings of that agency are summarized in a report which is contained in exhibit 1.

(The report referred to was marked "Exhibit No. 1," and appears on p. 85.)

Mr. CLAYTON. This report shows clearly the extent of the participation of spearhead firms in the Nazi plan, the value of their contribution to that plan, and the insidious nature of their operations.

Through the cooperation of our British allies, we obtained access to a large cache of mail from the Bayer subsidiary in Argentina to I. G. Farbenindustrie, Leverkusen, Germany, which was intercepted in 1943 at Gibraltar. Of particular interest are two letters from the Argentine subsidiary which summarize the position of the important Bayer companies as of mid-1943. English translations of the entire text of these two letters are available in exhibit 2.

The CHAIRMAN. Will you insert those letters in the record at this point, as I may have some questions to ask about them a little later? (The Bayer letters were marked "Exhibit No. 2," and follow:)

EXHIBIT No. 2

LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBENINDUSTRIE IN LEVERKUSEN, GERMANY

The information we have sent you by telegraph from time to time has kept you more or less informed as to the situation in the various Latin American countries. Nevertheless we want to take this opportunity to give you an over-all picture of the position of our affiliates, especially in regard to their supplies.

We should like to make it clear that with regard to the shipment of goods to our sister firms we have tried to be as helpful as possible to the business, within bounds, by considering the countries where continued activity and the defense of our trade-marks is possible. Our shipments must be restricted further to those products which we can make from local raw materials or which Institute Behring can deliver.

Unfortunately, therefore, we have only been able to export goods when there have been no notable difficulties to local manufacture, or when you supplied us so richly with the necessary elements that we did not have to worry about our own supply position for the foreseeable future. Only in these cases could we deliver goods on the request of our sister firms.

Apart from this we have, of course, taken the greatest care that our shipments should not entail additional financial risks. We have especially tried, whenever possible, to use these deliveries to withdraw from the foreign countries funds of high foreign exchange value which would otherwise eventually have been frozen or have been subject to various measures with the entry of the country into the war.

Following these fundamental rules we have for over a year not exported goods unless the payment for them was absolutely certain. Finally, we have tried, so far as possible, to reduce the amounts of the shipments to the point where each delivery contained only about a 3-month supply of the product.

So far as the situation in each particular country can be forecast for the near future, we adapted these general rules to the situation in such a way as best to serve the general interests of all concerned.

Carrying out this policy has been made more difficult by the recent tightening up of the administration of the export control here since the change of government. For a long time most of our applications for export permits were granted. More recently a much more thorough examination has been made, particularly in regard to products made up from raw materials. The clear purpose of this change was to restrict the reexport of important goods coming originally from the United States. We are afraid that this tendency is going to make itself felt in the near future in ways that will make it uncomfortable for us, with the result that our ability to ship goods to the other companies will be steadily reduced even when our own supply situation is relatively good.

Following this general discussion we can give you a short description of the situation in individual countries.

Mexico.—Our deliveries stopped before the end of 1941. During 1942 we made another attempt to ship certain products of which we had a very good supply but these plans were not successful. We hear practically nothing, any more, about the Mexican company which has been placed completely under governmental control.

Central America.—Since the outbreak of war with the United States we have had no information at all either from the top management or the various agents. The chief personnel of our main company there have been taken off to prison.

Colombia.—The sister firm in this country has been under direct control of a governmental intervener since the beginning of 1942 and can openly carry on normal business in a relatively unhindered manner. The personnel of German citizenship are subject to considerable restrictions on their movements.

For a long time we have been able to maintain shipments of necessary goods against specific payments.

Venezuela.—The last word we received directly from Caracas was that the situation there was about the same as in Colombia, and that continuation of the

business was almost entirely a matter of supply. Because of technical transport considerations it is extremely difficult for us to ship the desired products to Venezuela.

From a press telegram that has just come in we see that the enemy's agitation has reached the point where Mr. Madamovsky has been sent out of Caracas and forced to live in a place in the interior of the country, so that his continued management of the company will be made difficult.

Ecuador.—In this country the United States got the general controls in their hands immediately after the declaration of war and have effectively hindered the further shipment of goods to the company there. There was no alternative but slowly to sell out the stocks on hand at this time.

Peru.—In Peru, also, the enemy have the controls fast in their hands and can prevent any shipment of goods. From earlier letters which we sent to you you will have learned of the law calling for the nationalization, that is, the expropriation, of all Axis firms which was passed by the end of May. Except for Herr A., all the other German men were either repatriated or carried off to prison camps in the United States. Apart from the monthly statements of turn-over which we have sent on to you, we hear practically nothing from Lima.

Chile.—Up until the breaking off of relations our sister firm in Chile was able to operate and import virtually unhindered. Since that time the operation of North American control officials has virtually eliminated the possibility of importing. As a result our affiliate has had to fall back entirely on its supplies of that date, which are shrinking to a minimum. All of the men of German nationality who are important to the company have been forced to transfer their domiciles to towns far from Santiago and are thus cut off from working with the firm.

(Marginal note.) As a result of a conversation with Mr. Hofmann we believe that in spite of everything we have found a way to help Chile further.

Bolivia.—In Bolivia the situation was about normal up until a short time ago. We hope that even after our representative there was placed under the control of a Government interventor we will be able to deliver goods (against payment), at least for some time.

Paraguay.—Until recently the Paraguay business could be fully maintained, especially since the export control here permitted larger shipments to this neighboring country, which is virtually dependent on Argentina in economic matters, than it did to other countries.

However, in view of the ever increasing rumors that Paraguay will be forced to declare war we have taken steps to see that the present supplies in Asunción are sold as rapidly as possible to reduce the risk there.

Uruguay.—Even though the sister firm in this country did not suffer from any official interference with its imports from Argentina, enemy propaganda has had such great effort in Uruguay that the acceptance of our goods among doctors has been reduced to a minimum. Virtually no druggist is willing to sell our products. In these circumstances the supplies on hand in Uruguay will last for much longer than was originally expected.

Brazil.—As you know, our affiliated firm in this country was first placed under governmental control and since the beginning of the year completely under Government administration. In the interests of protecting our trade-marks, and also to secure the exchange of caffeine, we decided to ship against high payments certain goods which we could manufacture entirely out of native raw materials. At the beginning of May the governmental administrator of the firm in Brazil informed us that the company could not continue its relations with us, so that we no longer have any business with them.

In every country the tendency is for the North Americans to make a special point of laming our organization. Even though we have succeeded so far in holding the field, in many cases there can be no doubt that time is working against us, and that we will not be able to prevent one after another of the countries from falling away. All along we have done what was in our power to put off the time when this would happen, and within the rather narrow limits possible to us we shall continue to do so.

LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBEINDUSTRIE IN LEVERKUSEN, GERMANY

Following we give you a short survey of the position of your Latin American agencies, as far as it is known to us at present:

Mexico.—Since the end of 1941, we have not heard about the condition of your Mexican agency, and consequently made no more deliveries.

Central America.—We are also without news about Central America since America's entry into the war.

Colombia.—We still keep in touch with Colombia and believe that your products will remain in the market for some time. Only recently (see letter No. 27-A of June 4, 1943), we shipped additional supplies to them.

Venezuela.—Since shipment No. 1818, of which you were informed by letter No. 46-A of June 26, 1942, we neither prepared further deliveries for Venezuela nor received any news from there. However, as the shipment in question was comparatively large, we assume that the market will be provided for some time. Payment for this merchandise was, as you know, made to us.

Ecuador.—Since it is absolutely impossible to send any additional supplies to Ecuador, the business there may either have ceased to exist or may expire after the sale of the balance of the small stocks which may remain.

Peru.—Although all gentlemen known to you have been deported, your Peruvian agency remains in good hands, and Messrs. Krefft supervise the liquidation from their neighboring country. The last time we sent them goods was in February 1943, having received in advance the relevant payment. We understand that after this delivery the market is provided for until about the end of the current year. There is hope that when the time comes, ways and means will be found to send further supplies to Peru.

Chile.—So far, our sister company there has been able to carry on rather undisturbed. However, the United States authorities active in the country are increasingly endeavoring to make further imports of supplies impossible and to destroy the internal organization of the firm. Consequently, it is impossible to predict whether in the long run the business can be continued.

Bolivia.—We wrote you in detail in letter No. 33-A of June 28, 1943.

Paraguay.—So far, it has been possible to carry on business unhampered.

Uruguay.—Although our sister company is still able to receive supplies, the pressure of the enemy propaganda brought on physicians and apothecaries is making itself felt especially strongly in Uruguay. As a result, the prescriptions have substantially fallen off.

Brazil.—For a long time we have been without news of your agency there. Our sister firm officially broke off relations with us at the beginning of May 1943, so that it has become impossible for us to secure any news about the daughter company which holds your representation.

As far as circumstances permitted, we have done everything possible to enable the agencies in each country to continue business. As far as our supply of raw materials is concerned, we shall also be able to do so in the future. However, we are afraid that the circle of our customers will continually decrease with the longer duration of the conflict, in addition, the export regulations are now being handled more strictly in this country, so that the export of your products, which all contain ingredients which are difficult to obtain, will meet with ever increasing difficulties. Naturally, we shall do our very best to master these difficulties also, and to comply with any demands made on us.

We should like to refrain from a detailed description of the development of the business in this country, since you are informed in every detail from the monthly sales statements which you receive. In any case, we hope that we shall be able to carry on the local business also in the future. As far as supplies of raw materials are concerned, we should absolutely be able to do so. All the other difficulties have, so far, been overcome and we hope that somehow they will also be solved in the future.

Mr. CLAYTON. The basis for cooperation in the elimination of Axis-dominated companies was laid in the Rio de Janeiro Conference of January 1942. A resolution of that conference recommends the elimination of all commercial and financial intercourse between the Western Hemisphere and the Axis, and contemplated the elimination of "all other financial and commercial activities prejudicial to the welfare and security of the American Republics." At the conference held in Washington in June and July of 1942, it was recommended that the business of any persons who were acting against the political and economic independence or security of the American republics should be the object of blocking, occupation, intervention, forced transfer, or total liquidation.

The adoption of these recommendations was not empty phrase-making. The resolutions were followed by action in almost all of the other American republics. Some of the legislation which was drafted in these other republics was based upon United States legislation in the field or was drafted with the assistance of United States experts. The legislation adopted in most countries was extremely effective and thorough-going.

Our missions in Latin America have, of course, worked energetically and zealously in following the progress made under this legislation, in discussing individual cases with the commissions and working out with them particular methods of eliminating spearhead companies. In general, the policy has been to liquidate those spearhead firms whose disappearance would not injuriously affect the local economy. Whenever the enterprise was essential to the local economy, the procedure has usually been either to vest the business with all its assets in much the same way that the Alien Property Custodian has moved against enemy property in this country, or to force the undesirable owner to sell to satisfactory purchasers.

A very good idea of what our goal has been and what has been actually accomplished can be gained from a list of the enterprises in the other American Republics which are regarded as spearhead in character and the progress which has been made toward their total and permanent elimination. Such a list, compiled on a country-to-country basis, has been offered as exhibit 7.

An examination of this document will, I believe, support the conclusion that encouraging results have been realized in the job of eliminating Axis spearhead firms in Latin America. We naturally expect to continue to press for the elimination of such firms in those countries where the task is not already substantially accomplished.

The CHAIRMAN. Mr. Clayton, haven't you found that these spearhead firms have been used wherever possible to build up distrust, in the Latin-American countries, of our motives in dealing with them?

Mr. CLAYTON. Undoubtedly.

The CHAIRMAN. To build up the feeling that we are the colossus of the North, trying to take their business and exploit them?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. We found in some steel hearings, for instance, that early in the game German firms were buying inferior grades of steel from American companies and telling the South American Republics, "This isn't up to the steel we make, but this is what the United States passes off on you as the same quality steel—" building up an idea that our companies were trying to cheat the South Americans in the steel dealings.

Mr. CLAYTON. Oh, they did everything they could to discredit us politically and economically and commercially.

The Department of State has, of course, given much thought to the possibility that some of these Axis spearheads will survive the program which I have described; and to the related possibility that some of the former German owners may find ways to regain their control over enterprises from which they have been ousted. Steps have been taken to guard against these possibilities by the addition of paragraphs in the various national laws on the subject to the effect that the assets in question may be transferred only to a national of the

country concerned; or to the effect that such assets may not be transferred to German nationals. Assurances have been received from various American republics that the return of these properties to their former owners will not be allowed, and that the replacement program will continue unabated. Moreover, the Department of State has followed, on a case-by-case basis, the transfer of all Axis spearheads, as well as other Proclaimed List properties, to make sure that the transfer was bona fide in each case. No man can look too far in the future. It seems a safe prediction, however, to say that German economic and political penetration in this hemisphere has, for the most part, been dealt a blow from which it will probably not recover, and that the prospects are reasonably bright for the substantial elimination of Axis spearhead firms, even in the areas where they still survive.

The second matter I should like to discuss relates to the current and urgent problem of frustrating German attempts to hide abroad a stake for another gamble at world domination.

The Department of State has abundant evidence that the Nazis, in anticipation of military defeat, made careful plans to carry on in foreign countries a wide range of activities necessary to support an eventual resurgence of German power. For this purpose plans were made, and carried out in part, to transfer abroad sufficient funds and specially trained personnel to carry on pan-German activities, even while the Allied armies were in occupation of Germany.

The success of German efforts to carry on in foreign countries activities inimical to the United Nations must depend on their ability to mobilize funds to support the execution of their plans. Consequently, they have made strenuous efforts to move abroad assets of all kinds, which can be converted into funds for the financing of hostile activities.

Our safehaven program is a combined effort of the Department of State, the Treasury Department, and the Foreign Economic Administration to deny to Germany, in the interests of justice and future security, the economic power arising from (a) the organized looting of occupied countries, (b) the flight of German capital in anticipation of defeat, and (c) the German capital investment already located abroad when the war begun.

Our investigations have yielded a considerable amount of information which indicates the schemes and devices which the Germans planned to use in order to safeguard their foreign holdings and transfer additional property abroad. In many cases they have concealed their interests in foreign properties through holding companies and cloaks. In other cases they have abandoned formal voting control but retained a firm grip on manufacturing concerns through domination of technical processes. They have transformed their holdings into bearer shares in order to take advantage of the fact that the title to such shares can be traced only with extreme difficulty. Moreover, the Germans have also taken advantage in some countries of administrative inefficiency and corruption. The extent to which this can be said in every neutral country to have been the fault of private individuals alone is problematical.

The Germans systematically looted all manner of valuable property, not only to satisfy the esthetic sensibilities of such celebrated collectors as Goering, but to acquire wealth cheaply for concealment abroad.

Looting reached its all-time low when gold was picked from the teeth of gas-chamber victims. A more subtle form of outright looting was outright "purchase" with occupation currency from fearful sellers.

Since the flight of Axis capital is the most recent and covert phase of German efforts to achieve safe haven, you will understand that a great many cases are presently under active investigation, both in Germany and elsewhere, and that I must exercise care in mentioning names or localities. I should like, however, to illustrate some of the techniques used to foster the flight of German economic power to neutral countries.

1. In some countries, such as Switzerland, a bank account may be kept by number rather than by name, and heavy penalties face the banker who violates the secrecy rule and discloses the identity of the owner of the account. Transfers from a numbered account in one country to a numbered account in another country are extremely confusing, especially in view of the fact that the persons who are listed as the owners of the numbered accounts may themselves be only cloaks for others.

2. Germans have also achieved foreign haven for flight capital by preventing the normal repatriation of German foreign earnings. For example, the Deutsche Bank and Deutsche Orient Bank (Dresden Bank) branches located in Istanbul, Turkey, followed the policy of accumulating in Turkey rather than transmitting to their parent company in Germany their annual profits during their last 8 years of operation.

3. Another device for achieving the same result was that of building up credits for Germans in neutral countries by deferring the payment for German exports. We have reports that Germans have dumped goods in neutral countries, granting very liberal credit terms. Lest this be too obvious, a two-price system was used, whereby lower fictitious prices would be paid through the clearing at the time of importation and sale, while the difference between the fake price and the real price would remain a postwar credit in favor of the German shipper.

4. During the war years, German investment in neutral countries showed itself particularly disposed to enter concerns in which there was a substantial increment of neutral capital. It seems fairly obvious that one reason for this was the expectation that in case of German disaster the neutral governments would be more reluctant to take measures against such concerns than against those in which neutral interests were less involved.

5. German liquid balances in neutral countries, particularly the earnings of Germans located in those countries, were frequently invested in income-producing real estate. This, again, is symptomatic, for neutral reluctance to interfere with existing title to land at the instance of foreign states is based on inferences from the concept of sovereignty itself. Moreover, land cannot easily be frozen in a blocked account.

6. Finally, a very simple evasive tactic, time-tested by the last war, rests upon the short memory of man and his soon tiring of controlling Germany and Germans. The scheme was simply to dispose of property by a written instrument, absolute on its face, but delivered on a secret, oral understanding that it would become void in 5 years or so.

Our reports indicate that the Germans as a general rule thought that 5 years was enough time for this purpose.

The CHAIRMAN. In other words, they would go through the motions of selling something and deliver a document with the understanding the title would vest back in the grantor, feeling that in time all efforts to control the transaction would die down and the grantor would not be molested?

Mr. CLAYTON. That is right.

A few concrete cases will illustrate the devices which the Germans have used. In a certain neutral country, the German electrical company, Telefunken, bought a plant in the summer of 1943. The plant was immediately modernized and enlarged. It now has complete facilities for testing the most intricate short-wave radio equipment, and magnificently equipped laboratories for research in the ultra short-wave and tone frequency field. As late as April of this year negotiations were in progress for the importation of skilled German technicians to work in this plant.

In another neutral country, the Government was eager to encourage the growth of manufacturing in the national economy. A semi-official German organization presented a proposal to the government of this neutral country for the equipment and establishment of a technical school system. A representative of an Allied Government has seen the 5 volume dossier containing the German offers. The Germans proposed to supply a very large quantity of machinery and equipment for purposes of production, research, and teaching. In addition, they proposed to construct a fully equipped plant for the production of machine tools.

The acceptance of this offer by the neutral government would have necessitated the employment of a large number of German teachers and technicians. The offer certainly did not arise out of simple commercial motives, for the Germans were willing to guarantee delivery within 3 months at the very time when German war industry was losing the battle of production. It seems clear that the plan was intended to establish a nucleus of German personnel and equipment beyond the reach of the Allies.

Aircraft repair establishments in the same neutral country ordered certain specialized machines from German suppliers in 1941. They were unable to obtain delivery until late in 1943, at which time they received, not the amount of equipment that they ordered, but five times as much. Much of this machinery, adaptable to the large-scale manufacture of aircraft, rests today in this neutral country, still uncrated.

Germans in foreign countries, who have now been cut off from their connections with German industry, may be expected to attempt to turn to United Nations trade as a means of preserving their position. They did this after the last war, and they have had some experience along these lines in this war.

In one neutral country, Germans actually managed to derive large profits from the popularity and strong drawing power of American motion pictures. Their scheme was ingenuous, and too long for recital here. They managed to conceal their dealings from the American producers through a series of cloaks, and managed to get control of the exhibition rights of American films.

The arrangement was broken up by a vigilant American diplomatic mission, which used its control over the importation and distribution of American raw film stock to forestall the dubbing and copying of films whose exhibition rights the Germans had secured.

The United Nations have been alive to German safehaven efforts throughout the war. As early as January 1943, we put the world on notice that we would not recognize the validity of property transfers in enemy-occupied Europe based upon Axis acts of spoliation. This declaration was subsequently broadened in the Gold Declaration of February 1944, and in resolutions of the Bretton Woods Conference and the Mexico City Conference.

You doubtless remember, Mr. Chairman, that the Gold Declaration of February 1944 stated that the Germans had undoubtedly used up all the gold long since that they had at the beginning of the war, and whatever gold they were using now and thereafter, when the declaration was issued, would be looted and stolen gold, and all nations were put on notice it would be so regarded. The Germans did not have title to it.

As the German position deteriorated, it became possible to bring greater pressure to bear on neutral countries. Our safehaven objectives were linked with our supply-purchase negotiations with neutral countries.

I have introduced as exhibit 15 a model note addressed to a neutral country regarding our safehaven objectives. In general, the neutral governments were called upon to subscribe to the principles of the declarations and resolutions mentioned heretofore and were requested to take the following implementing measures: (1) to freeze all German assets; (2) to investigate transactions since 1939 between persons subject to the laws of the particular country and persons in Axis or Axis-controlled territory; (3) to make the results of these investigations available to the United States Government; (4) to conduct a census to determine the extent of German ownership of assets located in the neutral country; and (5) to provide the United States with full information regarding persons of Axis nationality who entered the neutral country since 1939 and who are still there.

So far our negotiations with the neutrals have resulted in the enactment of a Swiss law providing for the blocking of German accounts and a census of German property; in the issuance of a Spanish decree providing, among other things, for a general freezing control over the assets in Spain of the nationals of Axis or Axis-dominated countries; and in the enactment of a Portuguese decree similar to the Spanish but applicable only to German nationals. We are informed by our Legation in Stockholm that negotiations with Sweden are proceeding satisfactorily.

Since this statement was prepared, Mr. Chairman, we have been informed that the Swedish Parliament is now considering a bill concerning these matters, but we have not yet received full particulars of the bill.

With German assets now frozen in the European neutral countries and Allied investigating teams scouring Germany for evidence of the German side of safehaven transactions, it is expected that rapid and substantial progress will be made in isolating Germans from the economic power they have sought to maintain through illegal movements in neutral countries.

A great deal, however, remains to be done. The Foreign Service abroad, and the Department of State and other interested agencies in Washington, will continue their efforts to obtain information outside of Germany regarding the nature and extent of German holdings, to press for neutral controls which will immobilize German interests without prejudicing their ultimate disposition, and to formulate and study the principles which should govern the final settlement, to the end of assuring that Germany may never again be able to mobilize external assets for aggressive purposes.

I should like to turn now to the question of German participation in international cartels. The development of an effective policy on this question requires parallel action with respect to German domestic cartels and combines international combines in which German nationals have an interest, and the treatment of German technological information.

Our policy toward German participation in international cartels is governed by two considerations. The first arises from our general opposition to cartels as devices for the regulation of world trade. The second follows from our knowledge of the special uses to which Germany has put the international cartel system.

Testimony previously presented to this committee and to other congressional committees has shown that the prewar cartel system was used by Germany as an instrument of political and economic aggression. In our view the disarmament of Germany and the promotion of effective measures to prevent future military aggression by Germany requires that German participation in international cartels be promptly and effectively terminated, and that any future attempts to establish such relationships be prevented.

To put this policy into effect, we are proposing immediate action along several lines.

First, we propose to terminate German participation in all cartel contracts which fall within certain broadly defined classes. Secondly, we plan to require the registration of all international cartel agreements in effect in Germany at any time and for any period after January 1, 1933. Thirdly, we intend to press for the establishment of a system under which all international business communications to and from Germany would come under military government surveillance.

The failure to adopt such precautions would not only jeopardize the success of our security policy, but would also enable German firms to effect concealed transfers of foreign property to cartel partners or affiliated interests abroad in order to frustrate seizure.

It is a common observation that one country's domination of an international cartel is facilitated when all of the producers within that country act in unison. Such united action may be, and usually is, a consequence of the rigid cartelization of the domestic economy, or of the ownership by combines of all or predominant parts of the production facilities of major industries.

Consequently, the internal unification of the German economy will always entail the threat that German economic strength may be wielded as a weapon of coercive power in international markets. Moreover, the concentration of business control in Germany would preserve the great economic and political power which rests in the

hands of those same industrialists who financed Hitler and supported him until it became clear that he had lost his great gamble.

These considerations have led us to the conclusion that German domestic cartels and other related German associations which have the character of cartels, such as economic groups, should be dissolved by the military government authorities.

The CHAIRMAN. Mr. Clayton, did you know that in attempting to get coal, of which there is the most stringent shortage on the European continent at the present time, we have been unable to get the management of the individual mines to do anything unless we deal through the cartel? We have to deal through the domestic coal cartel of Germany in order to get skilled men for the mines. They seem to control every skilled technician and engineer and everything in Germany that has to do with the coal business, and we have had to go to their head offices in order to get anything done.

Mr. CLAYTON. I am sure that is true. Of course, those mines are under the control of the military now.

The CHAIRMAN. Yes; but it shows how closely knit the domestic coal cartel was when the cartel had taken the management of the mines away from the owners of the mines. The owner got the profit, but the cartel exercised management over the mines.

Mr. CLAYTON. I am sure that is true. They were large exporters of coal, of course, always, and I am sure that the whole coal producing and distributing system was so closely integrated that you couldn't go outside of it and get any help at all in that country.

The CHAIRMAN. That is right.

Mr. CLAYTON. As I have already suggested, Germany's position in international cartels, and the organization of her domestic economy through cartels and cartel-like organizations, is closely related to the existence within Germany of large business aggregates such as combines, communities of interest, and trusts. It would be unrealistic for us to advance a policy calling for a prohibition on German participation in international cartels, and dissolution of German domestic cartels, unless we were also prepared to deal with these other forms of business centralization. This problem is receiving our serious attention, to the end that decisive action may be taken to eliminate the dangers of German corporate combination.

Although this aspect of the problem has been inadequately publicized, it has seemed to many of us that Germany's successful penetration of foreign economic systems has been achieved through the control of international corporate combines as often as through participation in international cartels. It is our view that continued German participation in such combines involves the same dangers to future security as does German participation in international cartels, and we take the view that equally firm defensive action is necessary in this field.

The first steps toward the dissolution of German international combines have already been taken. The various nations at war with Germany have vested or reduced to their control German interests in properties within their jurisdiction. Furthermore, we have reason to anticipate that properties in which German nationals have an interest and which are located in countries not at war with Germany will be claimed by the appropriate Allied Powers either in the name of the

Allied Control Council or the Allied Reparations Commission. Thus, the financial and corporate interests of German nationals located outside of Germany either have been seized or will be subject to seizure.

I should like now to turn to certain questions related to German technological information and scientific research. If we are prepared to acknowledge that German research and scientific development have been important in the past, we must also be prepared to draw the obvious conclusion that the exclusive possession or control of certain kinds of advanced technology by German nationals involves a possible danger to our security and provides German nationals with important assets which in the past have induced other parties to join them in international cartel arrangements.

Our intentions with respect to German research and scientific information may be summarized as follows:

1. We intend to secure the full disclosure of all existing German technology and invention for the benefit of the United Nations.

2. Through seizure by the governments of the United Nations of German-owned patent rights on inventions developed before and during the war, we shall be able to withhold from German nationals the usual technological assets which have proved to be the main inducements for other parties to join the Germans in international cartel arrangements.

3. We intend to allow organized research and invention in Germany during the period of military occupation only when we are fully satisfied that such research will not contribute to Germany's future war potential.

The foregoing discussion summarizes our view of the problems raised by German cartels, combines, and technology, and indicates in broad terms the action we are taking and which we propose to take. We are, I believe, alive to the importance of these questions as they affect our national defense, and the protective measures to which we are committed have an important place in our broader program to checkmate German plans for a rebirth of German economic and military power.

The CHAIRMAN. Mr. Clayton, I have a few questions.

Can you tell the subcommittee how the Banco Aleman Transatlantico of Montevideo acted as an intermediary for the contributions of German-owned firms in Uruguay to Nazi institutions and propaganda in that country?

Mr. CLAYTON. That bank, Mr. Chairman, seems to have been the spearhead of all German activities in that country, and we have here a pretty complete list of the many different organizations, political and economic, national and private, which carried accounts in that bank.

The exhibit shows, for example, that the funds which were deposited there from abroad for the German Legation rose from a total of about \$28,000 in 1936 to a total of \$590,000 in 1941. The exhibit shows, for example, the listed transactions between the Banco Aleman Transatlantico and the German Legation which did not pass through the Bank of the Republic control, the majority of which were affected as sales of bills by means of cash transactions, in which the name of the Legation did not figure—numerous transactions in 1939, 1940, and on through 1941.

The exhibit shows payments made by the bank in respect of political current accounts other than those of the German Legation totaled, beginning in 1935, up to 1941, over \$300,000.

It shows payments of so-called subsidies to German schools beginning in 1935, up to 1941, totaled \$463,000, and various other data of that character.

The CHAIRMAN. From a tabulation I have here, I see that Uruguay, in which this bank had its headquarters, has 27 Axis economic spearheads on which we haven't been able to take any action in eliminating. We are actively engaged in trying to eliminate one, and none have been eliminated. The bank was apparently very powerful in Uruguay.

Mr. CLAYTON. It undoubtedly was. You know, of course, that the bank is in process of being eliminated.

Dr. SCHIMMEL. It is still not eliminated?

Mr. CLAYTON. Not completely, but it is in process.

The CHAIRMAN. Do you have any information on the present whereabouts or activities of Max Schmidlein?

Mr. CLAYTON. No, sir; I have not.

The CHAIRMAN. Wasn't he the key figure in that bank operation?

Mr. CLAYTON. He is a very prominent citizen of Uruguay, and was the ostensible agent of the concordium of German companies effecting the Hydroelectric Works of Rio Negro, which was a big power project in Uruguay for which the Germans contracted to furnish most of the machinery.

The CHAIRMAN. It is interesting to contemplate the fact that they were putting their money in power projects in South America at the same time that they were busily engaged in selling as many power bonds as they could in the United States. I know people who lost a lot of money on some of those power projects in Germany, and at the same time Germany was making a spearhead in South America.

Mr. CLAYTON. They used some of our money, I suppose, for those purposes.

The CHAIRMAN. Undoubtedly.

Turning to exhibit 2, the Bayer letters to which you referred, could you describe for us German operations during the war as revealed by those documents?

Mr. CLAYTON. First of all, the letters show very clearly that the measures which were taken in Latin America, with the aid of other American Republics, to control the operations of these concerns and limit their operations, were pretty effective.

The letters make that statement frequently throughout in referring to the business of the Bayer subsidiaries in different Latin-American countries. They show that the continuation of their business was made possible only because they had set up large stock piles of goods before it was impossible any longer to get shipments, and they were continuing to operate on stock piles rather than on current replacements.

The two letters which are filed here as exhibit 2 were written in the form of reports made by the Argentine subsidiary of the Bayer industry in Germany, and indicate that this subsidiary was in the nature of a kind of parent organization of the Latin-American countries and was coordinating their activities and taking actions to help one out to get one to help the other, and so on.

The CHAIRMAN. Isn't it a fact, also, that when the blockade made it difficult to get shipments, they endeavored to act through their cartel associates or former cartel associates in the United States to get American goods, which they relabeled, to supply their market there?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. Bayer, particularly, played a large part in that in the matter of drugs, taking American goods and selling them as German goods in South America?

Mr. CLAYTON. I understand that was done whenever they could.

The CHAIRMAN. These letters tend to show that Argentina was in the center of these activities, particularly during the war period and just before the war. I am not saying that as a reflection on the Argentine people, but that Germany centered her activities in Argentina more than any place else.

Mr. CLAYTON. It certainly shows it in this case. There was a certain laxity of Argentine controls which contributed to the success of that policy, of course, and it would have been natural if that were not the situation in the beginning, that as time progressed it would more and more get to be the case.

The CHAIRMAN. For instance, quoting from one part of one of the Bayer letters:

The sister firm in this country—

that has to do with the Colombian Bayer firm—

has been under the direct control of a Government intervener since the beginning of 1942 and can openly carry on normal business in a relatively unhindered manner.

It is a rather interesting comment, I think.

Would you not agree that this document shows that at least in certain instances, intervention is a totally inadequate method of combating Nazi economic pressure?

Mr. CLAYTON. Oh, yes; intervention has proved a pretty feeble effort to control.

The CHAIRMAN. Frequently intervention furnishes a cloak under which to operate?

Mr. CLAYTON. It could easily do it; yes.

The CHAIRMAN. I have had prepared a summary of your exhibit No. 7 on the elimination of enemy interests in spearheads of Axis economic penetration. I would like to introduce the summary in the record at this point. It shows the extent of elimination, and shows that in certain countries like Brazil we have been very successful, while in others we have not been so successful.

(The summary follows:)

The elimination of enemy interests in spearheads of Axis economic penetration

	Spearheads completely eliminated	Spearheads in process of elimination	Spearheads in which no action or nonelimina- tion action has been taken to date
Argentina.....	0	4	104
Bolivia.....	6	12	
Brazil.....	48	70	0
Chile.....	22	23	10
Colombia.....	4	5	10
Costa Rica.....	4	0	0
Dominican Republic.....	10	0	1
Ecuador.....	19	0	2
Guatemala.....	16	272	0
Haiti.....	25	0	0
Honduras.....	3	10	3
Mexico.....	57		3
Nicaragua.....	10		3
Panama.....	5	0	0
Paraguay.....	0	1	5
Peru.....	10	11	4
El Salvador.....	7	0	9
Uruguay.....	0	1	27
Venezuela.....	13	2	5

The CHAIRMAN. Do you care to comment on the summary, Mr. Clayton?

Mr. CLAYTON. One comment appears to me to be desirable, and that is, in the case of Guatemala you will note 272 spearhead concerns in process of elimination. That large number is due a good deal to the fact that the coffee business in Guatemala is nearly altogether in the hands of the Germans, and each separate coffee plantation is listed as an entity or as a spearhead company, so that accounts for it.

The CHAIRMAN. So in the case of Guatemala the situation is not as bad as it first appears.

Mr. CLAYTON. No, sir.

The CHAIRMAN. Are there any other countries where such a condition exists?

Mr. CLAYTON. I believe not. I think this tabulation which you have had prepared makes a pretty good record on what has been accomplished in this work. You have to bear in mind, Senator, that the situation in these countries, as I said in my statement, is entirely different from what it is in the United States. In some of these countries, German interests have almost a dominating part in the economy of the country, and if at any moment you would have eliminated all of them you could almost have stopped the economy of the country in some cases.

The CHAIRMAN. One of the causes for that dominance was the fact that many of our American corporations doing business in Latin America, instead of establishing their own agencies, dealt with German agencies; isn't that correct?

Mr. CLAYTON. A good many of them did.

The CHAIRMAN. That gave Germany American money to draw on through those agencies, and American material to dispose of through the agencies, and the Latin American didn't realize he was really getting American material. That could largely be eliminated if we could

get our companies to set up their own agencies there and deal directly with Latin America, could it not?

Mr. CLAYTON. Mr. Chairman, a program along that very line was started here as early as the fall of 1940, and a mission was sent down and a thorough survey and investigation was made and efforts were made to get representation changed in Latin-American countries of American interests. A good deal of success was achieved. Of course, it was a very difficult question.

Certainly before we got into the war it was extremely difficult, because in many cases the only sales agencies in these countries were German, and to replace them meant that American concerns would have to send their own people down and establish their own agencies, and in some cases the volume of their business didn't justify it.

The CHAIRMAN. And because the average European is somewhat of a linguist, it was easier for Germany to staff those agencies with people who could speak the language. It was more difficult for us to get people who could speak the language and knew South American business customs to go in there.

Mr. CLAYTON. That is very true.

The CHAIRMAN. Would it not be to our advantage to train our people so that we can more fully staff foreign agencies?

Mr. CLAYTON. There is no doubt of it, and a good deal is being done in that direction. As you probably know, there is a semi-governmental agency in operation now which is training foreigners in this country in our ways, which I think is a very useful thing. It is called an International Training Administration, and it is conducted largely with private funds, some Government funds. In time it will probably be conducted entirely by private funds. They are bringing the young men of other countries here who want to get training in American technology and American ways of industry and commerce, and they are placing them in business concerns throughout the country. They get their training and learn the American ways, and I think it is a very useful thing.

The CHAIRMAN. I think so, too.

Mr. CLAYTON. We are doing more all the time in training our own young men, too, for foreign service. There is a new school established here in Washington, the Foreign Service Educational Foundation.

The CHAIRMAN. I think that is a very good start, but all that must be expanded tremendously if we are going to take advantage of international conditions.

Mr. CLAYTON. We must. It is highly important.

The CHAIRMAN. One thing I have noted about bringing boys in from other countries, they often want to stay here after they have been trained.

Mr. CLAYTON. Oftentimes they do, but they find opportunities in their own country very good after they get training here for a year or 18 months.

The CHAIRMAN. Would you agree that with the defeat of Germany, through vesting by Allied authorities of German-owned corporations at their home offices, we would be in a position by direct legal means to require the elimination of all known German interests in Latin America? I don't like to say "require"; I would say to "effect," rather, through cooperation with the Latin-American countries.

Mr. CLAYTON. Just what the legal situation is and what our legal rights are there, I don't know. They probably vary with different sets of conditions, but undoubtedly you know that we are occupying Germany, and our military people will have access to the records there, and they can put themselves or put us in a position to do a much better job in this matter than we were in before, and that is a matter, of course, of very active consideration; we are doing that very thing right now, getting all the information we can about these foreign countries.

The CHAIRMAN. Don't you think it is of vital importance for us to get copies of those records for study in order that we may know how to deal with the situation? I believe it is one of the most vital things we have going on over there.

Mr. CLAYTON. Yes, sir, our military are instructed to get all that information they can and send it to us.

The CHAIRMAN. Do you know from your records what, if any, countries have protested against the continued use of the Proclaimed List?

Mr. CLAYTON. I don't think I would like to say, if you don't mind, Mr. Chairman. I hate to bring these names in and make invidious comparisons. Of course, a good many countries, for the reasons I have mentioned, don't particularly like the Proclaimed List because it interferes very greatly with their trade, and, as I say, in a good many cases German nationals and German companies of one kind or another form such a large part of the commerce and the industry and the economy of the country, banking concerns, insurance companies, and what have you; it has worked very considerable hardship on a good many of these companies to cooperate with us to the extent they have, and I think they are deserving of a great deal of credit for what they have done.

The CHAIRMAN. One of our troubles was that for a long time we didn't have the shipping to make complete replacements of what the Proclaimed List enumerated.

Mr. CLAYTON. That is undoubtedly true.

The CHAIRMAN. The sinkings in the Caribbean and the fact that we needed so much of our shipping elsewhere kept us from getting in and taking over that market.

Mr. CLAYTON. That is undoubtedly true, yes, sir. It was very serious in 1942 and 1943.

The CHAIRMAN. It is interesting to note that Argentina has eliminated no spearheads. There are four in process of elimination and 104 in which nothing has been done as yet. Argentina practically had a German-dominated economy at the outbreak of the war, did it not?

Mr. CLAYTON. I couldn't say that that was a fact, Mr. Chairman, but it was certainly a very important part of the economy. The German interests formed a very important part.

Senator MURRAY. I understand that they used to subsidize education of citizens of Argentina in Germany and used to send military people from Argentina over to Germany for education.

Mr. CLAYTON. That is done a good deal, Senator Murray, from a good many of those countries down there, and the Germans contributed in many cases to the expense. It was done very largely from South-American countries. Their young men would go and get education in German universities, and things of that kind. The German Government carried on a great deal of that sort of activity.

Senator MURRAY. In that way they gained very powerful control over the culture of the country.

Mr. CLAYTON. They gained a great influence, there is no doubt of it.

The CHAIRMAN. I have heard that practically every German embassy and consular office in South America ran schools, and that children of the leaders of the South American countries were permitted to go to those schools which were ostensibly run for the education of the children of the German group. Do your records show anything on that?

Mr. CLAYTON. Yes; that has been true in several countries.

I called attention to the fact that the Banco Aleman of Uruguay had paid out so-called subsidies to German schools in 6 or 7 years amounting to nearly \$500,000.

The CHAIRMAN. Of course, there is another feature. At the end of World War I, the younger German officers were sent out on missions to the South American countries, even as far north as Mexico, to train their armies. I think that was a voluntary service on the part of Germany, and naturally they worked their way into the confidence of those people.

I would like to quote from page 8 of your long statement these words: "Withdrawal" (that is, withdrawal of the Proclaimed List from a country)—

does not imply in any way a whitewashing of all the persons taken from the list. It does not mean that a particular German national who has been on the list for 2 or 3 years has suddenly changed his stripes.

If, then, the withdrawal of the list might still leave in operation German-dominated firms, what safeguards would you propose to prevent the continuance and growth of Nazi influence?

Mr. CLAYTON. I think this, Mr. Chairman, refers mostly to what we would call small fry that didn't amount to very much.

The CHAIRMAN. Like all the coffee plantations in Guatemala?

Mr. CLAYTON. Maybe not even as important as that, but small fellows, individuals, largely, that might be spreading German propaganda that didn't amount to very much. We wouldn't take off of any list of spearheads, any big concern.

The CHAIRMAN. Do you know whether or not the withdrawal of the list from any South American country is under consideration in the Department?

Mr. CLAYTON. The complete withdrawal?

The CHAIRMAN. Yes.

Mr. CLAYTON. I am informed that it is not under consideration, Mr. Chairman. Of course, you know that we have had an understanding with these countries that as they become more proficient in exercising the necessary controls themselves and taking the necessary measures, we will reduce the lists and reduce our activities in the matter—

The CHAIRMAN. As they take over?

Mr. CLAYTON. As they take over, and in some cases we have had such fine cooperation and effective cooperation—I will put it that way—that we have felt justified in considerably reducing the size of the list.

The CHAIRMAN. Would it be diplomatic to name any of the countries that have been giving us such good cooperation, or is that best left off the record?

Mr. CLAYTON. I would rather not do that, Mr. Chairman. Of course, this list that you have is pretty good.

Dr. SCHIMMEL. Mr. Clayton, I gather from your earlier statements that you get the greatest pressure to end the Proclaimed List from those countries where the German industry is most important, and that seems to me to be very significant if any consideration is given to eliminating these Proclaimed Lists at the request of the various South American countries.

Mr. CLAYTON. I don't believe we have had any very great pressure to eliminate the list completely. In some cases, I can say that the countries themselves have taken the position that they would like not to see that done, that they want the list continued and want us to help in every way we can to control the activities of these firms.

Dr. SCHIMMEL. Mr. Clayton, you spoke earlier of the injury which was done to the economy of some of these countries by the Proclaimed List because of the prominence of German industry there. The removal of the Proclaimed List would, of course, remedy that injury, but it would leave German industry there intact.

Mr. CLAYTON. That is correct.

Dr. SCHIMMEL. Don't you think we ought to go slowly and make sure we have a real replacement program as the shipping increases and as the supply of material increases?

Mr. CLAYTON. Indeed I do. I think that we don't want to be too quick to remove names from the lists or to kill the list entirely, or anything of that kind. I think we have to be pretty deliberate about that and make sure that we are right before we do it.

It isn't possible to separate the German industrial and commercial and financial hierarchy from the German political machine. It is all, according to my view, pretty much one and the same thing. We want to take every measure that we can, every reasonable measure, to see that Germany cannot again begin to make war, and she undoubtedly was being greatly helped in both World Wars, World War I and World War II, by her penetration of these other neutral countries and the aid and help that she has gotten from the existence of banking and insurance and commercial and industrial interests in those countries.

The CHAIRMAN. It is difficult to say whether German industry dominated the Government, or the Government dominated business.

Mr. CLAYTON. Under the Hitler regime it was practically one thing.

The CHAIRMAN. Let me sketch what I think we could do. Say there is a manufacturing company in New England that makes machetes. They should study the need for machetes in South America. They should send their own men to South America. Their label on machetes could easily become the only one acceptable to South American users because of the quality of the American item. But the need would have to be studied, and an item designed to fill the need.

Mr. CLAYTON. Undoubtedly we must, and I think we will. I think we will give a great deal more attention to foreign trade in the future

than we have in the past. The reason the Germans got such important interests in these different countries abroad and made such great progress is not because they were smarter than we were or that they could do things, make things better than we; it was not that, at all; it was just that it was more essential for them to do it than it was for us. We had such a large domestic trade that our people didn't give the same interest to business abroad that the Germans had to give, and I think in the future we will give a great deal more attention than we have in the past.

The CHAIRMAN. In other words, we are sort of like the hibernating bear; we could live on our own fat, practically, and didn't need to go abroad.

Mr. CLAYTON. We realize the importance of it, I think, now, and I think we will go abroad more than before.

The CHAIRMAN. To get back to the safehaven activities of the Department, it seems to me that they are crucial in eliminating the Nazi influence. In regard to these Bayer stock certificates and these numbered bank accounts, from what I can see—and I want to ask you if I am right—if an American could legitimately invest in a lot of these certificates through some bank that is neutral, then we face the situation of our Reparations Commission having to decide as between the true owners and the people who bought in good faith and put out their good money. It makes a very dangerous situation for the Reparations Commission to settle.

Mr. CLAYTON. It makes a dangerous proposition for the fellow who figures on investing his money, too. He had better be very careful.

The CHAIRMAN. What I am getting at is this: Is the safehaven thing sufficiently publicized to American investors; is the effort to stop that strong enough to keep them from using their system to get American credits?

Mr. CLAYTON. Maybe not. We ought to consider that, I think.

The CHAIRMAN. It seems to me it is very crucial to peace and war.

Mr. CLAYTON. Of course, you know I am reminded that the Foreign Funds Control is pretty effective in stopping that kind of transaction.

Dr. SCHIMMEL. That is, once you discover it?

Mr. CLAYTON. Yes.

Dr. SCHIMMEL. The purpose of the safehaven program is to discover the situation and then the Treasury Department can move in and tell the investors about it.

The CHAIRMAN. I ran into the numbered bank account matter in Frankfurt. All kinds of loot, women's rings and brooches, and even fillings removed from victims' teeth, had been deposited under numbers at Frankfurt. Apparently we have been unable so far to locate the code which would reveal the name of the criminal who deposited the loot under a number.

Mr. CLAYTON. Mr. Chairman, I would like for Mr. Oliver to explain the operation of the Foreign Funds Control in respect to preventing the matter which we discussed.

Mr. C. T. OLIVER (Acting Chief, Division of Economic Security Controls, State Department). I just wish to mention that no American investor could buy stock in a neutral corporation without a license from the Treasury Department ab initio. That would have to be

done before the American could invest, so it is not a question of a technical transaction already done, but it is stopping one before it begins.

The CHAIRMAN. In other words, I must get a certificate from the Treasury Department before I can make the investment?

Mr. OLIVER. Yes.

Senator MURRAY. I was going to inquire what program, if any, is under consideration to enable the small business concerns of this country to get into South American trade. Is there any program of setting up an agency in South American countries that would furnish information, for instance, to American concerns of what demand there would be for their products, and so forth?

Mr. CLAYTON. I think, Senator Murray, that the Department of Commerce has information of that kind that is available and is collecting it all the time, so that it is available to small business concerns that want to expand their markets for their products.

Senator MURRAY. Of course, the Germans were able to get in there and get such a powerful control because their Government assisted them, backed them up in their efforts.

Mr. CLAYTON. That is true, more, perhaps, than the government of any other country.

Senator MURRAY. The State Department has not taken any special interest nor intends to promote any program for the purpose of assisting small business concerns directly in this field?

Mr. CLAYTON. No, sir, I don't think we have any program, any actual program, for assisting them. Of course, we will be glad to assist anyone that we can in any way, but I think the logical department, the department where they can get the information about the markets, and that sort of thing, quickest, is from the Department of Commerce. I know that they have been making a very extensive investigation about markets, and so on, with that object in mind.

Senator MURRAY. And furnishing that information to the business concerns?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. Mr. Clayton, isn't it a fact that Commerce, Treasury, and other departments have representatives in each Embassy?

Mr. CLAYTON. Yes, sir; we have commercial attachés at each Embassy, who send information to us, and we send it over to the Commerce Department.

The CHAIRMAN. And you have Treasury representatives in a lot of them, too, don't you?

Mr. CLAYTON. In a good many of them, yes, sir. There is a large mass of that information that is already collected and is being currently collected.

The CHAIRMAN. Is there anything else you have, Mr. Clayton?

Mr. CLAYTON. I don't believe so, Mr. Chairman.

Dr. SCHIMMEL. I have one question. Will there be an increase in the number of commercial attachés in order to meet the need which Senator Murray has outlined, that is, to obtain better information in this country on the economic opportunities for American business in South America?

Mr. CLAYTON. I think we have excellent information now, that comes up all the time. I don't know that there would be any better job that could be done than is being done at the present time.

Dr. SCHIMMEL. Then the German penetration in South America was not a matter of their having superior informational facilities?

Mr. CLAYTON. No.

Dr. SCHIMMEL. We must, rather, develop additional techniques for the promotion of trade?

Mr. CLAYTON. With the Germans it was not a matter of information, it was largely a matter of necessity. I mean, they had to have foreign trade, they had to export in order to live. The country has, as you know, very little natural resources. The only natural resources of any consequence that they have are coal and potash, and they had to export manufactured goods in order to acquire the raw materials that they needed in their economic life, in their industry, and foreign trade was an absolute necessity for the Germans.

Dr. SCHIMMEL. That is, it was a necessity if they were to be a dominant world power? It would not be a necessity for a peaceful Germany which may be projected for the future?

Mr. CLAYTON. They had to do it if they were going to be an industrial nation, and that is what they set out to be, and of course the harm of the whole thing was, as I said a moment ago, that they used all of that to promote their political ambitions as well, and so closely knit the whole thing together in national politics and international trade, commerce, finance, insurance, industry, and everything, that you couldn't separate them.

Dr. SCHIMMEL. Can you afford to gamble that they will change their spots in the next 10 or 20 years?

Mr. CLAYTON. I wouldn't gamble that they would, at all.

Senator MURRAY. Mr. Clayton, I would like to ask if you think this country would eventually get into that situation that you described prevailed in Germany.

Mr. CLAYTON. Not as long as we are a democracy, Senator, I don't think we would.

Senator MURRAY. If we made this country totally an industrial nation, manufacturing, having foreign trade, and not having developed our own raw material resources and maintained as much as possible our supply of raw materials from our country, wouldn't we eventually get into the situation that Germany was in?

Mr. CLAYTON. I doubt it, Senator. It would take a long, long time, because we have so much more of natural resources than the Germans have in their country that I doubt it. It would be a long, long time before we would be so much dependent in order to maintain our industrial supremacy on outside help, as the Germans were—outside trade, I should say, as the Germans were.

I think that more and more we will go in for foreign trade, and I think we should.

Senator MURRAY. Do you think that your present trade policies would eventually bring about serious injury to such as the wool business in this country, the wool trade?

Mr. CLAYTON. No, sir; I don't think that that will happen. That gets into the discussions we had on the reciprocal trade agreements program, of course.

Senator MURRAY. Of course, if we greatly reduce the duties on wool, wouldn't that mean that the wool producers in this country would eventually go out of business?

Mr. CLAYTON. It conceivably would, but we are committed on that, Senator Murray, as you know, not to take any action which will seriously endanger any American industry or any segment of American agriculture or labor. The President himself, as you know, wrote a letter to Speaker Sam Rayburn in which he said that that sort of action would not take place under his administration.

Senator MURRAY. It is going to be a very difficult thing for you to control, it seems to me. If you greatly reduce the duties, there won't be enough incentive in this country to continue an industry such as the wool industry, if it was going to have such a small margin of profit; it wouldn't justify them in continuing if they were going to be in such competition.

Mr. CLAYTON. I take it, Senator, that the commitment obligates us not to take any actions in respect of reduction in duties which would seriously endanger any American industry or segment of agriculture, as, for example, the wool producing business.

Senator MURRAY. And it is the same with reference to minerals and metals, I suppose.

Mr. CLAYTON. I think it would be the same with respect to any commodity or any article.

The CHAIRMAN. Mr. Clayton, thank you very much for the very careful work that has been done on this. We appreciate it very much.

(The following exhibits were handed to the reporter by the committee counsel, and follow: Axis replacement and proclaimed list program in Latin America: Exhibits 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11. Safe-haven program; exhibits 12, 13, 14, 15, 16, 17.)

The CHAIRMAN. We will recess now, and we will have another meeting at 10:30 tomorrow, when Mr. Crowley will be here, in room 357.

(Whereupon, at 12 m., the hearing recessed until 10:30 a. m., Tuesday, June 26, 1945.)

EXHIBIT No. 1

SUMMARY OF THE FINDINGS OF A REPORT ON THE EXAMINATION OF THE AFFAIRS OF THE GERMAN TRANSATLANTIC BANK (BANCO ALEMAN TRANSATLANTICO) IN MONTEVIDEO

I. Accounts were opened in the Banco Transatlantico Aleman in the names of the following organizations regarded as of active political character, "admitting the new undisputed principle that the whole organization of Third Reich institutionalism is fundamentally a function of Nazi political intent (in spite of the social aims, apparent from their titles and objects, in juxtaposition with which politics rank in greater or lesser degree, abroad as in Germany due to the policy of conquest)."

1. "Deutsche Zentralstelle, Hilfskasse" (Punto Central Aleman de la Caja de Ayuda—German Center, Mutual Aid).

2. "Deutsche Zentralstelle, Garantiefonds" (Punto Central Aleman del Fondo de Garantia—German Center Guarantee Fund).

3. "Nationalsocialistische Volkswohlfahrt in Uruguay" (Organizacion de Beneficencia del Partido Nacional Socialista Aleman en el Uruguay—National Socialist Peoples Welfare in Uruguay).

4. "Nationalsocialistische, Volkswohlfahrt in Uruguay, Cuenta C." (Organizacion de Beneficencia del Partido Nacional Socialista en el Uruguay, Cuenta C.—National Socialist Peoples Welfare in Uruguay, Account C.)

5. "Nationalsocialistische Volkswohlfahrt in Uruguay, Garantiefonds" (Organizacion de Beneficencia del Partido Nacional Socialista Aleman en el Uruguay, Fondo de Garantia—National Socialist Peoples Welfare in Uruguay, Guaranty Fund).

6. "Nationalsozialistische Volkswohlfahrt in Uruguay, Baufond Kinderheim" (Organizacion de Beneficencia del Partido Nacional Socialista Aleman en el Uruguay, Fondo para Hogar Infantil—National Socialist Peoples Welfare in Uruguay, Children's Home Building Fund).

7. German Legation, "Fuersorge" (Legacion Alemana, Cuenta Beneficencia.—Relief Fund Account).

8. German Legation, "Baufond Kinderheim" (Children's Home Building Fund).

9. German Legation, "Deutsche Sammlung" (Colecta Alemana—German Collection).

10. "Verband Deutscher Vereine in Uruguay" (Federacion de las Sociedades Alemanas en el Uruguay—Federation of German Associations in Uruguay).

11. "Verband Deutscher Vereine in Uruguay No. 2" (Federacion de las Sociedades Alemanas en el Uruguay No. 2—Federation of German Associations in Uruguay No. 2).

12. "Federacion de las Sociedades Alemanas en el Uruguay, Fondo de Reserva" (Federation of German Associations in Uruguay, Reserve Fund).

13. "Federacion de las Sociedades Alemanas en el Uruguay, Socorro para necesitados No. 1" (Federation of German Associations in Uruguay, Poor Relief No. 1).

14. "Federacion de las Sociedades (Alemanas en el Uruguay, Socorro para necesitados No. 2" (Federation of German Associations in Uruguay, Poor Relief No. 2).

15. "Federacion de las Sociedades Alemanas en el Uruguay, Socorro para necesitados No. 3" (Federation of German Associations in Uruguay, Poor Relief No. 3).

16. "Winterhilfswerk 1936-1939" (Obra de ayuda de Invierno 1936-39—Winter Help Work 1936-39).

17. "Federacion de las Sociedades Alemanas en el Uruguay" (Federation of German Associations in Uruguay).

18. (Number omitted.)

19. "Nationalsozialistische Deutsche Arbeiter Partei, Stuetzpunkt 'Obra rio Negro'" (Partido Nacional Socialista Obrero Aleman, Punto de Apoyo Obra R. Negro—German National Socialist Labor Party, Support Point at Rio Negro works).

20. "Nationalsozialistische Deutsche Arbeiter Partei, Landekreis Uruguay" (Partido Nacional Socialista Obrero Aleman, Circulo territorial Uruguay—German National Socialist Labor Workers' Party, Uruguay Territorial Circle).

21. "Nationalsozialistische Deutsche Arbeiter Partei, Kamaradschaft" (Partido Nacional Socialista Obrero Aleman, Agrupacion de Camaradas—German National Socialist Workers' Party, Comradeship Society).

22. "Auslandsorganisation der N. S. D. A. P. Landesgruppe Uruguay" (Organizacion en el Extranjero del Partido Nacional Socialista Obrero Aleman, Agrupacion territorial Uruguay—Foreign Organization of the N. S. D. A. P. Uruguay Territorial Group).

23. "Deutsche Arbeitsfront, Auslandsorganisation, Ortsgruppe Montevideo" (Frente Aleman de Trabajo, organizacion en el Extranjero, Agrupacion local Montevideo—German Labor Front, Foreign Organization, Montevideo District Group).

24. "Deutsche Arbeitsfront, Auslandsorganisation, 1938" (Frente Aleman de Trabajo, organizacion en al Extranjero, 1938—German Labor Front, Foreign Organization, 1938).

The foregoing all considered by the investigating auditor as political accounts.

II. The report draws attention to the following accounts and transactions which are described "as if not exclusively political, excite comment as being connected with the Nazi organization for political purposes."

Account "Deutscher Schulverein" (Sociedad Escolar Alemana—German School Society).

Account "Deutscher Schule Palermo" (Escuela Alemana Palermo—Palermo German School).

Account "Hans Tessdorf y/o Luisa Will de Tessdorf." It is believed that Herr Tessdorf exercises the functions of schoolmaster at Rincon del Bonete (site of the hydroelectric works of Rio Negro) and is associated with the financing of Siemens Bauunion and G. E. O. P. E.

Account "Max Schmittlein." Engineer Herr Schmittlein acted as the ostensible agent of the Consortium of German Companies effecting the hydroelectric works of Rio Negro, in their subventions to the political organization of National Socialism in Uruguay.

Account "Walter Seidlitz." Herr Seidlitz held the Transocean agency or acted as its agent, and the account shows remittances to his credit from Berlin by the D. U. B. (Deutsche Ueberseeische Bank).

Letter from the "Deutsche Überseeische Bank" (Banco Aleman Transatlantico de Berlin). Crediting subvention in favor of Engineer Otto Klein, and later in the name of his wife, for account of the Reich Committee for Translation of German Standards.

Letter to the firm, Muenchmayer & Co., of Hamburg, stating that by telegraphic order of the D. U. B. the sum of \$25,191.85, which had been credited to them by order of Bayer & Co., of Montevideo, is debited for delivery to the German Legation. Attention is called to this transaction which calls for investigation under the payments agreement with Germany, because of its bearing upon the financing of funds for the German Legation in Uruguay.

Letter appearing on the files, amongst correspondence from Nazi political organizations, in which the head of the Uruguay Territorial Circle of the N. S. D. A. P. acknowledges receipt of a pecuniary contribution for the payment of the wireless broadcast effected on the occasion of Mussolini's visit to Berlin (letter bears date September 24, 1937).

Letter appearing on the files, amongst others from Nazi political organizations, in which Engineer Otto Klein requests that his address and his account for reception of funds be kept secret.

III. In regard to the direct connection of the bank with the Nazi Government and its condition as virtually an official organization or dependency, the reporter's comment is as follows:

The following letter appears on the files of the bank: "The speech of the Reich Minister Dr. Goebbels made on Labor Party Day 1937, The Truth about Spain, appeared in pamphlet form in nearly all languages. We have received 100 copies in the Spanish language (La verdad sobre Espana) for distribution to our agencies, and we have sent them under separate cover 15 copies for due distribution."

Proof exists that the National Socialist Labor Party, Foreign Organization, Uruguay Territorial Circle, was on May 1, 1939 raised to the category of Territorial Group, according to headed letter paper signed "Julius Daldorf," chief of the Territorial group, after the ceremonial "Heil Hitler." Proof also exists that the German Legation, in the superior official organ of the Third Reich in Uruguay, acting with supreme authority, that it orders and disposes that the German bank, as agent of the political treasury, shall effect all transfers from accounts of the various Nazi organizations, and a letter from Verband Deutscher Vereine in Uruguay (Federation of German Societies in Uruguay) by which, under date September 11, 1941, the will of the Legation is obeyed with respect to such transfers, signifies basically the fundamental Nazi political structure of all the German organizations implicated.

Photostatic copies reveal a complex banking operation which calls for submission to the analysis of the Bank of the Republic. Therein the German Legation appears as purchaser of a draft for \$19,961.87 (\$55,810.20 Uruguayan currency) drawn by the Bank of the Republic on the Guaranty Trust Co. of New York, by order of the Administracion Nacional de Combustible Alcohol y Portland (ANCAP), which check figures by endorsement as received by Riberena del Plata, Compania Sudamericana de Comercio, S.A., sold by the bank. This operation of December 16, 1939, is related to a letter from the bank to the Legation of the same date, of which record is made. This in turn is connected with a letter of December 12, 1939, which is recorded by photostatic copy, by which the German Legation in Montevideo is informed that a delivery order has been received for \$43,304.88, Argentine currency, from the Banco Germanico de la America del Sud de Buenos Aires (German South American Bank in Buenos Aires), which letter is again related to one, of which photostatic copy is recorded, informing the German Legation that telegraphic instruction has been received to deliver, by order of the Ministry of Foreign Affairs in Berlin, RM 40,000.00, equivalent to \$23,432, Uruguayan currency, from the sale of exchange of November 28, 1939.

IV. The following extracts from the report are particularly interesting: Total of visible financial resources of foreign origin managed by the German Legation in Uruguay through the intermediary of the Banco Aleman Transatlantico de Montevideo, from 1939 to 1941, with exclusion of the funds of political accounts of Nazi organisms in the country, and which may be considered as local tribute to Nazism:

These financial resources are qualified as "visible" because, the reporter points out, there may exist others which are "invisible," outside the German bank, or through another bank, or even within the German bank itself which he had omitted or did not discover, because firstly, he declared it practically impossible to carry the inspection as far as a total revision of the banking operations, which would occasion undue delay, and secondly, he declares, accountancy practices commented upon elsewhere, in connection with the existence of an unrubricated

cash book, in roughly sewn reams of paper, may amount to an occultation of movement of the bank's funds, only conceivable as of political intent.

Moreover there may exist invisible resources outside the sphere of banking, of unimaginable character, in the international financial underworld, politically directed by institutions or nations of world ramifications, and which subjugate all moral and legal conceptions to the desired political ends, as appears unquestionably demonstrated by renowned actions of the Third German Reich.

With this possibility in view it must be affirmed that the German Legation in Uruguay gave impulse to its activities, and manipulated them financially, with the following resources which are attested in the accountancy of the Banco Aleman Transatlantico de Montevideo, so far as we were able to establish, as money received from abroad by the Legation in the years indicated, completely excluding funds originating internally in Uruguay, which are the proceeds of the political accounts already mentioned:

Funds received, 1936.....	\$27, 863. 70
Funds received, 1937.....	38, 946. 98
Funds received, 1938.....	47, 059. 42
Funds received, 1939.....	303, 085. 53
Funds received, 1940.....	593, 793. 42
Funds received, 1941.....	590, 865. 14

Total amount of funds received from abroad..... 1, 601, 614. 28

Taking the figures for 1936 as the index equivalent to 100, the visible reception of funds from abroad by the German Legation in Uruguay grows in the subsequent years as indicated by the following percentage indexes:

	Percent			Percent	
1936.....	100		1939.....	1, 081	
1937.....	139		1940.....	2, 131	
1938.....	169		1941.....	2, 120	

These resources are detailed by years and analyzed by items under "A" statement, of which record exists.

What regular, normal, or ordinary justification can be given for such enormous growth in the mobilization of resources of the German Legation in Uruguay?

Germany's external commerce has been frozen by Uruguay since the end of 1940. No official movement of supplies, or loans, links Uruguay with Germany; to the best of the reporter's knowledge, because all such are contrary to the respective political positions.

That such growth of funds should be proved in respect of other legations, as, for instance, those of Britain and the United States of America, would be explicable by reason of provisioning of ships, etc., but in no case in respect of Germany, as far as ordinarily is known, unless it be for political activities here, contrary to the orientation and tendencies of the country, inasmuch as, in normal prewar years, the movement was only some thirty to forty thousand pesos per annum.

V. The report draws attention to the following transactions between the Banco Aleman Transatlantico and the German Legation which did not pass through the Bank of the Republic control, the majority of which were effected as sales of bills by means of cash transactions, in which the name of the Legation did not figure.

Cash book No. 50:

July 10, 1939. Bills purchased, p. 594.....	\$10, 752. 09
July 28, 1939. Bills purchased, p. 629.....	10, 722. 22
Aug. 8, 1939. Bills purchased, p. 653.....	1, 114. 21
Aug. 22, 1939. Bills purchased, p. 682.....	27, 716. 19
Aug. 23, 1939. Bills purchased, p. 684.....	27, 322. 40
Aug. 23, 1939. Bills purchased, p. 684.....	82, 056. 89
Aug. 31, 1939. Bills purchased, p. 699.....	1, 210. 72

Cash book No. 50A:

Sept. 20, 1939. Bills purchased, p. 39.....	5, 520. 00
Sept. 22, 1939. Bills purchased, p. 42.....	7, 981. 03
Nov. 28, 1939. Bills purchased, p. 168.....	23, 432. 00
Dec. 16, 1939. Bills purchased, p. 198.....	27, 325. 38
Dec. 28, 1939. Bills purchased, p. 265.....	7, 732. 56
Jan. 8, 1940. Bills purchased, p. 235.....	23, 432. 00
Jan. 8, 1940. Bills purchased, p. 235.....	18, 485. 00
Jan. 26, 1940. Bills purchased, p. 261.....	23, 432. 00

Cash book No. 50A—Continued.

Feb. 19, 1940.	Bills purchased, p. 26.....	\$23, 432. 00
Mar. 26, 1940.	Bills purchased, p. 70.....	23, 432. 00
Apr. 18, 1940.	Bills purchased, p. 105.....	23, 432. 00
May 26, 1940.	Bills purchased, p. 150.....	14, 660. 34
May 28, 1940.	Bills purchased, p. 151.....	33, 708. 00
June 24, 1940.	Bills purchased, p. 181.....	33, 708. 00
July 11, 1940.	Bills purchased, p. 208.....	53, 371. 00
July 23, 1940.	Bills purchased, p. 213.....	6, 150. 96
Aug. 2, 1940.	Bills purchased, p. 226.....	89, 807. 00
Aug. 6, 1940.	Bills purchased, p. 229.....	90, 909. 00

Cashbook No. 51:

Sept. 3, 1940.	Bills purchased, p. 256.....	53, 371. 00
Oct. 15, 1940.	Bills purchased, p. 300.....	12, 229. 36
Oct. 26, 1940.	Bills purchased, p. 313.....	67, 416. 00
Jan. 4, 1941.	Bills purchased, p. 396.....	2, 376. 06
Mar. 5, 1941.	Bills purchased, p. 487.....	84, 270. 00
Apr. 5, 1941.	Bills payable, p. 198.....	15, 816. 68
Apr. 16, 1941.	Bills purchased, p. 501.....	1, 515. 98
Apr. 18, 1941.	Bills payable, p. 503.....	4, 000. 55
Apr. 21, 1941.	Bills payable, p. 505.....	150, 000. 00

Reporter's remarks are as follows:

Within the mass of resources of the Legation, excepting only certain of specific origin, the most voluminous arise directly from bills sold to the German bank, which the bank registers as cash operations, without identifying the Legation in a current account. Are all these banking operations correct from the point of view of the payment agreement with Germany and the regulations for the control of exchange?

Totalized by years, these resources of the German Legation appearing as bought or discounted by the German bank show the following increase since the beginning of the war:

July to December 1939.....	\$232, 885. 69
January to December 1940.....	590, 985. 66
January to April 1941.....	260, 850. 68

Total..... 1, 084, 722. 03

VI. The payments made by the bank in respect of political current accounts other than those of the German Legation were comprised as follows, from 1935 onward:

1935.....	\$7, 860. 00	1940.....	\$42, 679. 42
1936.....	21, 558. 64	1941.....	144, 202. 86
1937.....	25, 364. 92		
1938.....	31, 895. 02	Total payments....	300, 973. 33
1939.....	27, 413. 01		

VII. So-called subsidies to German schools. The contributions of the German Government to German schools and educational objects since 1935 have been as follows:

1935.....	\$58, 137. 92	1940.....	\$78, 348. 69
1936.....	50, 930. 90	1941.....	82, 044. 52
1937.....	58, 168. 06		
1938.....	63, 970. 50	Total.....	463, 389. 67
1939.....	70, 289. 08		

In this total of payments there are funds deposited by the German Legation in the Schools Society account, of which photostatic record has been taken, to the following amounts:

1935.....	\$11, 634. 00	1940.....	\$43, 662. 50
1936.....	10, 941. 00	1941.....	42, 490. 00
1937.....	21, 415. 99		
1938.....	24, 458. 33	Total.....	191, 369. 41
1939.....	37, 367. 59		

Reporter's comment as follows:

Nazi generosity for the diffusion of a system through "education" is extraordinary, and should in our opinion act as a warning to the democracies to organize their defense.

It is clear that in giving they give much which is extraneous, expropriated, or despoiled from their international economic program, and given with the final intention of a political inversion of capital to be repaid, with handsome interest, under the lash and heel of Aryans of pure lineage, when these inhuman races of America shall have become transformed into agricultural and pastoral colonies of the German Third Reich, in the geopolitics matured by Rosenberg.

Can a Nazi Legation contribute such subventions to the education of a small American people, such as that of Uruguay, which possibly has no more than 7 or 8 thousand Germans in its midst, without the intention to disintegrate the national spirit?

VIII. German firms and institutions contributing to the Nazi effort. The following is a list included in the report:

Compania Platense de Electricidad, 16/163, 553.
 Siemens Schuckert S. A., 18/163.
 Siemens Bauunion, 16/163, 553, 19/669, 925, 20/510, 780, 24/176.
 Anilinas Alemanas, 16/258, 19/505, 20/59, 348, 768, 24/647, 25/574.
 Bernitt & Cia., 16/363, 18/716, 20/26, 30/924.
 Federico Clarfeld & Cia., 16/385.
 Circulo Aleman, 16/386, 965, 23/179, 24/466, 25/902, 28/902, 30/970, 31/665, 32/403.
 Liceo Aleman, 16/432.
 Sociedad Tubos Mannesmann, 16/553.
 Cia. Telefonica Montevideo, 16/563, 19/432, 906, 20/401, 24/647, 25/128, 455, 871.
 Liga Deportiva Alemana, 16/573, 18/126, 19/332.
 Eugenio Barth & Cia., 16/589, 18/716, 20/3, 348, 730, 25/82.
 Sociedad Escolar Alemana, 16/664, 21/20, 22/367, 29/644.
 Club Aleman, 16/694, 20/146, 929, 21/3, 31/459.
 Imprenta Germano Uruguaya, 16/751, 21/467, 560.
 Sociedad de Ingenieros Alemanes, 16/787, 30/742.
 Mutualista Alemana, 16/830, 21/354, 27/57, 32/499.
 Lahusen & Cia. Ltda., 16/895.
 Camara de Comercio Alemana, 16/923, 20/248, 486, 895, 24/681, 466, 25/171, 29/438, 31/456.
 Arturo Strauch, 18/684.
 Staudt & Cia., 18/716, 19/582, 20/120, 186.
 Consal, 18/862, 20/88, 486, 21/83, 24/187, 479.
 Bayer & Cia., 18/894, 19/432, 24/360.
 Ernesto Quincke S. A., 18/894, 20/43, 445.
 La Quimica Bayer, Westkott y Cia., 19/458.
 Banco Aleman Transatlantico, 18/8, 862, 10/669, 898, 20/44, 317, 21/331, 560.
 G. E. O. P. E., 20/348, 700, 24/176, 25/108.
 Otto Rabe y Cia., 20/656.
 Cervecerias del Uruguay, 20/656.
 A. Buch, 20/730, 18/563.
 Congregacion Evangelica Alemana, 20/800, 28/989.
 Riberena del Plata, 20/929.
 Cia. de Construccion, Industria, Representaciones (C. I. R.), 21/612, 23/684.
 Osten y Cia, 19/415.
 H. Beramendi y Cia., 24/668.
 Compania General de Obras Publicas, 26/559.
 Circulo Alpinista, 18/108, 27/57, 32/695, 33/121.
 Agrupacion Coral Alemana, 27/169, 32/653.
 S. A. Financiera y Comercial Guhrmann Lda., 27/635.
 Club Deportivo Aleman, 32/281.
 Federacion de las Sociedades Alemanas en el Uruguay, 32/296.

IX. The report specially refers to the contributions made in the name of Max Schmidtlein, manager of the Rio Negro hydroelectric works, who frequently and with copious funds appears in the documents of the Banco Aleman Transatlantico, for the German National Socialist Labour Party, Support Point Rio Negro. His domicile is Rincon del Bonete, at which place the German Consortium is constructing the hydroelectric works at Rio Negro. It is noted that the deposits commenced on March 26, 1938, \$88.10, in favour of the "German Labour Front, Foreign Organization, Local Montevideo Group," for account of "Rio Negro

Works—Paso de los Toros" (Pas de los Toros is the township adjacent to the works).

X. Siemens and G. E. O. P. E. (Compania General de Obras Publicas) contractors of the Rio Negro hydroelectric works, and the methods of concealment of their contributions to the Nazi organizations in Uruguay.

Separate paragraphs are devoted to these matters as follows:

Photostatic proofs are appended revealing that Ignacio Max Schmidtlein, in all or nearly all of his dealings, appears as a responsible intermediary for the perception and inversion of funds for account of third persons who avail themselves of his name as a bridgehead for the provision of funds to the German National Socialist Party in Uruguay. Ample proofs, amongst many, of this statement are appended in the form of photostatic copies of a number of operations.

The presumptive role of intermediary, concealing the true origin of the contributions of Siemens Bauunion and G. E. O. P. E. to the resources of the Nazi Organization in Uruguay, was corroborated in the subsequent examination of correspondence, which confirms the reality of the use of this screen.

On the file attached to the report are photostatic copies of incoming correspondence of the bank. A letter exists dated July 23, the initial half of the first page being a letterhead reading as follows: "German National Socialist Labor Party, Foreign Organization, Uruguay Territorial Circle, Support Point Rio Negro Works, Paso de los Toros—Telegrams Schmidtlein—Paso de los Toros—Correspondence—Dipl. (diplomado). Ingeniero Max Schmidtlein—Paso de los Toros—Rio Negro Works." In this letter there appears the following:

"As Siemens G E O P E do not wish to make deposits in the name and under the designation of the German National Socialist Labor Party, Support Point Rio Negro Works, I shall remit in future amounts destined for this account under the designation 'Cuenta Corriente, Max Schmidtlein' (Current account, Max Schmidtlein), whereas deposits in my savings account will be effected under the designation 'Savings Account 7169, Max and/or Maria Schmidtlein.' Heil Hitler."

There is a pencil confirmation on the letter, which appears in the photostatic copy, made by responsible employees of the bank, which reads "and the deposits will be transferred automatically in his current account to the account N. S. D. A. P., Support Point Rio Negro Works."

The transformation of the "Winterhilfswerk" into a mutual aid society, following the enactment of the law of illegal associations, is clearly shown:

From 1934-35 to 1938-39 Werner Forker, representing the German National Socialist Party, Uruguay Territorial Circle, and Adolf Sommer, (E. Quinke & Co.), administered the funds of the party.

In November 1939 the Winterhilfswerk disappeared from the books, being substituted by the German Legation's "German collections" account, in charge of the German Minister and the first secretary of the German Legation.

In February 1940 the chief of the German Central Office in Uruguay of the Beneficent Fund of the National Socialist Party notified the bank that: "with the approval of the German Legation of Montevideo I shall be glad if you would be good enough to transfer the balance of the account of the N. S. V. to the German Legation as follows: N. S. V. in Uruguay Children's Home account, to the account German Legation Children's Home Fund account and accounts N. S. V. in Uruguay Account C and current, to the account German Legation Beneficent Account (Fuersorge). From now onwards I shall be glad if you will be good enough to send me a statement of the beneficent account monthly instead of quarterly as heretofore. Heil Hitler. (Signed) P. Claas."

This was confirmed by a letter from the Legation giving P. Claas and Otto Hahn powers to draw checks.

EXHIBIT No. 2

BAYER LETTERS

LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBENINDUSTRIE IN LEVERKUSEN, GERMANY

JULY 1, 1943.

The information we have sent you by telegraph from time to time has kept you more or less informed as to the situation in the various Latin-American countries. Nevertheless we want to take this opportunity to give you an overall picture of the position of our affiliates, especially in regard to their supplies.

We should like to make it clear that with regard to the shipment of goods to our sister firms we have tried to be as helpful as possible to the business, within bounds, by considering the countries where continued activity and the defense of our trade-marks is possible. Our shipments must be restricted further to those products which we can make from local raw materials or which Instituto Behring can deliver.

Unfortunately, therefore, we have only been able to export goods when there have been no notable difficulties to local manufacture, or when you supplied us so richly with the necessary elements that we did not have to worry about our own supply position for the foreseeable future. Only in these cases could we deliver goods on the request of our sister firms.

Apart from this we have, of course, taken the greatest care that our shipments should not entail additional financial risks. We have especially tried whenever possible to use these deliveries to withdraw from the foreign countries funds of high foreign-exchange value which would otherwise eventually have been frozen or have been subject to various measures with the entry of the country into the war.

Following these fundamental rules we have for over a year not exported goods unless the payment for them was absolutely certain. Finally we have tried so far as possible to reduce the amounts of the shipments to the point where each delivery contained only about a 3-month supply of the product.

So far as the situation in each particular country can be forecast for the near future, we adapted these general rules to the situation in such a way as best to serve the general interests of all concerned.

Carrying out this policy has been made more difficult by the recent tightening up of the administration of the export control here since the change of Government. For a long time most of our applications for export permits were granted. More recently a much more thorough examination has been made, particularly in regard to products made up from raw materials. The clear purpose of this change was to restrict the reexport of important goods coming originally from the United States. We are afraid that this tendency is going to make itself felt in the near future in ways that will make it uncomfortable for us, with the result that our ability to ship goods to the other companies will be steadily reduced even when our own supply situation is relatively good.

Following this general discussion we can give you a short description of the situation in individual countries.

Mexico.—Our deliveries stopped before the end of 1941. During 1942 we made another attempt to ship certain products of which we had a very good supply but these plans were not successful. We hear practically nothing any more about the Mexican company which has been placed completely under governmental control.

Central America.—Since the outbreak of war with the United States we have had no information at all either from the top management or the various agents. The chief personnel of our main company there have been taken off to prison.

Colombia.—The sister firm in this country has been under direct control of a governmental interventor since the beginning of 1942 and can openly carry on normal business in a relatively unhindered manner. The personnel of German citizenship are subject to considerable restrictions on their movements.

For a long time we have been able to maintain shipments of necessary goods against specific payments.

Venezuela.—The last word we received directly from Caracas was that the situation there was about the same as in Colombia and that continuation of the business was almost entirely a matter of supply. Because of technical transport considerations it is extremely difficult for us to ship the desired products to Venezuela.

From a press telegram that has just come in we see that the enemy's agitation has reached the point where Mr. Madamovsky has been sent out of Caracas and forced to live in a place in the interior of the country so that his continued management of the company will be made difficult.

Ecuador.—In this country the United States got the general controls in their hands immediately after the declaration of war and have effectively hindered the further shipment of goods to the company there. There was no alternative but slowly to sell out the stocks on hand at this time.

Peru.—In Peru also the enemy have the controls fast in their hands and can prevent any shipment of goods. From earlier letters which we sent to you you will have learned of the law calling for the nationalization, that is, the expropriation, of all Axis firms which was passed by the end of May. Except for Herr A. all the

other German men were either repatriated or carried off to prison camps in the United States. Apart from the monthly statements of turn-over which we have sent on to you, we hear practically nothing from Lima.

Chile.—Up until the breaking off of relations our sister firm in Chile was able to operate and import virtually unhindered. Since that time the operation of North American control officials has virtually eliminated the possibility of importing. As a result, our affiliate has had to fall back entirely on its supplies of that date which are shrinking to a minimum. All of the men of German nationality who are important to the company have been forced to transfer their domiciles to towns far from Santiago and are thus cut off from working with the firm.

(Marginal note:) As a result of a conversation with Mr. Hofmann we believe that in spite of everything we have found a way to help Chile further.

Bolivia.—In Bolivia the situation was about normal up until a short time ago. We hope that even after our representative there was placed under the control of a Government interventor we will be able to deliver goods (against payment) at least for some time.

Paraguay.—Until recently the Paraguay business could be fully maintained especially since the export control here permitted larger shipments to this neighboring country, which is virtually dependent on Argentina in economic matters, than it did to other countries.

However in view of the ever-increasing rumors that Paraguay will be forced to declare war we have taken steps to see that the present supplies in Asuncion are sold as rapidly as possible to reduce the risk there.

Uruguay.—Even though the sister firm in this country did not suffer from any official interference with its imports from Argentina, enemy propaganda has had such great effect in Uruguay that the acceptance of our goods among doctors has been reduced to a minimum. Virtually no druggist is willing to sell our products. In these circumstances the supplies on hand in Uruguay will last for much longer than was originally expected.

Brazil.—As you know, our affiliated firm in this country was first placed under governmental control and since the beginning of the year completely under Government administration. In the interests of protecting our trade-marks and also to secure the exchange of caffeine we decided to ship against high payments certain goods which we could manufacture entirely out of native raw materials. At the beginning of May the governmental administrator of the firm in Brazil informed us that the company could not continue its relations with us so that we no longer have any business with them.

In every country the tendency is for the North Americans to make a special point of laming our organization. Even though we have succeeded so far in holding the field in many cases there can be no doubt that time is working against us, and that we will not be able to prevent one after another of the countries from falling away. All along we have done what was in our power to put off the time when this would happen and within the rather narrow limits possible to us we shall continue to do so.

LETTER FROM THE BAYER SUBSIDIARY IN ARGENTINA TO FARBEINDUSTRIE IN LEVERKUSEN, GERMANY

JUNE 30, 1943.

Following we give you a short survey of the position of your Latin American agencies, as far as it is known to us at present:

Mexico.—Since the end of 1941, we have not heard about the condition of your Mexican agency, and consequently, made no more deliveries.

Central American.—We are also without news about Central America since America's entry into the war.

Colombia.—We still keep in touch with Colombia and believe that your products will remain in the market for some time. Only recently (see letter No. 27-A of June 4, 1943), we shipped additional supplies to them.

Venezuela.—Since shipment No. 1818, of which you were informed by letter No. 46-A of June 26, 1942, we neither prepared further deliveries for Venezuela nor received any news from there. However, as the shipment in question was comparatively large, we assume that the market will be provided for some time. Payment for this merchandise was, as you know, made to us.

Ecuador.—Since it is absolutely impossible to send any additional supplies to Ecuador, the business there may either have ceased to exist or may expire after the sale of the balance of the small stocks which may remain.

Peru.—Although all gentlemen known to you have been deported, your Peruvian agency remains in good hands, and Messrs Krefft supervise the liquidation

from their neighboring country. The last time we sent them goods was in February 1943, having received in advance the relevant payment. We understand that after this delivery the market is provided for until about the end of the current year. There is hope that when the time comes, ways and means will be found to send further supplies to Peru.

Chile.—So far, our sister company there has been able to carry on rather undisturbed. However, the United States authorities active in the country are increasingly endeavoring to make further imports of supplies impossible and to destroy the internal organization of the firm. Consequently, it is impossible to predict whether in the long run the business can be continued.

Bolivia.—We wrote you in detail in letter No. 33-A of June 28, 1943.

Paraguay.—So far, it has been possible to carry on business unhampered.

Uruguay.—Although our sister company is still able to receive supplies, the pressure of the enemy propaganda brought on physicians and apothecaries is making itself felt especially strongly in Uruguay. As a result, the prescriptions have substantially fallen off.

Brazil.—For a long time we have been without news of your agency there. Our sister firm officially broke off relations with us at the beginning of May 1943, so that it has become impossible for us to secure any news about the daughter company which holds your representation.

As far as circumstances permitted, we have done everything possible to enable the agencies in each country to continue business. As far as our supply of raw materials is concerned, we shall also be able to do so in the future. However, we are afraid that the circle of our customers will continually decrease with the longer duration of the conflict. In addition, the export regulations are now being handled more strictly in this country, so that the export of your products, which all contain ingredients which are difficult to obtain, will meet with ever-increasing difficulties. Naturally, we shall do our very best to master these difficulties also, and to comply with any demands made on us.

We should like to refrain from a detailed description of the development of the business in this country, since you are informed in every detail from the monthly sales statements which you receive. In any case, we hope that we shall be able to carry on the local business also in the future. As far as supplies of raw materials are concerned, we should absolutely be able to do so. All the other difficulties have, so far, been overcome and we hope that somehow they will also be solved in the future.

EXHIBIT No. 3

EXCERPTS FROM THE REPORT ON THE THIRD MEETING OF THE MINISTERS OF FOREIGN AFFAIRS OF THE AMERICAN REPUBLICS, RIO DE JANEIRO, BRAZIL, JANUARY 15 TO 28, 1942

SUBVERSIVE ACTIVITIES

In addition to its far-reaching psychological effect, the adoption of the resolution on the severance of diplomatic relations was inspired by certain definite practical considerations. The continued presence on the American Continent of diplomatic and consular representatives of the Axis Powers constituted a very real danger to the American Republics engaged in war with those powers, and the severance of diplomatic relations will serve to eliminate centers of propaganda, espionage, and subversive activities which heretofore have been able to operate under the cloak of diplomatic immunity.

Supplementing this general resolution were a number of specific recommendations designed to control the activities of aliens who may be operating against the security of the American Republics. Principal among these is the resolution on Subversive Activities, which reaffirms the determination of the American Republics to prevent individuals or groups from engaging in activities detrimental to their individual or collective security; recommends the adoption of legislative measures to prevent or punish as crimes, acts against the democratic institutions of the states of the Continent; and the control of organizations directed by elements of non-American states whose activities are harmful to American security. To study and coordinate the measures recommended in this resolution the governing board of the Pan American Union is requested to designate, prior to March 1, 1942, a committee of seven members to be known as The Emergency Advisory Committee for Political Defense, to determine the functions of the Committee, prepare its regulations, and fix its budget of expenditures. (Resolution XVII, below.)

XVII. SUBVERSIVE ACTIVITIES

Whereas: 1. Acts of aggression of the nature contemplated in Resolution XV adopted by the Second Meeting of the Ministers of Foreign Affairs of the American Republics at Habana have now taken place against the integrity and inviolability of the territory of an American Republic;

2. Acts of aggression of a nonmilitary character, including systematic espionage, sabotage, and subversive propaganda are being committed on this Continent, inspired by and under the direction of member states of the Tripartite Pact and states subservient to them, and the fate of numbers of the formerly free nations of Europe has shown them to be both preliminary to and an integral part of a program of military aggression;

3. The American Republics are determined to maintain their integrity and solidarity, in the emergency created by aggression by non-American states, and to give the fullest cooperation in the establishment and enforcement of extraordinary measures of continental defense;

4. The second meeting of the Ministers of Foreign Affairs of the American Republics recommended that the necessary steps be taken to prevent the carrying on of such subversive activities in the resolutions entitled:

"II. Norms Concerning Diplomatic and Consular Functions."

"III. Coordination of Police and Judicial Measures for the Defense of Society and Institutions of Each American State."

"V. Precautionary Measures With Reference to the Issuance of Passports."

"VI. Activities Directed From Abroad Against Domestic Institutions."

"VII. Diffusion of Doctrines Tending to Place in Jeopardy the Common Inter-American Democratic Ideal or To Threaten the Security and Neutrality of the American Republics."

5. The gravity of the present emergency requires that the American states, individually and in concert, take additional and more stringent measures to protect themselves against groups and individuals that seek to weaken their defenses from within,

The third meeting of the Ministers of Foreign Affairs of the American Republics resolves:

1. To reaffirm the determination of the American Republics to prevent individuals or groups within their respective jurisdictions from engaging in activities detrimental to the individual or collective security and welfare of the American Republics as expressed in resolutions II, III, V, VI, and VII of the second meeting of the Ministers of Foreign Affairs of the American Republics.

2. To recommend to the governments of the American Republics the adoption of similar legislative measures tending to prevent or punish as crimes, acts against the democratic institutions of the states of the continent in the same manner as attempts against the integrity, independence or sovereignty of any one of them; and that the governments of the American Republics maintain and expand their systems of surveillance designed to prevent subversive activities of nationals of non-American countries, as individuals or groups of individuals, that originate in or are directed from a foreign country and are intended to interfere with or limit the efforts of the American Republics individually or collectively to preserve their integrity and independence, and the integrity and solidarity of the American Continent.

3. To recommend to the American Republics that they adopt in conformance with their constitutions and laws, regulatory provisions that are, as far as possible, in keeping with the memorandum which is attached to this resolution for purposes of information.

4. To recommend, according to resolution VII of the Habana meeting on the subject of antidemocratic propaganda, that the governments of the American Republics control, within their respective national jurisdictions, the existence of organizations directed or supported by elements of non-American states which are now or may in the future be at war with American countries, whose activities are harmful to American security; and proceed to terminate their existence if it is established that they are centers of totalitarian propaganda.

5. That, to study and coordinate the measures recommended in this resolution, the Governing Board of the Pan American Union shall elect, prior to March 1, 1942, a committee of seven members to be known as the Emergency Advisory Committee for Political Defense.

6. The Governing Board of the Pan American Union, after consulting the Governments of the American Republics, shall determine the functions of this committee, prepare the regulations which shall govern its activities, and fix its budget of expenditures.

Attachment to Resolution XVII

MEMORANDUM ON THE REGULATION OF SUBVERSIVE ACTIVITIES

It is recommended to the American Republics that, as far as practicable in view of present conditions and those which may be foreseen, they take comprehensive regulatory measures, that are not in conflict with their respective constitutional provisions, and that these measures include the following, it being recognized that many of them are already in force:

(a) To control dangerous aliens by:

1. Requiring that all aliens register and periodically report in person to the proper authorities and exercising a strict supervision over the activities and conduct of all nationals of member states of the Tripartite Pact and states subservient to them; communicating immediately to other American Republics information that may be obtained relative to the presence of foreigners suspect with relation to the peace and security of such other Republics.

2. Establishing procedures whereby such nationals of the aforesaid states as are deemed dangerous to the country of their residence shall during their stay therein remain in detention or be restricted in their freedom of movement.

3. Preventing such nationals from possessing, trading in or making use of aircraft, firearms, explosives, radio-transmitting instruments, or other implements of warfare, propaganda, espionage, or sabotage.

4. Limiting internal travel and change of residence of those aliens deemed dangerous insofar as such travel may be incompatible with national security.

5. Forbidding the participation by such nationals in organizations controlled by or acting in the interest of member states of the Tripartite Pact or states subservient to them.

6. Protecting all aliens not deemed dangerous from being deprived of adequate means of livelihood, unfairly discriminated against, or otherwise interfered with in the conduct of their normal social and business activities.

(b) To prevent the abuse of citizenship by:

1. Exercising that redoubled vigilance which the circumstances demand in the naturalization of aliens, with particular reference to denying citizenship to those who continue in any way to retain allegiance to, or to recognize citizenship in, the member states of the Tripartite Pact or states subservient to them.

2. Causing the status of citizenship and the inherent rights with respect thereto of those citizens of non-American origin who have been granted the privilege of becoming citizens of an American state to be forfeited if, by acts detrimental to the security or independence of that state or otherwise, they demonstrate allegiance to a member state of the Tripartite Pact or any state subservient to them including the termination of the status of citizenship of such persons recognizing or attempting to exercise dual rights of citizenship.

(c) To regulate transit across national boundaries by:

1. Exercising strict surveillance over all persons seeking to enter or depart from the country, particularly those persons engaged in the interests of member states of the Tripartite Pact or subservient to them, or whose point of departure or destination is such a state, without prejudice, however, to the maintenance of the most liberal practices consistent with local conditions for the granting of safe refuge to those persons who, as victims of aggression, are fleeing from oppression by foreign powers, and by cooperating fully in the exchange of information on the transit of persons from one state to another.

2. Strictly regulating and controlling the entry and departure of all persons as to whom there are well founded and sufficient grounds to believe that they are engaged in political activities as agents or in the interest of member states of the Tripartite Pact or states subservient to them.

(d) To prevent acts of political aggression by:

1. Establishing penalties for acts designed to obstruct the war or defense efforts of the country concerned or its cooperation with other American Republics in matters of mutual defense.

2. Preventing the dissemination by any agent or national of or by any political party organized in any member state of the Tripartite Pact or any state subservient to them, or by any other person or organization acting at the behest or under the direction thereof, of propaganda designed to impair the security of any of the American Republics or the relations between them, to create political or social dissension, to intimidate the nationals of any American Republic, or to influence the policies of any American state.

3. Requiring the registration with an appropriate agency of Government of or otherwise regulating any persons or organizations seeking to act in any way on

behalf of, or in the political interest of, any non-American state which is not engaged at war on the side of an American Republic; or of a political party thereof, including clubs, societies, and institutions, whether of a social, humanitarian, sporting, educational, technical, or charitable nature, which are directed or supported by nationals of any such states; requiring the full and constant public disclosure to the people of the country in which they are carried on, of the identity and nature of all activities of such persons and organizations, and maintaining constant surveillance of all such persons and members of such organizations, whether citizens or aliens.

4. Punishing acts of sabotage, injury to and destruction of essential defense materials, factories, buildings, areas, and utilities for manufacture and storage, public services, means of transportation and communication, and water-front areas and facilities; punishing acts of espionage and the collection and communication of vital defense information for hostile purposes; and anticipating and forestalling acts of sabotage and espionage by measures to protect and safeguard vital documents, installations, and operations.

5. Supervising all communications to and from states subservient to or in communication with member states of the Tripartite Pact, in order to censor any information or intelligence of use to any such state in the execution of hostile designs against any of the American Republics, or in activities otherwise detrimental to the security of any or all of the American Republics.

EXHIBIT No. 4

FINAL ACT OF THE INTER-AMERICAN CONFERENCE ON SYSTEMS OF ECONOMIC AND FINANCIAL CONTROL, WASHINGTON, JUNE 30-JULY 10, 1942

The Inter-American Conference on Systems of Economic and Financial Control met at the Pan American Union in Washington from June 30 to July 10, 1942, pursuant to invitations extended by the Inter-American Financial and Economic Advisory Committee to the Governments of the American Republics, with the following representatives in attendance:

Argentina.—Delegate: Edmundo Gagneux, assistant general manager Central Bank of the Argentine Republic. Advisers: Edgardo Grumbach, chief, foreign exchange department, Central Bank of the Argentine Republic; José Julio Brignoli, Central Bank of the Argentine Republic.

Bolivia.—Delegate: Humberto Cuenca, general manager, Central Bank of Bolivia.

Brazil.—Delegate: Francisco Alvesdos Santos, Jr., director of exchange, Bank of Brazil. Adviser: Achilles Moreaux, official, Bank of Brazil.

Chile.—Delegate: Pedro Enrique Alfonso, counselor of the Central Bank of Chile. Adviser: Ramon Rojas Castro, official of the Central Bank of Chile.

Colombia.—Delegates: Alberto Bayón, chief, office of exchange and export control, Bank of the Republic; Antonio Puerto, member of the governing board of the bank of the Republic.

Costa Rica.—Delegates: Julio Peña, general manager, National Bank of Costa Rica; Raúl Gurdíán; J. Rafael Oreamuno, representative of Costa Rica on the Inter-American Financial and Economic Advisory Committee; member and vice chairman of the Inter-American Development Commission.

Cuba.—Delegate: Rámiro Guerra y Sánchez, representative of Cuba on the Inter-American Financial and Economic Advisory Committee. Advisers: Raoul Herrera-Arango, second secretary, Cuban Embassy, Washington; Felipe Pazos y Roque, commercial attaché, Cuban Embassy, Washington.

Dominican Republic.—Delegates: Harry E. Henneman, special representative of the Ministry of Finance and Commerce and of the Reserve Bank of the Dominican Republic; H. Murray-Jacoby, commercial adviser, Consulate General of the Dominican Republic, New York; Rafael A. Espaillet, commercial attaché, Legation of the Dominican Republic, Washington.

Ecuador.—Delegates: Eduardo Icaza, president, Central Bank of Ecuador; Alberto Alcívar, general manager, Central Bank of Ecuador; Luis Eduardo Lazo, chief statistician, Central Bank of Ecuador.

El Salvador.—Delegate: Carlos Adalberto Alfaro, Chargé d'Affairs, a. i., of El Salvador, Washington.

Guatemala.—Delegate: Luis Beltranena, dean, School of Economic Sciences, University of Guatemala.

Haiti.—Delegate: Abel LaCroix, Minister of Finance.

Honduras.—Delegate: Julián R. Cáceres, Minister of Honduras in Washington.

Mexico.—Delegates: Eduardo Villaseñor, director general, Bank of Mexico; Antonio Carrillo, director general of credit, Ministry of Finance and Public Credit. Advisers: Raul Martínez Ostos, legal adviser, Bank of Mexico; Victor L. Urquidí, economist, Bank of Mexico.

Nicaragua.—Delegates: Leon DeBayle, Minister of Nicaragua in Washington; Rafael A. Huezó, general manager, National Bank of Nicaragua.

Panama.—Delegate: Ricardo Marciacq, Comptroller General of the Republic. Adviser and alternate delegate: Bey M. Arosemena, commercial counselor, Embassy of Panama, Washington.

Paraguay.—Delegate: Harmodio González, manager, Bank of the Republic.

Peru.—Delegates: Manuel C. Gallagher; Alfredo Alvarez Calderon.

United States of America.—Delegate: Edward H. Foley, Jr., general counsel, Department of the Treasury. Advisers: Emilio G. Collado, special assistant to the Under Secretary of State; Donald Hiss, Chief, Foreign Funds Control Division, Department of State; Edward G. Miller, Jr., Foreign Funds Control Division, Department of State; Harry D. White, Assistant to the Secretary of the Treasury; Bernard Bernstein, assistant general counsel, Department of the Treasury; John W. Pehle, assistant to the Secretary of the Treasury; L. Werner Knoke, vice president, Federal Reserve Bank of New York. Secretaries: Guillermo Suro, Chief, Central Translating Office, Department of State; Josiah E. DuBois, Office of General Counsel, Department of the Treasury.

Uruguay.—Delegate: Roberto MacEachen, Minister of Uruguay to Cuba. Secretary, Carlos M. Fernández Goyechea, financial attaché, Embassy of Uruguay in Washington.

Venezuela.—Delegates: Diógenes Escalante, Ambassador of Venezuela in Washington; José J. González Gorrondona, director of the Central Bank; president of the Import Control Board of Venezuela. Adviser: Manuel Pérez Guerrero, secretary, Import Control Board of Venezuela. Secretary: Luis E. Gómez Ruiz first secretary, Embassy of Venezuela, Washington.

The opening session of the Conference was held in the Hall of the Americas of the Pan American Union on June 30, under the provisional presidency of the Honorable Sumner Welles, Chairman of the Inter-American Financial and Economic Advisory Committee, who delivered an address of welcome. A welcome on behalf of the Pan American Union was also extended to the delegates by the Director General, Dr. L. S. Rowe, and the response on behalf of the delegates was made by the representative of Peru, Dr. Manuel C. Gallagher. At this session the delegate of the United States of America, Mr. Edward H. Foley, Jr., was elected chairman, and the representative of Brazil, Dr. Francisco Alves dos Santos, Jr., Vice Chairman of the Conference.

The program and regulations had been formulated by the Inter-American Financial and Economic Advisory Committee to give effect to the purposes of the Conference as set forth in resolutions V and VI of the Third Meeting of the Ministers of Foreign Affairs of the American Republics, and were approved at the inaugural session of June 30. To facilitate the work of the Conference two committees were appointed to consider, respectively, the topics in the agenda relating to international transactions and those pertaining to domestic transactions. All countries were represented on each of the two committees which, at their first sessions held on July 1, elected the following officers:

Committee I, International Transactions: Chairman, Raúl Gudián (Costa Rica); vice chairman, Pedro Enrique Alfonso (Chile); reporting delegate, Ramiro Guerra y Sánchez (Cuba).

Committee II, Domestic Transactions: Chairman, Alberto Bayón (Colombia); vice chairman, Edmundo Gagneux (Argentina); reporting delegate, Eduardo Villaseñor (Mexico).

A Coordination Committee was also appointed in accordance with the regulations, consisting of one representative for each of the official languages of the Conference, as follows: Achilles Moreaux (Brazil), Ramiro Guerra y Sánchez (Cuba), Abel LaCroix (Haiti), Emilio G. Collado (United States of America).

In accordance with the regulations and on the basis of a proposal of the Director General of the Pan American Union, the following were named to constitute the Secretariat of the Conference: Secretary General, William Manger; Secretary of Committee I, Francisco J. Hernandez; Secretary of Committee II, Luis Delgado Gardel.

The Inter-American Conference on Systems of Economic and Financial Control, considering that the American republics, in accordance with recommendations V and VI of the Third Meeting of the Ministers of Foreign Affairs of the American Republics held at Rio de Janeiro in January 1942, have the most firm intention

to adopt the measures that may be necessary to impede all operations of a commercial and financial character contrary to the security of the Western Hemisphere, adopts the following recommendations:

I. FINANCIAL AND COMMERCIAL TRANSACTIONS WITH AGGRESSOR NATIONS AND NATIONS DOMINATED BY THEM

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That the Governments of the American Republics, pursuant to resolution V of the Third Meeting of the Ministers of Foreign Affairs of the American Republics, held at Rio de Janeiro, adopt and put into effect as soon as possible, effective measures to achieve the following purposes:

(a) To block effectively the use, transmission, or transfer of funds, securities, and property within the American Republics now held by nations which have committed acts of aggression against the American Continent, or subsequently acquired for their account, as well as the funds, securities and property now held by a real or juridical person within such aggressor nations or in the territories dominated by them, or subsequently acquired for the account of such persons.

(b) To prevent any real or juridical person within the jurisdiction of an American republic from engaging in any financial or commercial transaction which involves the exportation of any property of any nature whatsoever, the remittance of any funds, or orders or instructions to persons under the jurisdiction of aggressor nations or those dominated by them, whether such exportation or remittance be made, or such orders or instructions be given, directly or indirectly.

There shall be excepted remittances (i) for living expenses of citizens of such American republic residing within the aggressor nations or in the territories dominated by them, and (ii) for the expenses of representing the governmental interests of such American republics in the aggressor nations or in the territories dominated by them, including the care and safeguarding of the property of the Governments of such American republics. The said payments can only be made directly by the Government of the respective American republic, or through the Government representing its interests in such aggressor nations, or in the territories dominated by them.

(c) To prevent any real or juridical person within the jurisdiction of an American republic from engaging in any financial or commercial transaction which involves the importation of any property of any nature whatsoever or the receipt of any funds, or the acting upon any order or instruction from any person within the jurisdiction of the aggressor nations or nations dominated by them, whether such importation, receipt of funds, or compliance with such order or instruction be made directly or indirectly.

There shall be excepted the remittances which each Government in its discretion may authorize (i) for living expenses of citizens of such aggressor nations or nations dominated by them, residing within the American republics, and (ii) for expenses of representing the governmental interests of the aggressor nations or nations dominated by them, in the American republics, including the care and safeguarding of the property of the Governments of said aggressor nations or the nations dominated by them.

Except in cases of effective reciprocity, the exceptional payments referred to in the preceding paragraph shall in no case be made out of blocked funds or other assets which the aggressor nations or the nations dominated by them may have in the American republics, but shall only be made out of unblocked funds of foreign ownership originating in territory outside the American republics. Remittances for said payments shall be received only directly by the Government of the respective American republic, or through the intermediary of the Government which represents in such American republic the interests of said aggressor nations or of nations dominated by them.

II. FINANCIAL AND COMMERCIAL TRANSACTIONS WITH COUNTRIES OUTSIDE THE WESTERN HEMISPHERE

The Inter-American Conference on Systems of Financial and Economic Control recommends:

That the Governments of the American Republics, in addition to cutting off all financial and commercial transactions with the aggressor nations and the nations dominated by them, adopt as soon as possible, endeavoring not to cause unnecessary damage to neutral nations, appropriate measures with respect to their

financial and commercial relationships with all of the other nations outside the Western Hemisphere, in order to:

(a) Supervise adequately the funds and property within their respective jurisdictions now held or hereafter acquired by or for such other nations outside the Western Hemisphere or real or juridical persons within such nations, except those nations which have cut off commercial and financial transactions with the aggressor nations.

(b) Prevent any real or juridical person within the jurisdiction of such American republic from engaging in any commercial or financial transaction which involves the exportation or importation of any property of any nature whatsoever to or from nations outside the Western Hemisphere, or the remittance of funds to or from any person in such other nations outside the Western Hemisphere, when such exportation, importation, or remittance is of benefit to the aggressor nations or to nations dominated by them.

(c) Prevent all transactions between the American Republics and nations outside the Western Hemisphere involving any real or juridical person within any nation outside the Western Hemisphere whose activities are deemed by the respective American Republic concerned to be inimical to the security of the Western Hemisphere.

III. TRANSACTIONS AMONG THE AMERICAN REPUBLICS

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That, to prevent financial and commercial transactions which are of benefit to any of the nations which have committed acts of aggression against the American Continent, and transactions undertaken by any real or juridical person within the American Republics whose activities are inimical to the security of the Western Hemisphere, the Governments of the American Republics adopt, as soon as possible, measures to:

(a) Establish between the American Republics an interchange of information with respect to commercial and financial transactions undertaken with real or juridical persons within other American Republics so that each nation, within its jurisdiction and in the exercise of its own authority, may prevent any transaction which would benefit the aggressor nations, the nations dominated by them, or persons whose activities are inimical to the security of the American Continent.

(b) Prevent any transaction, subject to the jurisdiction of an American Republic, undertaken by real or juridical persons within nations outside the Western Hemisphere which have not cut off commercial and financial transactions with the aggressor nations, involving the monetary unit of another American Republic; except a transaction which, together with the report necessary to establish its nature, is undertaken through a bank of the American Republic whose monetary unit is involved in the transaction.

(c) Prevent any transaction, subject to the jurisdiction of an American Republic, involving real or juridical persons within nations outside the Western Hemisphere which have not cut off commercial and financial relations with the aggressor nations, and real or juridical persons within another American Republic, unless such transactions are performed with the approval of the latter Republic.

IV. CONTROL OF MOVEMENT AND TRANSFER OF SECURITIES

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That the Governments of the American Republics, in order to prevent transactions in securities for the benefit of the aggressor nations, adopt appropriate measures to—

(a) Establish a precautionary blocking of securities which directly or indirectly are imported into the American Republics from countries outside the Western Hemisphere, as well as their coupons, interests, and dividends, until it is determined that the aggressor nations, or the nations dominated by them, or persons within such nations, have not or have not had any interest in them since the beginning of the present emergency.

Nonbearer securities imported into American nations from countries outside the Western Hemisphere after the beginning of the present emergency, likewise may be subjected to precautionary blocking.

(b) To supervise transactions of any nature whatsoever by persons within an American Republic in securities, or interests therein, which are located outside

the Western Hemisphere, so as to prevent transactions in which persons in aggressor nations or nations dominated by them have an interest or have had an interest since the beginning of the present emergency; or those from which they may derive some benefit direct or indirect.

(c) Require registration, or adopt any other appropriate measures, in order to determine if any person within the aggressor nations or the nations dominated by them, has any interest in securities issued or payable in any of the American Republics.

V. STANDARDS FOR THE APPLICATION OF FINANCIAL AND ECONOMIC CONTROLS WITHIN THE AMERICAN REPUBLICS

The Inter-American Conference on Systems of Economic and Financial Control recommends:

1. That the application of the economic and financial controls of the governments of the American Republics, during the present emergency, should have as one of its objectives the control of the property and transactions of all persons, real or juridical, residing or situated within their respective jurisdictions, regardless of nationality, who by their conduct are known to be, or to have been, engaging in activities inimical to the security of the Western Hemisphere.

2. That each of the governments of the American Republics, through the application of its economic and financial controls, eliminate from the economic life of the respective country all undesirable influence and activity of those persons, real or juridical, residing or situated within the American Republics, who are known to be, or to have been, engaging in activities inimical to the security of the Western Hemisphere.

VI. STANDARDS OF EFFECTIVE BLOCKING

The Inter-American Conference on Systems of Economic and Financial Control recommends:

1. That the governments of the American Republics that have not already done so adopt, in accordance with their constitutional principles, measures to carry out the effective blocking of assets belonging to real or juridical persons, whatever may be their nationality, when these persons are deemed by the respective government to act in a manner contrary to the security or the national economies of the American Republics; these measures shall not exclude other measures which may be taken by the governments with regard to commercial, industrial, agricultural, financial, or other enterprises, which measures are recommended elsewhere.

2. That blocking shall include all cash, securities, income or other assets of any other kind, including the proceeds of the sale or liquidation of assets or firms.

3. That blocked assets may not be disposed of without the authorization of the respective government or agencies. Any transaction contrary to these provisions shall be null and void.

4. That all blocked cash or securities shall be deposited in the central bank or in approved banks, or in appropriate organizations, subject to provisions adopted by the respective government.

5. That the governments shall not permit disposal of blocked assets if such action benefits, directly or indirectly, the interests of the aggressor nations or the nations dominated by them, whether such disposal takes place in the country in which the transaction originates or in any other country affected by the operation; or if such action is contrary to the fundamental purpose expressed in the first paragraph of this recommendation.

6. That the governments may authorize the disposal of blocked funds when the applicant proves that such funds are essential to his subsistence and that of his family; but such authorization shall not exceed the maximum periodical amount fixed by the respective government.

VII. CONTROL OF BUSINESS ENTERPRISES

The Inter-American Conference on Systems of Economic and Financial Control recommends:

1. That, in accordance with the constitutional procedure of each country, all necessary measures be adopted as soon as possible, in order to eliminate from the commercial, agricultural, industrial and financial life of the American Republics, all influence of governments, nations, and persons within such nations who, through natural or juridical persons or by any other means are, in the opinion of

the respective government, acting against the political and economic independence or security of such Republics, and that to this end the following measures be adopted:

(a) The business, properties and rights of any real or juridical person included within the terms of the foregoing paragraph, whatever their nationality, shall be the object of forced transfer or total liquidation; and, if this should not be desirable in the opinion of the government of each country, they shall be the object of blocking, occupation or intervention in order to give effect to the purposes of this recommendation.

(b) The officers and employees of any real or juridical persons, whose actions may be contrary to the purposes set forth in paragraph 1 of this recommendation, shall be removed from their positions and the severance payments to which they may be entitled shall be blocked; and the salaries and other remuneration of those who temporarily continue in service shall be limited and supervised, in order to comply with the afore-mentioned purposes.

(c) The contracts of such real or juridical persons which may be directly or indirectly contrary to the purposes set forth in the first paragraph of this recommendation, shall be rescinded; and in applying the measures set forth in paragraph (a), the contracts entered into by them and the concessions granted to them for the exploitation of natural resources and public services, such as land, mines, water rights, transportation, and other similar activities, may also be considered rescinded and without effect.

(d) The following shall be effectively blocked in accordance with the regulations pertaining to blocking: the proceeds of the sale of transferred properties and rights; the profits accruing from intervened or supervised businesses; and the funds derived from total liquidations.

(e) The alienation, in any form, of the said properties and rights in accordance with paragraph (a), can only be made to nationals of the respective country or to juridical persons formed by them. In the establishment of the conditions of these acquisitions or in the selection of the buyers, the Government of the country in which the transaction takes place shall not permit any direct or indirect participation by any real or juridical person whose activities are deemed contrary to the principles set forth in the first paragraph of this recommendation.

2. Each country shall designate one or more organizations to be in charge of the administration of the aforementioned measures.

3. The American Republics shall maintain an exchange of information on the measures adopted pursuant to this recommendation.

VIII. RECIPROCAL COOPERATION AMONG THE AMERICAN REPUBLICS

The Inter-American Conference on Systems of Economic and Financial Control recommends:

That the Governments of the American Republics lend each other the greatest measure of cooperation in the formulation and application of systems and procedures which will facilitate placing in effect, within their jurisdictions and in the exercise of their authority, Recommendations V and VI adopted by the Third Meeting of the Ministers of Foreign Affairs of the American Republics, the consequent recommendations adopted by this Conference, and measures which have been or may be taken by the Governments of the American Republics.

That in consequence the aforesaid Governments endeavor to establish an interchange of information and consultation which will afford knowledge of the experience acquired by each one of them.

IX. VOTE OF THANKS

The Inter-American Conference on Systems of Economic and Financial Control resolves:

To extend a vote of thanks to the personnel of the Pan American Union for the efficient manner in which they have collaborated, and the facilities that have been made available which to such a great degree have contributed to the success of the Conference.

The Conference wishes especially to record its appreciation to Dr. L. S. Rowe, Director General of the Pan American Union, who for so many years has contributed to the cause of inter-American understanding; to Dr. William Manger,

Secretary General of the Conference, and to Mr. Francisco J. Hernández and Mr. Luis Delgado Gardel, secretaries of committees I and II, respectively, as well as to the personnel of the secretariat, for their whole-hearted cooperation in the work of the Conference.

In witness whereof, the undersigned representatives sign the present final act.

Done in the city of Washington this 10th day of July 1942, in the English, French, Portuguese, and Spanish languages.

Argentina:

La Aprobación de la Delegación del Banco Central de la República Argentina a estas recomendaciones debe considerarse sujeta a los términos de la Recomendación V de la Reunión de Consulta de Ministros de Relaciones Exteriores de las Repúblicas Americanas, celebrada en Río de Janeiro, tal como ésta fué aceptada por la Delegación Argentina.

(The approval of these recommendations by the delegation of the Central Bank of the Argentine Republic must be considered subject to the terms of recommendation V of the meeting of Ministers of Foreign Affairs of the American Republics, held at Río de Janeiro, as that recommendation was accepted by the Argentine delegation.)

Bolivia:

Brazil:

Chile:

E. GAGNEUX.

H. CUENCA.

F. ALVES FILHO.

Firmo como Delegado del Banco Central de Chile en la inteligencia de que estas recomendaciones no alteran los compromisos derivados para mi país de la Recomendación V de la III Reunión de Consulta de Ministros de Relaciones Exteriores de las Repúblicas Americanas, efectuada en Río Janeiro.

(I sign as the delegate of the Central Bank of Chile, with the understanding that these recommendations do not alter the obligations devolving upon my country as a result of recommendation V of the third meeting of the Ministers of Foreign Affairs of the American Republics, held at Río de Janeiro.)

Colombia:

Costa Rica:

Cuba:

Dominican Republic:

Ecuador:

El Salvador:

Guatemala:

Haiti:

Honduras:

Mexico

Nicaragua:

Panama:

Paraguay:

Peru:

United States of America:

Uruguay:

Venezuela:

PEDRO ENRIQUE ALFONSO.

ALBERTO BAYÓN.

ANTONIO PUERTO.

JULIO PEÑA.

RAÚL GUARDIÁN.

J. RAFAEL OREAMUNO.

RAMIRO GUERRA.

H. E. HENNEMAN.

H. MURRAY-JACOBY.

RAFAEL A. ESPAILLAT.

E. ICAZA.

A. ALCÍVAR.

LUIS EDUARDO LAZO.

C. A. ALFARO.

LUIS BELTRANENA.

ABEL LACROIX.

JULIÁN R. CÁCERES.

E. VILLASEÑOR.

A. CARRILLO.

LEÓN DEBAYLE.

R. A. HUEZO.

RICARDO MARCIACQ.

BEY M. AROSEMENA.

H. GONZÁLEZ.

MANUEL C. GALLAGHER.

A. ALVAREZ CALDERÓN.

E. H. FOLEY, JR.

R. C. MACEachen.

DIÓGENES EXCALANTE.

J. J. GONZÁLEZ.

EXHIBIT No. 5

BLOCKING RESOLUTIONS

[Diario Oficial, Mexico, D. F., Mexico, December 17, 1941, Vol. CXXIX, No. 39, The Ministry of Finance and Public Credit]

Resolution limiting the control of Japanese subjects over their funds on deposit in this country

RESOLUTION

Whereas (I) Article 27 of the Constitution lays down the principle that the Nation has at all times the right to impose upon private property the stipulations it may deem necessary for the welfare of the public. Administrative regulations giving effect to this premise have contemplated on their part, as a matter of public concern the national defense and the maintenance of public order, and establish that limitation of rights of control will be in order when this is deemed essential for the aims of the Government, or for the well-being of the public.

Whereas (II) The international situation, in the judgment of the Executive, fully justifies the limitation of the control by Japanese subjects or firms composed of these nationals, or enterprises in which such subjects or firms have an interest, over their funds, in order that they may not dispose of such funds on deposit in credit institutions, nor of negotiable securities they may own nor effect foreign exchange transactions or purchase and sale of foreign exchange, without an express authorization therefor from the Ministry of Finance;

This Ministry, exercising the powers vested in it by the legal provisions invoked and the authority given to it by article 4, sections XII and XIII, of the Law of Ministries of the State, in representation of the Federal Executive, has seen fit to issue the following:

Resolution

I. There is declared as of public utility the limitation of the control exercised by Japanese subjects, or firms of the same nationality or enterprises in which such nationals or firms have an interest or of whom it is presumed with good reason that they operate in the name or to the benefit of or by instruction of Japanese subjects or firms, in the following terms:

(a) For disposing of funds deposited by them in credit institutions of the country;

(b) for disposing of the negotiable securities owned by them; and

(c) for effecting foreign exchange transactions or buying or selling foreign exchange.

The acts specified in this section may only be effected (by Japanese) upon express authorization from the Ministry of Finance and Public Credit.

II. Any case of doubt on the part of any public or private institution, or of any interested party regarding whether or not any operation or payment is governed by the provisions of this resolution should be referred to the aforesaid Ministry for decision.

III. Communicate this resolution to the National Banking Commission so that it, in turn, may transmit the resolution to all the credit institutions of the country and also especially communicate it to the Bank of Mexico, S. A.

IV. Violations by any credit institution of the provisions contained in this resolution shall be penalized in the terms of article 152 of the General Law of Credit Institutions and Auxiliary Organizations. Violations committed by private parties shall be subject to the respective legal provisions; and

V. Publish this resolution in the Diario Oficial of the Federation for the corresponding legal effects.

Effective suffrage. No reelection.

Mexico, D. F., December 7, 1941.

The Minister of Finance and Public Credit, Eduardo Suárez.

Resolution limiting the control of German and Italian subjects over their funds on deposit in this country

RESOLUTION

Whereas (I) Article 27 of the Constitution lays down the principle that the Nation has at all times the right to impose upon private property the stipulations it may deem necessary for the welfare of the public. Administrative regulations giving effect to this premise have contemplated on their part, as a matter of public concern, the national defense, and the maintenance of public order, and establish

that limitation of rights of control will be in order when this is deemed essential for the aims of the Government, or for the well-being of the public.

Whereas (II) The international situation, in the judgment of the Executive, fully justifies the limitation of the control by Italian and German subject or firms composed of these nationals, or enterprises in which such subjects or firms have an interest, over their funds, in order that they may not dispose of such funds on deposit in credit institutions, nor of negotiable securities they may own nor effect foreign exchange transactions or purchase and sale of foreign exchange, without an express authorization therefor from the Ministry of Finance.

This Ministry, exercising the powers vested in it by the legal provisions invoked and the authority given to it by article 4, sections XII and XIII, of the Law of Ministries of the State, in representation of the Federal Executive, has seen fit to issue the following resolution:

I. There is declared as of public utility the limitation of the control exercised by Italian and German subjects, or firms of the same nationalities or enterprises in which such nationals or firms have an interest or of whom it is presumed with good reason that they operate in the name or to the benefit of or by instruction of Italian or German subjects or firms, in the following terms:

(a) For disposing of funds deposited by them in credit institutions of the country;

(b) For disposing of the negotiable securities owned by them; and

(c) For effecting foreign exchange transactions or buying or selling foreign exchange.

The acts specified in this section may only be effected (by Italians or Germans) upon express authorization from the Ministry of Finance and Public Credit; including the disposal of negotiable securities and money deposited in safe-deposit boxes.

With regard to the safe-deposit boxes, the respective institutions shall be responsible for seeing, when the boxes are opened, that only those articles not enumerated in this resolution are withdrawn.

II. Any case of doubt on the part of any public or private institution, or of any interested party regarding whether or not any operation or payment is governed by the provisions of this resolution should be referred to the aforesaid Ministry for decision.

III. Communicate this resolution to the National Banking Commission so that it, in turn, may transmit the resolution to all the credit institutions of the country and also especially communicate it to the Bank of México, S. A.

IV. Violations by any credit institution of the provisions contained in this resolution shall be penalized in the terms of article 152 of the General Law of Credit Institutions and Auxiliary Organizations. Violations committed by private parties shall be subject to the respective legal provisions; and

V. Publish this resolution in the *Diario Oficial* of the Federation for the corresponding legal effects.

Effective suffrage. No reelection.

México, D. F., December 11, 1941.

The Minister of Finance and Public Credit, Eduardo Suárez.

Resolution adding to the one which limited control of Japanese subjects over their funds on deposit in Mexico

(In the margin a seal which reads: "Federal Executive Power, United Mexican States, México, Ministry of Finance and Public Credit, Head Office of Credit.")

RESOLUTION

The resolution of December 7, 1941, relative to the limitation of the control by Japanese subjects or firms and other enterprises referred to therein, is amended by adding the following paragraph which shall form part of insert (c) of section I: "Safety-deposit boxes are included in this section. The respective institutions shall be responsible, when the boxes are opened, for seeing that only articles not enumerated in this resolution are withdrawn therefrom."

Be informed heretof and have it published..

Effective suffrage. No reelection.

The Minister of Finance and Public Credit, Eduardo Suárez.

Manuel Avila Camacho, Constitutional President of the United Mexican States, to his people—

Know ye that section XIII of article 73 of the Constitution empowers Congress to "decree laws according to which prizes on land and sea may be declared valid or invalid." According to this precept, both international law as well as Mexican jurisprudence give the Government the right, in time of war, to confiscate property of the enemy; therefore, with every reason, the power of the Government is unquestionable to subject enemy property to vigilance and control and, even seizure, to the extent that the security of the country requires.

By virtue of, and in exercise of the special powers which have been invested in the President by decree of June 1, 1942, I have seen fit to decree the following:

LAW GOVERNING ENEMY TRADING AND PROPERTY

ARTICLE 1. Except by express permission of the Chief Executive, trade between any Mexican or person domiciled or resident in National Territory and countries which are enemies of the United Mexican States, their nationals, or those subject by law to the same treatment as the latter, is prohibited. The permissions to which this paragraph refers may be general or related to concrete cases.

Without prejudice to the penalties fixed by this law, no acts which violate this article, nor those consummated abroad by enemy countries, their nationals, or those subject by law to the same treatment as the latter, shall have any effect whatsoever, without judicial resolution being necessary. The Chief Executive can extend the above provisions of nullification to acts or operations entered into prior to this law, but after December 6, 1941, when it is seen from the circumstances of the case that such acts were concluded or agreed to in view of the international situation and for the purpose of evading the dispositions which might be decreed by the Mexican Government.

ART. 2. An enemy country is one that is in a state of war with the United Mexican States.

ART. 3. For the purposes of this law, nationals of an enemy country are the following:

I. Individuals or corporations and any other association domiciled within the territory of an enemy country or in that of a country occupied by an enemy country, if, in the latter case, the Chief Executive so decides.

II. Public corporations created by an enemy country or who function as agents, either direct or indirect, of such country.

III. Citizens, subjects, or natives of an enemy country, whatever their nationality, who reside in the United Mexican States, provided that the President of the Republic determines that this is demanded by the interest or the security of the Mexican Republic.

ART. 4. The following are subject to the same rules as are nationals of an enemy country:

I. Individuals or corporations and any other associations resident outside of the United Mexican States who operate within the jurisdiction of the enemy country without being domiciled therein.

II. Individuals or corporations, whatever their nationality and their place of residence who operate or who are believed with reason to operate in the name or for the benefit of or upon instructions of an enemy country or of its nationals. The Chief Executive shall declare what persons are included within the provisions of this subsection.

The resolutions which the Chief Executive may dictate, in the exercise of the power to which the previous paragraph refers, as well as the final section of article 3, must be published in the *Diario Oficial* of the Federation.

ART. 5. For the effects of this law, all acts dealing with the disposition or delivery of property, whatever its nature, as well as the execution of agreements or contracts, or the creation or acknowledgment of obligations by voluntary unilateral declarations, the execution or renewing of titles, the granting of guarantees, or the completion, novation, cancellation in whole or part of obligations, shall be regarded as acts of trade.

ART. 6. Transactions in foreign moneys and exchange, as well as all those transactions relating to the trading, holding or exporting of gold, currency and national or foreign moneys, and securities, shall be subject during the period of war to the regulations which the Chief Executive may establish.

All persons are obliged to furnish under oath the information which they may be called upon to give by the Chief Executive regarding the transactions above specified, whatever the character of their participation in the transaction.

ART. 7. The President of the Republic is empowered:

I. To seize property of any kind belonging or presumed to belong to an enemy country or its nationals, as well as those properties in which the enemy countries or their nationals have an interest even though title is vested in a third person; provided that, in this latter instance, it is in the interest of the safety of the United Mexican States. The seizure may cover all the property, or the part or interest belonging to the enemy. Amounts indispensable to personal subsistence will be fixed by general regulations.

II. To designate permanent auditing investigators in companies operating in national territory, whatever the nationality of their owners may be, when in his judgment it is in the interest or safety of the United Mexican States. The auditing investigators shall have the powers established in the regulations to be issued by the President of the Republic.

III. To request or, if necessary, order the removal of officials, employees, representatives or agents from the enterprises referred to in the preceding subsections.

ART. 8. The powers granted by this law to the President of the Republic may be exercised directly or through the agency or agencies that he may name or create. Those powers relating to the administration of properties or the auditing investigation of firms, must be exercised through national credit institutions qualified to operate as fiduciaries which in turn shall function under the direction of a Government board. The powers of the fiduciary shall be governed by the respective contract.

Every local or Federal authority, whether judicial or administrative shall respect and, whenever necessary, execute the rulings which the President, or the agency or entity delegated by him, may decree in accordance with this law, without prejudice to the terms of article 16.

ART. 9. Properties seized in accordance with section I of article 7 shall continue to be operated unless, by resolution of the President, their sale is deemed advisable.

Such sale must be by public auction and in no case will the transfer of the property be legally effective unless it be to a native-born Mexican citizen or to a company composed exclusively of native-born Mexicans.

The President may, in his discretion, order that the transfer be not approved even though the best bid be submitted by a native-born Mexican citizen or by a company composed exclusively of native-born Mexicans, whenever he considers such action in the best public interest.

ART. 10. The following must declare holdings of money, other properties and rights as set forth in subsection I of article 7, give information, show documents and comply, in each case, with the orders the President may issue:

I. Proprietors or holders of any property even though their title be secure or insecure.

II. Firms issuing shares and obligations in regard to the holders of such assets.

III. Credit institutions, insurance companies, warehouses.

IV. Debtors, codebtors, cosigners, or endorsers.

V. Judges and liquidators.

VI. Those who doubt whether they are included in the previous dispositions.

Once the information is given, and while the Chief Executive has not made a decision, the rights inherent in that property will be held in suspense.

No authority, functionary, or governmental agency, nor notaries, may authorize, approve, visé, or register public or private contracts in which the parties involved are nationals of enemy nations without first obtaining the approval of the proper authority, which in turn will fix the conditions to which the authorization or registration of the contract must be subjected in each case.

The supplying of information, the showing of documents, the payment or delivery of property by the persons designated in this article, will not cause them civil or penal responsibility, unless they resort to falsehood or concealment.

The discharge of employees referred to in subsection III of article 7 will not be a cause of liability, but, the Executive may authorize the voluntary payment of compensation.

ART. 11. When the seizure of intangible assets is ordered, if it is not possible to take physical possession of the evidences of ownership, the issuing party or any of the obligated parties must replace them. The seizure order will ipso facto have the effect of canceling the original evidences of ownership. The foregoing instruction will be published in the *Diario Oficial* but the date of publication will not affect the validity of the substituted evidences of ownership.

ART. 12. The moneys received by the Government from the obligated parties or custodians (after the ordinary expenses of the business have been covered) and

that from sales made in accordance with article 9, shall be deposited in the Bank of Mexico, which shall immediately invest them in any bonds of the Federal Government not in default. Profits or dividends shall not be included in the ordinary expenses of seized firms, unless an express resolution by the President to the contrary authorizes their reinvestment in the business; nor will salaries of personnel, unless the employee in question be Mexican by birth or a native of an American country, be considered ordinary expense whenever they exceed the amounts referred to in the last part of section I of article VII.

ART. 13. Those persons not included under articles 3 and 4 who are privileged to assert their rights regarding the properties referred to in subsection I, final part, of article VII, shall be privileged to make complaint against the person who is in charge of the administration of said properties on behalf of the Government, save in cases where they have been sold, in which event the complaint shall be made to the Executive power through the appropriate agency in compliance with article VIII.

ART. 14. The Executive may at his discretion permit the payment of unsecured debts contracted in good faith prior to the passage of this law by the proprietors or holders of seized property or by those who have actual rights therein.

ART. 15. The fiscal exemptions enjoyed by the Federal Government do not have force in respect to seized property.

ART. 16. The resolutions relative to concrete cases which the Executive may dictate under his authority granted by article 1, second paragraph; article 3, subsection III; article 4, subsection II, and article 7, subsections I and III, and final part, may be appealed to the Executive by anyone who may have a direct and real interest.

Only the following allegations may be made in the appeal:

(a) That the persons regarded as or in comparable status to a national of an enemy country, or a person whose discharge has been effectuated for such reason, is, because of his origin, antecedents, ties, or because of other circumstances revealed in affirmative acts, undoubtedly not to be regarded as one linked to an enemy country, nor as one who, should the occasion arise, would work against the interests of Mexico; or

(b) That those persons mentioned in articles 3 and 4, or in the final subsection of article 7, have no interest in the property.

The appeal should be presented not later than the fifteenth working day following publication in the *Diario Oficial*, or, if not of the category that requires such publication, the fifteenth working day after the issuance of the seizing order; it will not suspend that order, but while it is pending the sale authorized by article 9 shall not be made, except in the case of perishable articles or articles which are clearly deteriorating in value. All proof submitted during the period of time fixed in accordance with the circumstances by the interested authorities, shall be admitted. Thereafter there will be given a period of 5 days for presenting evidence and judgment will be rendered 15 days thereafter. The evaluation of the proofs shall be discretionary and may not be modified in any collateral attack.

If the decision should be adverse, the interested party cannot renew the claim, but the Executive by virtue of his office shall always have the right to revoke the order of seizure objected to if he finds sufficient motive to do so. By the same authority he shall have the power to revoke the orders of seizures which have not been contested.

ART. 17. Refusal to comply with the concrete orders, issued on the basis of this law, respecting the delivery of money or other properties or documents, as well as resistance to the exercise of their duties by the auditing investigators appointed under the provisions of subsection II of article 7 shall be punished by imprisonment of from 3 to 10 years, according to the circumstances of the case. If such resistance is offered by a corporation the penalty shall be imposed on the management.

This same penalty shall likewise be invoked if property, under circumstances defined in article 9, is acquired with funds provided by an alien, whether or not an enemy alien, or, when it is acquired with the intention of turning the property over to an alien at a later date. It shall be presumed that such is the intention if the property passes to an alien through one or more hands, during the course of the war or within 2 years after its conclusion.

Any other infraction of the provisions of this law shall be punished with a fine of from 100 to 10,000 pesos. The property or rights involved in an operation contrary to the provisions of this law shall be legally forfeited to the national domain.

The judicial authority shall intervene to impose the penalties provided for in the first two paragraphs of this article and the administrative authority to fix and

enforce the sanctions and, when necessary, to make the declaration of forfeiture referred to in the preceding paragraph.

Reserving the right to take such precautionary measures as it may deem fitting, this latter body will grant hearings to the interested parties before making the respective decisions.

ART. 18. All claims, distinct from those provided for in articles 13 and 16, which may be brought against the Federal Government or against its authorities by reason of the application of this law, shall be handled, adjusted, and liquidated according to the procedure which the Congress may fix, after the termination of the state of war. The Congress shall likewise determine the final disposition of the goods seized and of the money received, in those cases in which no claim is made.

TRANSITORY

ARTICLE 1. Without prejudice to the provisions of paragraph 2 of article 1, this law shall become effective in the whole Republic on the day of its publication in the *Diario Oficial*.

ART. 2. The statements referred to in article 16 shall be made not later than June 30, 1942. Thereafter, the statement must be made within 15 days following the date on which the situation in question arises, or, the date on which it comes to the knowledge of the person who is obligated to report it. A voluntary statement shall not be penalized if it is made before the authorities have knowledge of the matter.

(Usual end of promulgation.)

(Signed) MANUEL AVILA CAMACHO.

JUNE 11, 1942.

REGULATION OF THE RESPECTIVE LAW

(Usual form of promulgation.)

* * * in exercise of the power conferred upon me by section I of article 89 of the Constitution, I have seen fit to issue the following:

Regulation of Article 8 of the law governing enemy trading and property

ARTICLE 1. The powers that the law governing enemy trading and property confers upon the President of the Republic, except those set forth in the following article, are delegated without prejudice to the provisions of article 8, to a board composed of the Ministers of Government, of Foreign Relations, of Finance and Public Credit, and of National Economy, and the Attorney General of the Republic.

The Board may function with three of its members present, and it will make its decisions by majority vote. It will have a secretary and such auxiliary personnel as the Board may recommend.

ART. 2. A Board of Administration and Vigilance of foreign property is created, and it shall be composed of six persons appointed by the President of the Republic, one of whom shall always be the director general of the Banco de México. The Board shall have the following powers:

I. To appoint the fiduciary institution that will take charge of the administration of the properties seized according to subsection I of article 7 of the law, to make on behalf of the executive power, fiduciary contracts, and to act as technical committee within the limits of the last part of subsection IV, article 45, of the General Law of Credit Institutions and Auxiliary Organizations, and of the contracts cited.

II. To appoint the auditing investigators referred to in subsection II of article 7 of the law, once the Board mentioned in the foregoing article has decided that a firm should be subjected to an audit investigation and to prepare for the approval of the said Intersecretarial Board the rules governing the powers of the auditor investigators.

III. To propose to the Board mentioned in the foregoing article, the sale of the properties, according to article 9 of the law.

IV. To oversee the fulfillment of article 12 of the law.

TRANSITORY

ARTICLE 1. This regulation shall become effective all over the Republic the day of its publication in the *Diario Oficial*.

ART. 2. The boards established by this decree shall formulate their respective budgets and afore-mentioned regulations. But the lack of such budgets and regulations shall not prevent them from exercising immediately their corresponding powers.

(Usual end of promulgations.)

(Signed) MANUEL AVILA CAMACHO.

JUNE 11, 1942.

EXHIBIT No. 6

BRAZIL BLOCKING DECREE

[Translation]

Establishes protection measures to safeguard the interests of foreigners during the present emergency * * * using the powers conferred upon him by virtue of article No. 180 of the Constitution, and taking into consideration the situation created by latest international developments and the necessity of establishing a regime of protection and financial security to safeguard legitimate foreign interests, decrees:

ARTICLE 1. All operations involving persons natural or juridical of countries not belonging to the American Continent and which are in state of war, will require a previous license from the banking fiscalization department of the Bank of Brazil.

ART. 2. The Minister of Finance is hereby authorized to issue instructions for the execution of this decree-law.

ART. 3.- This decree-law will be effective on the date of its publication, all dispositions to the contrary being hereby revoked.

Rio de Janeiro, December 9, 1941, one hundred and twentieth year of Independence and fifty-third of Republic.

BRAZILIAN INDEMNIFICATION DECREE

Using the powers conferred upon him by article 180 of the Federal constitution, combined with article 166, paragraph 2, the President of the Republic signed the following decree-law, which took No. 4,166:

Whereas acts of war are being committed against the American Continent;

Whereas Brazil, while respecting with the utmost exactness and fidelity the rules of neutrality universally accepted under international law, had one of its vessels, the *Taubaté*, attacked in the Mediterranean by the armed forces of Germany;

Whereas the German Government, having solemnly assumed the obligation of making reparations for the damages caused by this act, has not yet fulfilled this commitment:

Whereas, following the union of the efforts of the American Republics in the defense of their sovereignty, their territorial integrity, and their economic interests, unarmed units of the Brazilian merchant marine, engaged in peaceful commerce, were attacked and sunk, violating in this way consecrated juridical norms;

Whereas such acts constitute an unprovoked aggression which results in threats to Brazilian shipping and in direct loss to the vital interests of Brazil;

Whereas information in the possession of the Government indicates that the responsibility for these attempts is attributable to the German armed forces, but, on the other hand, the alliance, for war purposes, which exists between Germany, Japan, and Italy necessarily consolidates these powers in aggression;

Whereas, for over a century, Brazil has afforded to the nationals of those States a close participation in its economy;

Whereas, in modern warfare, civilians are closely united to the fate of the armed forces and their activities are, more than ever before in history, a determining factor in the success of war operations:

The President of the Republic decrees:

ARTICLE 1. The properties and rights of German, Japanese, and Italian subjects, whether physical or juridical persons, shall respond for the damages to the properties and rights of the Brazilian state and to the life, properties, and rights of physical or juridical Brazilian persons domiciled or resident in Brazil, which have resulted, or which may result, from acts of aggression committed by Germany, Japan, or Italy.

ART. 2. There shall be transferred to the Bank of Brazil, or, where this bank has no agency, to the tax-collecting offices of the union, a part of all the bank deposits, or obligations of a patrimonial nature in excess of two contos of reis, owned by German, Japanese, and Italian subjects, whether physical or juridical persons.

The part of deposits or obligations covered by this article shall be as follows:

Ten percent of deposits and obligations up to 20:000\$000;

Twenty percent of deposits and obligations up to 100:000\$000;

Thirty percent of deposits and obligations the amount of which exceeds 100:000\$000.

Paragraph 1: The whole amount of obligations of the Brazilian Government to German, Japanese, and Italian subjects, physical or juridical persons, shall be deposited.

Paragraph 2: The collection shall be made against a receipt exempt from the stamp tax, and the amounts collected shall be placed in a special account and may only be withdrawn by order of the Federal Government.

ART. 3. The income of the properties on deposit shall serve to guarantee the payment of indemnities owed as a result of acts of aggression mentioned in article 1, if the responsible government does not fully pay such indemnities.

Sole paragraph: The indemnities under this law shall be paid in accordance with the plan which will be established by the Government, taking into consideration the value of the properties on deposit as previously appraised.

ART. 4. German, Japanese, and Italian subjects, and other persons possessing properties belonging to such subjects, shall within 15 days after the publication of this law, communicate to the offices responsible for the collection the nature, quality, and probable value of the properties under reference.

ART. 5. Fraudulent or culpable actions or omissions which result in the diminution of the property of German, Japanese, or Italian subjects, or which tend to defeat the objectives of this law, are punishable by a penalty of from 1 to 5 years of imprisonment and a fine of from 1 to 10 contos of reis, unless more drastic penalty is applicable.

Paragraph 1: Any reduction, contrary to local uses and customs, of the value of payments due to such subjects is considered a fraudulent action for the purposes of this article.

Paragraph 2: Administrators and managers of juridical persons shall be jointly responsible with them.

Paragraph 3: The judge may resort to analogy in determining the nature of the crime.

ART. 6. On payment of more than 2:000\$000 to German, Japanese, and Italian subjects, mention of the deposit covered by article 2 shall be made.

ART. 7. Whenever an obligation to a German, Japanese, or Italian subject is not payable in currency, the office charged with the collection shall estimate the value thereof in money, in accordance with the criteria applied by the Treasury in assessing payments.

ART. 8. Executions against the property of German, Japanese, and Italian subjects may be based only on debts duly proven in a legal manner to have been contracted prior to the date of this law, except for civil liability resulting from an illegal act.

ART. 9. Excepting the cases of judicial executions founded on titles established prior to the date of this law, there is hereby prohibited the transfer, or encumbrance in any manner, of real estate, nominative bonds, and shares and property in general of substantial value, belonging to German, Japanese, and Italian subjects, whether physical or juridical persons, any transfer or encumbrance effected after the date of this law being null and void.

Sole paragraph: Business transactions, usually undertaken in the interest of the maintenance and prosperity of the organization, are exempted from this prohibition. However, of the net profits as verified from the quarterly balance sheets, there shall be paid into deposit the part stipulated in article 2.

ART. 10. German, Japanese, and Italian subjects may not refuse donations, inheritances, or legacies which are not onerous.

ART. 11. The property of States (public corporations) which commit the acts of aggression to which article 1 of this law refers, as well as the property of their subjects, whether juridical or physical persons, domiciled abroad, and which property is not in the possession of Brazilians, shall be administered by the Federal Government.

Sole paragraph: The properties of cultural and recreational societies composed of Germans, Japanese, and Italians may, with the authorization of the Minister of Justice and Interior Affairs, be utilized in the public interest.

ART. 12. The Ministries of Justice and Interior Affairs and of Finance shall issue the instructions which may be necessary for the execution of this law.

ART. 13. This law will come into effect on the date of its publication, all provisions to the contrary being hereby revoked.

BRAZILIAN LAW GOVERNING ENEMY PROPERTIES

The President of the Republic signed the following decree-law creating the Economic Defense Commission:

ARTICLE 1. The Economic Defense Commission is hereby created, being directly subordinated to the President of the Republic for the objectives herein prescribed.

ART. 2. The Economic Defense Commission shall be composed of five members: one from the Ministry of the Treasury, one from the Ministry of Foreign Affairs, one from the Ministry of Justice and Internal Affairs, one from the Ministry of War, and one from the Ministry of Labor, Industry and Commerce, all named by the President of the Republic, who will also indicate who shall exercise the functions of President of the Commission.

1. The members of the Economic Defense Commission will receive no remuneration for the services rendered in the exercise of their duties on this Commission; however, salaries and other benefits being received at the time of their entrance upon their duties shall be guaranteed to them.

2. Services being rendered by the members of the Economic Defense Commission shall be considered of great importance to the country.

ART. 3. The deliberations of the Economic Defense Commission taken in the form of resolutions shall be enforced throughout the national territory and shall be executed by the Federal, State, or municipal authority, or by a governmental or similarly recognized entity under whose jurisdiction the activity or person involved is most directly subordinated, this being indicated in the resolution.

ART. 4. The duties of the Commission shall be as follows:

(a) To determine, in accordance with the individual case, the supervision, administration, liquidation, or expropriation of properties and rights of natural and juridical persons, subject to decree-law No. 4166 of March 11, 1942.

(b) To arrange for the sale of such properties and rights, through public tender, to Brazilians and reputable enterprises in which Brazilians are in the majority.

(c) To arrange for the expropriation and sale of materials deemed strategic or essential, which may be withheld.

(d) To decide, through petition or "ex officio" the rescinding or type of liquidation of contracts involving persons whose economic activities it may be deemed necessary to repress.

(e) To determine the expropriation or temporary use of patents and trademarks belonging to natural or juridical persons whose activities are contrary to the national security.

ART. 5. Natural or juridical persons of any nationality whose activities may be considered contrary to the national security will be subject to the jurisdiction of the Economic Defense Commission and to the provisions of decree-laws Nos. 3911 and 4166.

ART. 6. The Economic Defense Commission shall henceforth exercise the powers attributed to the Indemnization Fund Commission (Comissao do Fundo de Indenizacoes) by instructions No. 5408 of April 28, 1942, and 87 of June 30, 1942, issued by the Ministry of Justice and Internal Affairs and the Ministry of Finance.

ART. 7. The Economic Defense Commission, with the approval of the President of the Republic, shall determine the natural and juridical persons to be included under or excluded from the provisions of the present decree law.

Sole paragraph: The Economic Defense Commission shall issue general or special licenses to facilitate transactions between persons included under the repressive measures of this decree, whenever such transactions shall be deemed beneficial to the national security or economy.

ART. 8. The Economic Defense Commission shall have a staff constituted of public employees and employees from autonomous government or similarly established entities, obtained in accordance with the legislation in effect, and also additional personnel admitted under the terms prescribed by law.

Sole paragraph: The activities of this staff shall be directed by a public official procured for this purpose by the President of the Economic Defense Commission in accordance with existing legislation.

ART. 9. The Economic Defense Commission may establish representatives as and where it may deem advisable for the proper execution of its duties.

ART. 10. In carrying out its duties the Economic Defense Commission may enter into direct negotiations with Federal, State, municipal, or other governmental and similarly recognized authorities, requesting from them whatever information or assistance may be deemed necessary for the proper performance of its mission.

ART. 11. The supervisors, administrators, or liquidators referred to in letter A of article 4 shall be named by the President of the Republic at the solicitation of the Economic Defense Commission.

Sole paragraph: The benefits accruing to these supervisors, administrators and liquidators shall be fixed by the Economic Defense Commission and approved by the President of the Republic.

ART. 12. The Economic Defense Commission shall review all appointments made by State or Federal administrative agencies prior to this decree law.

ART. 13. Noncompliance with the resolutions of the Economic Defense Commission shall be considered an offense against the national security, liable to judgment by the Tribunal de Seguranca Nacional.

ART. 14. There is hereby opened a special credit of Rs. 250:000\$000 (two hundred and fifty contos of reis) in the Ministry of Finance to cover the expenses (services and duties) relative to the installation and functioning of the Economic Defense Commission during the current year.

Sole paragraph: The credit herein referred to shall be delivered to the National Treasury at the disposition of the President of the Economic Defense Commission, who will make the necessary payments and advances.

ART. 15. Within 10 days of its constitution the Economic Defense Commission shall submit its respective statutes to the approval of the President of the Republic.

ART. 16. The present decree-law shall become effective upon the date of its publication, all dispositions to the contrary being hereby revoked.

AMENDMENT OF BRAZILIAN DECREE GOVERNING ENEMY PROPERTY

The President of the Republic, making use of the powers conferred upon him by article 180 of the constitution, decrees:

ART. 1. The powers defined in articles 4, 5, and 6 of decree-law No. 4807, of October 7, 1942, pass to the competency of the Bank of Brazil S. A., as special agent of the Federal Government.

ART. 2. The Economic Defense Commission (Comissão de Defesa Economica) created by decree-law No. 4807, of October 7, 1942, is abolished, and its records shall be delivered to the Bank of Brazil S. A.

ART. 3. The liquidation of the properties and rights of natural or juridical persons included under the provisions of decree-law No. 4166, of March 11, 1942, will depend upon express statutory determination in each case.

ART. 4. The fiscals, administrators, or liquidators referred to in article 4 of Decree-Law No. 4807, of October 7, 1942, shall be named by the President of the Republic.

Sole paragraph. The present fiscals, administrators, or liquidators will continue in the exercise of their functions pending further deliberation of the Government.

ART. 5. It shall be incumbent upon the Minister of State of the Treasury to orient the application of the present decree-law and to contract with the Bank of Brazil S. A., which is hereby authorized to act in that capacity, for the execution of the respective services.

ART. 6. For the expenses resulting from the execution of the services to which the next preceding article relates, there shall be opened opportunely in the Ministry of the Treasury the necessary special credits.

ART. 7. This decree-law shall take effect from the date of its publication, provisions to the contrary being hereby revoked.

Rio de Janeiro, July 12, 1943, 122d year of independence, and the 55th of the Republic.

GETULIO VARGAS
A. DE SOUZA COSTA
ALEXANDRE MARCONDES FILHO.

DECREE SUPPLEMENTING PRIOR BRAZILIAN MEASURES FOR THE CONTROL OF ENEMY PROPERTIES

Decree-Law No. 5777 of August 26, 1943. Provides for the expropriations and liquidations resulting from the execution of Decree-Law No. 4807 of October 7, 1942, and makes other provisions.

The President of the Republic, making use of the powers conferred upon him by article 180 of the Constitution, decrees:

ART. I. The following are included within the measures of economic defense authorized by article 5 of Decree-Law No. 4807, of October 7, 1942:

(a) Juridical persons which are organized in conformity with Brazilian laws but which are subordinated administratively or financially, even indirectly, to German, Italian, or Japanese enterprises situated in their countries of origin or in any other country;

(b) Brazilian natural or juridical persons which maintain understandings, considered contrary to national security, with subjects of the Axis, natural or juridical persons, domiciled within or outside the country.

(1) The liquidations or expropriations which are to be effected as a result of this decree-law will depend, in accordance with article 3d of Decree-Law No. 5661, of July 12, 1943, upon decrees of the President of the Republic.

(2) The proceeds of sale, whether by public or administrative sale (*concorrecia pública ou administrativa*), of the properties or rights expropriated or of the assets liquidated, shall be deposited in the indemnity fund (*Fundo de Indenizações*) in the cases coming under paragraph (s), or deposited in the Bank of Brazil S. A. in a special account, which may be drawn upon only in the manner established in Decree-Law No. 3991, of December 9, 1941, in the cases coming under paragraph (b).

(3) A liquidation may be suspended if the holders of nominative and bearer shares, or of quotas or other social rights (proprietary interests in firms or companies), alienate their securities and rights to third parties, natural or juridical persons, who have requested and obtained authorization to acquire them, the price being deposited in accordance with the terms of the preceding paragraph.

ART. II. Expropriations of patents and trade-marks required for the economic defense of the country in accordance with the terms of paragraph (1) of the preceding article and of article 4 of Decree-Law No. 4807, will be processed administratively by the Bank of Brazil, S. A., the indemnization to be deposited after the alienation of properties or rights expropriated or after their incorporation into the patrimony of the Union.

ART. III. The expropriations, effected in the public interest, of property of subjects of the Axis or of juridical persons, national or foreign, which are subject to the terms of this decree-law, will be carried out in accordance with the respective laws, but the power to determine whether the proceeds deposited should be carried to the indemnity fund or placed in a special deposit as specified in paragraph (2) of article I, shall rest with the Bank of Brazil, S. A.

ART. IV. The fiscals, administrators, and liquidators appointed to carry out the provisions of letter (a) of article 4 of Decree-Law No. 4807 shall exercise their functions with such powers and in such manner as shall be indicated in the instructions which they receive from the Bank of Brazil, S. A. in accordance with the circumstances.

(1) The remuneration to which they are entitled will be paid by the Bank of Brazil, S. A., to which the respective companies will pay corresponding amounts.

ART. V. For the proper execution of Decree-Law No. 5661, of July 12, 1943, the powers conferred by the sole paragraph of article 7 of Decree-Law No. 4807, of October 7, 1942, are vested in the Bank of Brazil, S. A.

ART. VI. This decree-law becomes effective on the date of its publication. Rio de Janeiro, August 26, 1943, 122d year of independence, and 55th year of the Republic.

GETULIO VARGAS
A. DE SOUZA COSTA
ALEXANDRE MARCONDES FILHO.

EXHIBIT No. 7

THE ELIMINATION OF ENEMY INTERESTS IN SPEARHEADS OF AXIS ECONOMIC PENETRATION

ARGENTINA

I. Completely eliminated: None.

II. In process of elimination:

Ficopa Consorcio Financiero y Comercial Sudamericano S. A.
Fincosa S. A. Comercial Industrial y Financiera Argentina.
Impa, Industria Metalúrgica y Plástica Argentina.
Thyssen-Lamental S. A. Industrial Mercantil.

III. Intervention:

Anilinas Alemanas S. A.
A. E. G. Compañía Argentina de Electricidad.
Aceros Roehling-Buderus S. A.
Agfa Argentina—Dr. Kurt Oppenheim y Cia.
Aceros Styria S. R. L.
Aceros Poldi S. R. L.
Aceros Schoeller Blechmann S. R. L.
Afa-Tudor-Varta S. A. Fábricas Reunidas de Acumuladores.
Amme, Giesecke y Konegen, S. R. L.
Arbizu y Cervino S. A.
Banco Alemán Transatlántico.
Banco Germánico de la America del Sud.
Bromberg y Cia. S. A. Comercial.
Boker y Cia. S. R. L.
Bosch, Robert—Compañía Sudamericana de Magnetos y Equipos Eléctricos S. A.
Beiersdorf, S. R. L.
Bruttomesson y Cia.
Balneario Parque Lujan S. R. L.
Compañía Argentina Comercial e Industrial de Pesqueria (CACIP) S. A.
Compañía Anan, Credito y Finanzas S. A.
Curt Berger y Cia. S. R. L.
Calera Avellaneda.
Clarfeld y Cia., Federico Ltda. S. A.
Casa Denk—Aceros Boehler, S. A. Com. e Ind.
Comparex, Compañía Argentina Exportadora de Cereales S. A. Comercial.
C. A. E. Compañía Argentina Electro Mecánica S. A. Ltda.
Casa Montagna, S. A. Comercial e Industrial.
C. I. N. C. O. Corporación de Ingenieros Constructores.
Compañía Argentina de Mandatos S. A.
Crefin, Créditos y Financiaciones.
Deutz Otto Legítimo S. A. Compañía Argentina de Motores.
Dillenius y Cia.
Dyckerhoff y Widmann.
Establecimientos Klockner S. A. Industrial Argentina.
Engelbert Hardt y Cia.
Fuhrmann Ltda. S. A. Financiera y Comercial.
Ferrostal S. A.
Fominco S. A. Comercial.
G. E. O. P. E. Compañía General de Obras Pública S. A.
Gruen y Bilfinger S. R. L.
G. E. C. O. Compañía Industrial y Comercial S. A.
Harari e Hijos.
Hara y Cia.

Hugo Stinnes Ltda. S. A. Comercial e Industrial.
 Iida y Cia. Ltda. "Takashimaya."
 Inag-Siemens, Fabricas Reunidas de Utiles Sanitarios, S. A.
 Indunidas, S. A. Mercantil de Industrias Unidas.
 Instituto Behring de Terapeutica Experimental.
 Katsuda y Cia.
 Kirschbaum y Cia.
 La Quimica Bayer, S. A.
 Lahusen y Cia. Ltda. S. A. de Exportación e Importación.
 Liebl, Jose.
 La Union Bulonera.
 Laboratorio Quimico Biologico S. A.
 Lloyd Norte Aleman.
 Merck Quimica Argentina S. A.
 Martinez y Cia., Ignacio P.
 Martens, Thilo.
 Meyer y Cia., Diego—S. A. Comercial.
 Meyer y Cia., L. D.—S. A. Comercial e Industrial.
 Mitsubishi Argentina S. R. L.
 Motte y Cia. Ltda., Otto—S. A. Com. e Ind.
 Noss, Augusto.
 Oberst Hermanos.
 Omura Matsutaro.
 Orbis S. A., Industrial Metalúrgica.
 Orenstein y Koppel, S. A.
 Pallavicini y Cia., E. S. A.
 Perfumerias Tosca S. A.
 Patow y Cia. Sociedad en Comandita.
 Prescher, Carlos Federico.
 Quimica Schering S. A.
 "Rhodius" S. A. Comercial y Financiera.
 Riberena del Plata S. A.
 Rhodius y Cia.
 Rhienmetall-Borsig Compañía Argentina de Máquinas, S. R. L.
 Rappard, Gustavo A.
 Roemmers y Cia., A. J.
 Sadao Ando y Cia.
 Siemens Schuckert S. A., Compañía Platense de Electricidad.
 Siemens y Halske.
 Siemens Bauunion, Compañía Platense de Construcciones.
 Staudt y Cia. S. A. Com.
 S. E. M. A. Sociedad Electro Metalúrgica S. A.
 Springer y Moller S. A.
 Schaack, Luis Raul.
 Stover Argentina S. A.
 Speratti y Romanelli S. R. L.
 Sofimar S. A. Financiera, Industrial y Mercantil Argentina.
 Sesgo S. A. de Industrias Textiles.
 Sociedad Argentina de Ceramica Femix.
 Tubos Mannesmann Ltda. S. A.
 Thorhauer y Cia. S. R. L.
 T. A. E. M. Talleres Argentinos Electro-Metalúrgicos.
 Treuhand S. A. Sociedad de Administración y Mandatos.
 Tsusi, S. R. L.
 Van der Velde y Cia. S. R. L. Sociedad Comercial y Exportadora.
 Wayss y Freytag S. A.
 Walser, Wald y Cia. S. R. L.
 Wite, Max.
 Wasser, Rodolfo.
 Yamada S. y Cia. S. R. L.
 Zeiss Argentina S. A., Carl.

BOLIVIA

I. Completely eliminated by action of the government or by force of other sanctions:

Rud. Borgolte.
 Lindemann & Wilke.
 Drogueria Hamburgo (E. Schilling).

Drogueria Albrecht (A. & M. Plattner Sucrs.).

Botica Germania (H. M. Kummel Sucrs.).

La Papelera de J. Von Bergen.

II. Spearheads which remain to be eliminated:

Zeller, Mozer y Cia. (Zeller de Mozer y Cia.).

Kyllmann, Bauer y Cia.

Juan Elsner y Cia.

Schweitzer y Cia.

Fabrica de Conservas de Jorge Stege.

Ferreteria Findel.

C. F. Gundlach (Casa Gúndlach).

Sickinger y Cia.

Salchicheria y Gabrica de Conservas Cochabamba (Ricardo Dillmann).

Gustavo Schomann y Cia.

Mining and commercial interests of Juan C. Becker.

Quilde y Cia.

BRAZIL

I. Completely eliminated by action of the government or by force of other sanctions.

A. Ultraferramenta Ltda.

A. E. G. Sul Americana de Electricidade.

"Aachener & Muenchener" Feuer-Versicherungs-Gesellschaft.

"Albingia" Versicherungs-Aktien-Gesellschaft (Cia. de Seguros Albingia).

Banco Alemão Transatlantico.

Banco America do Sul Ltda.

Banco Germanico da America do Sul.

Casa Lohner S. A. Medico-Tecnica.

Charutos Dannemann, Cia. de.

Comercia e Industria Malburg, Cia.

Condor Ltda., Servicios Aereas.

Constructora Nacional S. A., Cia.

"Deutz Otto" Legitimo Ltda., Soc. de Motores.

Electro-Chimica Fluminense, Cia.

Empresa Constructora Brasileira Gruenbilf Ltda.

Empresa Sul Brasileira de Electricidade S. A.

Fabrica de Machinas Raimann Ltda.

Fabrica de Tecidos Werner S. A.

Fabrica Gunther Wagner Ltda.

Fabrica Nacional de Tambores Ltda.

Fabrica Rio Grandense de Adubos e Productos Chimicos S. A.

Feco Industria Mecanica Ltda.

Federal de Fundicao, Cia.

Galeria Carioca de Modas S. A.

Graphicor Consentra Hartmann Irmaos S. A.

Hoepcke S. A. Comercio e Industria, Carlos.

Holzgreffe e Cia.

Industrias Brasileiras Textis-Quimica Ltda.

Industrias Quimicas Geronazzo Ltda.

Industria de Electro-Acos Plangg Ltda.

International de Seguros, Cia.

Jimmi Ltda., Soc.

Laboratorio Zambeletti Ltda.

Machinas Ltda. "Alnorma" Soc. de.

Mannheimer Versicherungs-Gesellschaft.

Metalurgica Otto Bennach, S. A.

"National" Allgemeine Versicherungs-Aktien-Gesellschaft (Cia. de Seguros Gerais "National" S. A.).

Nord-Deutsche Versicherungs Gesellschaft.

Oficina Mecanica Magirus Deutz-Deisel Ltda.

Ozalid Brasil-Fabrica Nacional de Papeis Heliographicos Ltda.

Quebracho Brazil S. A.

Raimann e Cia. Ltda.

Regnier de Maquinas e Baterias Electricas, S. A.

Riedel—E. de Haen e Cia. Ltda., J. D.

Schaeffer e Cia. (Uniao de Ferros).

Schering Productos Quimicos e Farmaceuticos S. A.

"SIDAPAR" S. A. Usina Siderurgica e Laminadora Nossa Senhora da Aparecida.

Wilffmetal Ltda.

II. In process of elimination—(a) to be nationalized, i. e., sold to purchasers who will continue firms in operation:

A Chimica Bayer (and affiliate firms).

Acidos S.A., Cia. de.

Accumuladores Varta do Brasil Ltda.

Allianca Commercial de Anilinas Ltda.

Bremensis Ltda., Sociedade Technica (and affiliate firms).

Chimica "Merck" do Brasil S.A., Cia.

Corneta Ltda.

Dima S.A. Distribuidora de Maquinas Brasileiras Fabrica de Maquinas "Helo" S.A.

Farmacia e Laboratorio Homeoterapico Ltda.

Fazenda Barra Mansa.

Filippone e Cia., G.

Fogoes Junker e Ruh Ltda.

Galeria Paulista de Modas S.A.

Hachiya Industria e Comercio S.A.

Industrial Amazonense S.A., Cia.

Lapis Johann Faber Ltda.

Nitihaku Takushoku Kaisha.

Petersen e Cia. Ltda. (and affiliate firm).

Productos Chimicos Industriais M. Hamers, Cia. de (and affiliate firm).

Siemens-Schuckert S.A. Companhia Brasileira de Electricidade.

Tintas Victoria Ltda.

Ultragaz S.A., Cia.

(b) To be liquidated, i. e., sold piecemeal so that they will no longer exist as entities:

Acos Marathon do Brasil Ltda.

Acos Phenix Ltda.

Acos Roechling-Buderus do Brasil Ltda.

Algodoeira do Sul Ltda.

Ando e Cia. Ltda.

Arens & Langen.

Auto Distribuidora Ltda., Soc.

Auto-Union Brasil Ltda.

Berringer e Cia.

Casa Bancária Imigratória Ltda.

Casa Bratac Ltda. (and affiliate firms.)

Casa Rosito.

Casa Tozan Ltda. (and affiliate firms).

Commercial de Tintas Ltda., Soc.

Distribuidora Brasileira de Ferros S.A.

El Fenix Sudamericano Cia. Argentina de Seguros Terrestres e Marítimas.

Empresa de Propaganda "Productos Knoll."

Fiduciária Brasileira, Cia.

Geco Ltda., Soc.

"Geobra"—Cia. Geral de Obras e Construções S.A.

Hachiya Irmaoes e Cia. Ltda.

Hama e Companhia.

Hamburgueza Sul-Americana, Cia.

Hanseatische Kolonisations Gesellschaft.

Hara e Companhia Ltda.

Hasenclever e Cia.

Kaigai Kogyo Kabushiki Haisha (and affiliate firms).

Konishi e Companhia Ltda.

Ludemann e Cia., W.

Meridional Tintas e Composições Ltda.

Michahelles e Cia. Ltda.

Nebiolo S. A.

Niponica de Plantação do Brasil S. A., Cia.

Nishitani e Cia. Ltda.

Nitsche-Guenther-Busch do Brasil Ltda.

Osaka do Brasil Ltda., Sociedade de Navegação.

Perfumaria Dralle do Brasil Ltda.

Ranniger e Cia.

Roth e Cia., G.

Stahlunion Ltda.
 Simonini, Toschi & Guidi (Casa Rosita).
 Steffen e Cia. Ltda., Arnaldo.
 Stoltz e Cia., Hermann.
 Tintas Sprimo S. A.
 Westphalen e Cia.
 Wille e Cia. Ltda., Theodor.
 Yokohama Specie Bank Ltda.
 Zeiss Sociedade Optica Ltda., Carl.

CHILE

I. Completely eliminated by action of the government or by force of other sanctions:

Banco Aleman Transatlantico.
 Banco Germanico.
 Allianz and Stuttgarter.
 Geco Ltda.
 Mitsubishi-Chile.
 "Italmar."
 Agencia Maritima Koamos.
 Aachen and Munich.
 Albingia.
 Mannheim.
 Nord-Deutsche.

Casa Itoh Ltda.
 Chileno Oriental.
 Nippon Yusen Kaisha.
 Nippon Trade Agency.
 Mitsui y Cia.
 Dauelsberg y Cia.
 Mitsubishi, S. K.
 Greiner y Cia.
 Norddeutscher Lloyd.
 Sindicato Condor.
 Deutsche Lufthansa.

II. In process of elimination:

Establecimientos Pelikan.
 Ferrostaal G. m. b. H. Essen.
 Anilinas y Productos Quimicos.
 Quimica Bayer.
 Schering-Chile.
 Merck, Quimica Chilena.
 A. E. G.
 Osram.
 Siemens-Schuckert.
 Staudt y Cia.
 Manufactura Textil.
 Unitas.

Sedylan.
 Tubos Mannesmann.
 Estadio Los Leones.
 Deutscher Sports Verein.
 Transportes Maritimos.
 Hamburg-Amerika Line.
 Kraemer y Cia.
 Kulenkampff, Knoop & Co.
 Organizacion Minimax Contra Incendios.
 Radios Telefunken.
 Tejidos Tres Coronas.

III. Intervention or other non-elimination action:

Bruchert y Cia.
 Stubenrauch y Cia.
 Elten y Schaale.
 Construcciones del Peru.
 Hamdorf y Cia.

"La Alcancia."
 Explotadora de Manganese.
 Nevermann y Cia.
 Oberpaur.
 Radio Maipo.

Twenty-nine news organs, presses, and propaganda media are considered spearheads, seven of which are described as active and the balance as inactive. The Controls Commission has not taken any action with respect to these enterprises since virtually all of them have been nonexistent for many months because of inability to obtain newsprint, news service, advertising and supplies. Only two or three of them now appear at all and only irregularly.

There are no other spearheads with respect to which some type of action has not been taken.

COLOMBIA

I. Completely eliminated by government expropriation, force of proclaimed list sanctions, voluntary dissolution or sale to satisfactory Colombians:

Empresa Hanseatica.
 Almacen Telefunken.

Salchicheria Boston.
 Anilinas Alemanas.

II. Were legally in process of liquidation under government decree, but no action was taken against them:

Quimica Bayer.
 Instituto Behring.
 Quimica Schering.

Colombiana de Colorantes.
 Merck Colombiana.

III. Intervention or other nonelimination action:

Almacenes Helda.	Eikhof y Cia.
Colombiana de Máquinas Pfaff.	Joyeria Fux.
Ed. Victor Sperling Ltda.	Optica Alemana.
Casa Telefunken.	Reger & Cia., Carlos.
Casa Japonesa.	Takeshima, Yuzo.

The foregoing takes into account all spearhead concerns in Colombia.

COSTA RICA

I. Completely eliminated:

Guillermo Niehaus & Co.	Cia. Agricola de Acosta.
F. Riemers & Co.	Hubbe Hijos.

II. There are no other spearheads in Costa Rica.

CUBA

I. Completely eliminated:

Biederlack, Eberhard.	Hamburg-Amerika, Compañía de Va-
Biederlack, Hans.	pores.
	Merck, E.

II. Remaining spearheads: The foregoing names represent the only proclaimed list spearhead interests known to have existed in Cuba.

The Cuban Government has placed under administrative control approximately 40 nonspearhead proclaimed list enterprises and has interned 11 of their owners.

DOMINICAN REPUBLIC

I. Completely eliminated:

Cibao Comercial.	Khebol, Martín.
Hartmann, Frederick Wilhelm.	Agencia Antillana.
Ultramar Comercial C. por A.	Barkhausen, Hermann.
Hertel, Carl.	Dohse, Ernst Heinrich.
Jurgens, Kurt.	Dohse Jorge, Ernesto.

II. Intervention of other nonelimination action: The Dominican Government has not yet eliminated the interest of Notebohm & Co. of Hamburg in the Proclaimed List firm Cia. Comercial C. por A. This interest has however been blocked for the duration.

There are no spearheads with respect to which some type of action has not been taken.

ECUADOR

I. Completely eliminated:

S. A. I. C. E. (Sociedad Anonima Industrial Corozo Ecuador S. A.).	Brauer, Gehin, Hnos.
Industrial Beco C. A., Soc.	Boschetti, Tulio T.
"Ecuapetrol" Cia. Petrolera y Comercial S. A.	Cia. Comercial Inmobiliaria Alemana.
Casa Tagua S. A.	Muller, Alejandro.
Almerini, Fossati y Cia.	Panse, Eduardo and Ernesto.
Ferrari, Herederos de Luis.	Quimica Schering Ecuatoriana.
Stamer & Co.	Schoeneck, Arturo B. H.
Alemana de Agencias C. A. "Cialda"	Yannuzzelli, Donato.
Cia.	Begue y Cia., A.
Ultramares Trading Co. S. A.	"Cintela" C. A. Fabrica Nacional de Cintas y Telas.

II. Intervention or not likely to be eliminated:

Bazar y Joyeria Queirolo.
Joyeria "El Brillante".

There are no spearheads with respect to which some type of action has not been taken.

GUATEMALA

I. Completely eliminated:

Commercial y Agrícola de Guatemala, Cia.	Finca "Las Sabanetas."
Finca "Los Castaños."	Albrecht, Jorge y Fritz.
Finca "Castaños."	Finca "Cafetal Hamburgo."
Hoepfner Suers., Hermann.	Köper, Lottmann & Co.
Finca "San Rafael Panán."	Finca "La Concha."
Finca "Soledad."	Finca "Sibaja."
Finca "El Potosi."	Finca "El Cacahuito."
Finca "Florida."	Ferrocarril Verapaz y Servicios Anexos.

II. Process of elimination:

- A. E. G., Almacón Eléctrico General.
 Albingia Versicherungen A. G.
 Bohnenberger, Otto.
 Central American Trading Company.
 Deutsche Zeitung Guatemala.
 Dieseldorff y Cía., Sucrs.
 Diestel, Hastedt & Co.
 El Fénix Sudamericano.
 Fresse & Rubien.
 Gees, Hand (Dr.).
 Gerlach & Co., Sucrs.
 Hapag-Lloyd Agency.
 Herring, Alfonso.
 Hertzsch, Enrique.
 Hoepker, Henry.
 Kaltwasser, Hermann.
 Kaltwasser y Cía., Hermann.
 Köper, Lottmann & Co.
 La Perla S. A.
 Laeisz y Cía., Sucrs.
 Lindener & Co.
 Nottebohm, Federico.
 Nottebohm, Karl Heinz.
 Nottebohm, Kurt.
 Nottebohm, Mary Stolz de.
 Nottebohm Banking Corporaion.
 Nottebohm & Co., Kurt.
 Nottebohm, Hermanos.
 Riege & Co.
 Sapper & Co., Ltda.
 Sauerbrey, Otto.
 Seguros Albingia, Cía. de.
 Thomae & Koegler.
 "Transocean" Servicio Noticioso.
 Transportes Diesel M. A. N.
 Trennert, Gustav.
 Wulff, Kurt.
 Zuckau, Guillermo.
 Administración General Fincas "La Aurora," "El Edén," "Nuevo Edén," and "Camelias"
 Administradora "Cecilia" Ltda., Cía.
 Agrícola Viñas Zapote, Soc.
 Albrecht, Jorge y Fritz.
 Allgemeine Elektricitaets Gesellschaft.
 Almacén "Colibri."
 Almacén Eléctrico General.
 Almacén La Perla.
 Almacén "La Retalteca"
 Alte Leipziger.
 Asseburg, Adolf.
 Asseburg, Wilhelm.
 Asseburg & Company.
 Asseburg Hermanos (See 2272 of 3-19-45.)
 Augustynski, Max.
 Bär, Hans J.
 Beyer, Pablo.
 Boehm, Jorge.
 Braeuner y Cía., R. O.
 Brandenburg, Juan.
 Brueckner, George.
 Buechsel, Gerhard.
 Buechsel & Co.
 Bunge, Rodolfo.
 Christ, Alfredo.
 Christ, José.
 Comercial y Agrícola de Guatemala, Cía.
 Deutsche Lufthansa, A. G.
 Diestel, Eberhardt.
 Dietz, José (Jr.).
 Döcher, Paul.
 Droege, Hugo.
 Feddersen, Teodoro.
 Felsmann, Erica Niederer Bornholdt de.
 Felsmann, Kurt.
 Felsmann y Cía., Kurt.
 Ferreteria "La Guatemalteca."
 Fickert Först, Emma viuda de.
 Finca "Actelá."
 Finca "Argentina."
 Finca "Bola de Oro."
 Finca "Cafetal Hamburgo."
 Finca "Camelias."
 Finca "Campur."
 Finca "Candelaria-Xolhuitz."
 Finca "Castaños."
 Finca "Cecilia" y Anexos.
 Finca "Cerro Redondo."
 Finca "Chiacán."
 Finca "Chicoj."
 Finca "Chicoyunito."
 Finca "Chilte."
 Finca "Chimax."
 Finca "Chimo."
 Finca "Chinama."
 Finca "Chinasajub."
 Finca "Chirrepec."
 Finca "Chulac."
 Finca "Concepcion."
 Finca "El Carmen."—Tajumulco, San Marcos.
 Finca "El Edén."
 Finca "El Jocote."
 Finca "El León."
 Finca "El Perú."
 Finca "El Pino."
 Finca "El Potosí."
 Finca "El Recuerdo."
 Finca "El Rosario Bola de Oro."
 Finca "El Zapote."
 Finca "Florida."
 Finca "Guaxpom."
 Finca "Jalaute."
 Finca "Joya Grande."
 Finca "La Aurora."
 Finca "La Concha."
 Finca "La Esperanza."
 Finca "La Fama."
 Finca "La Fe."
 Finca "La Suiza."
 Finca "La Suiza."
 Finca "Las Camelias."
 Finca "Las Sabanetas."
 Finca "Las Viñas."
 Finca "Los Brillantes."
 Finca "Los Castaños."
 Finca "Medio Día."
 Finca "Medio Día, Filipinas y Monte Cristo."
 Finca "Monte Blanco."

II. Process of elimination—Continued.

Finca "Monte Limar."	Krische Hermanos
Finca "Mundo Nuevo."	"La Bodega"
Finca "Nuevo Edén."	"La Diadema"
Finca "Pachilha."	Lange, Oscar
Finca "Pancuz."	Leber, Joseph
Finca "Pantic."	Leber & Co.
Finca "Pavón."	Lewald, Willy
Finca "Sacoyou."	Lindener, Kurt
Finca "Sacsamani."	Liscutin, Antonio
Finca "Salitrillo."	Lottmann, Guillermo
Finca "San Basilio."	Lütjens, Ingrid Renate
Finca "San Carlos Chucul."	Lütjens, Juan A.
Finca "San Dionisio."	Luttmann, Guillermo.
Finca "San Francisco Pecul."	"Luz."
Finca "San Javier."	Mahler, Herederos de Max.
Finca "San Juan."	Mann, Jorge.
Finca "San Julián."	Martín S., Juan
Finca "San Rafael Panán."	Meissner, Hans Fritz
Finca "San Vicente."	Mersiovsky, Juan
Finca "Santa Isabel."	Methe, Knedel & Co.
Finca "Santiago."	Moeschler, Enrique
Finca "Serilquiche."	Moeschler, Oscar
Finca "Sibaja."	Moll, Rodolfo
Finca "Soledad."	Müller, Kurt
Finca "Trece Aguas."	Nehlsen, Harold
Finca "Venecia."	Noack, Otto
Finca "Westfalia."	Noltinius, Wilhelm
Finca "Xicacao."	Ockelmann, Carl
Fleck, Arturo.	Ockelmann, Celina de
Franke, Conrado.	Paetau, Max
Franke y Cia., Canrado.	Paetau, Max (hijo)
Frey, Martin.	Paetau & Co., Max
Freyler, Erwin.	"Palacio de Cristal"
Ganzauge, Herbert.	Panaderia y Pasteleria "Viena"
Gieseler, Carlos.	Peitzner, Guillermo (hijo)
Graf, Máximo.	Peitzner, Gustavo
Graf Weichert, Enrique.	Petersdorf Mahler, Federico
Graf & Co., Máximo.	Petersen, Teodoro
Greite, Wilhelm.	Pfister, W.
Grunau, Alberto.	Plantaciones "Concepción" de Guate-
Hahmann, Bruno.	mala, Cia de
Hartleben, Alberto.	Prem, Sucrs., Juan
Hartleben, Federico.	"Pro-Salud"
Hastedt, Herbert W.	Quirín, Máximo
Hegel, Carlos (Jr.).	"Radios Grunau"
Hegel, E. Enrique.	Rausch, Enrique
Henequenera La Isla	Reiffen, Rodolfo
Hermann, Rudolph	Sak, Max.
Hermann y Hnos., Herbert	Salchichoneria Germania
Hoepfner Sucrs. Hermann	Schellenberg, Walter.
Hotel Europeo	Scheuffler, Max.
Huber, Francisco	Schieber, Eugenio
Hussmann, Carlos	Schilling, Alberto H.
Hussmann, Otto	Schlatermund, Hans
Hussmann Herederos	Scholz, Juan
Industria Mate Guatemala	Schreckenbach, Hans M.
Ingenio Concepción	Schuster, Lisy
Jaeger, Augusto L.	Stellreiter, José
Johansen y Cia., Sucrs.	Sterkel, Emilio
Kaffee & Import, Ges	Sterkel, Julio
Keller, Herederos de Federico	Sterkel, Rodolfo
Knoetzsch, Martin	Stümpel, Hertha
Koegler, Enrique	Sundfeld, Antonio
Köper, Federico (hijo)	Suse, Edmund T.
Krause, Hans	Teneria Moll

II. Process of elimination—Continued.

Thomae, Fernando	Wagner, Reginaldo (Same as E. R.
"Thuringia" Salchichonería y Carní- cería	Wagner 2272 of 3-19-45)
Tienda "La Fomosa"	Wahl, Eugenio
Tintorería Alemana	Wehner, Kurt C.
Tischler, Otto	Weller, Felipe
Von Scheven, Lothar Peter Emil	Weller & Babozynsky
Voss, Walter	Wietfeldt, Hans.
Wagner, E. R.	Wulff, Federico
Wagner Hermanos	Zoller, Enrique

III. Remaining spearheads: None.

HAITI

I. Completely eliminated:

Andersen, Gunther E.	Leonhardt, Martin
Beck, Kuno.	Lüders, Ernst
Beck, Kurt.	Otte, Richard William
Beck, Vera Teuchler (Mme.).	Petersen, Johannes
Commerciale et Industrielle d'Haiti, Soc.	Reinbold, Georges
Grohl, Arthur Karl	Reinbold & Co.
Haitienne de Produits Pharmaceutiques, Soc.	Rieper, Joachim
Hamburg America S. S. Line	Rohlsen, Gustave
Hirsch & Lemke	Rosenthal, Albert
Horn S. S. Line	Schutt & Co., Otto
Kahl, Wilhelm	Seidel & Company, Karl
Kahl's Hotel	Siegel, Franz
	Teuchler, René

II. Remaining spearheads: No Axis spearhead interests are known to remain in existence in Haiti.

HONDURAS

I. Completely eliminated:

Bastel & Co., W.	Werner Fertsch & Company
Werner Fertsch	

II. Intervention or other action expected to lead to elimination:

Casa Konke S. A.	"Drogueria Rischbieth"
Erich George Wilhelm Paysen	Werner Rischbieth
Casa Rossner S. A.	Ernesto Siercke
Roberto Rossner	Francisco Siercke
Werner Rischbieth & Co.	Victor Siercke

III. Remaining spearheads:

Cornelsen Sucesores	"Drogueria Bayer"
Juan Doborow	

MEXICO

I. Completely eliminated or in process of elimination:

A. E. G., Cia Mexicana de Electricidad.	Behring, S. A., Instituto.
Agencia Comercial y Marítima; Hey- nen, Eversbusch y Cia., and all branches in Mexico.	Boesch Sucrs., S. en C., Guillermo.
Albert y Cia., Sucrs., Julio.	Boker, Casa.
Antiqua Ferreteria de la Palma, S. A.	Buchenau y Cia., Sucrs.
Apolo, Las Fábricas.	Cram, Casa.
Banco Germánico de la América del Sud.	"Deutz, Otto," Legítmo, S. A., Cia. Mexicana de Motores, and all branches in Mexico.
Bayer, S. A., Casa (and all branches in Mexico).	Dittmer y Cia., Carlos.
Beick, Felix y Cia., S. en C. All branches and properties, including Fábrica de Acidos "La Viga."	Dorenberg, Petersen y Cia., Sucrs., S. en C.
	El Anfora, S. A., Fábrica de Loza.
	El Nuevo Japón, S. A.
	Ewald, Albert.

I. Completely eliminated or in process of elimination—Continued.

Finca "Argovia", Chicharras.	Hering y Cia., Carlos.
Finca "Chinenze."	Hintze y Cia.
Finca "E. Retiro."	Holck, Casa.
Finca "Germania."	Internacional de Comercio, S. A., Cia.;
Finca "Hannover."	Internacional de Drogas, S. A.;
Finca "La Granja."	Gutiérrez y Cia., Eduardo.
Finca "La Libertad."	"La Reynera," Fábrica de Jabón, S. A.
Finca "La Paz."	Lammers, S. A., Casa.
Finca "Laguna."	Merck-Mexico, S. A.
Finca "Prusia."	Peters y Cia.
Finca "San Cristobal."	Peters y Cia., Guillermo.
Finca "San José."	Productos Químicos Oleaginosos.
Finca "San Nicolás."	Schering, S. A.
Finca, "San Vicente."	Siemens Mexico, S. A.
Finca "Violetas."	Sommer, S. A., Gustavo.
Fotomantel, S. A., and all branches in Mexico.	Sommer, Hermann y Cia., Sucrs., S. A.
General de Anilinas, S. A., Cia.	Stein y Cia., Carlos.
German Schools, Mexico, Monterrey, and Puebla.	Tamm y Cia.
Groth & Kuhlmann.	Trapeha, S. A.
	Unión Química, S. A.
	Veerkamp, S. A., Casa.

The Mexican Government has seized all of the above firms as well as some 250 nonspearhead Proclaimed List enterprises.

II. Remaining spearheads: None.

NICARAGUA

I. Completely eliminated or in process of elimination:

Agencia Bayer.	La Quimica Schering.
Agencia Merck.	Mitsui & Co., Ltd.
Almacen "La Ganga."	Nottebohn Hnos.
Deutsche Lufthansa A. G.	M. Puschendorf & Cia., Ltda.
La Quimica Bayer.	A. Reuter & Cia., Ltda.

II. There are no other spearheads in Nicaragua.

PANAMA

I. Completely eliminated:

Atlantis, S. A.	International Laboratories, Inc.
Hapag-Lloyd.	Tokalon Products, S. A.
Schering Kahlbaum A. G.	

II. There are no other spearheads in Panama.

PARAGUAY

I. Completely eliminated: None.

II. In process of elimination: Banco Germanico de la America del Sud. Placed under intervention by Decree No. 2465 of February 12, 1942. Placed in liquidation by Decree-law 8815 of May 23, 1945.

III. Noneliminative action: Decree No. 7867 of March 23, 1945, provides for the intervention, and liquidation and sale at the decision of the Executive Power, of the assets and interests of Axis (Germany and Japan) nationals and of nationals of Axis-occupied countries.

A resolution of the Executive Power placed the following spearhead firms under control and intervention on April 28, 1945:

Ferreteria Alemana S. A.	Tubos Mannesmann Soc. Ltda. S. A.
Ferreteria Universal S. A.	"Unitas" S. A. Paraguaya Comercial y
Staudt y Cia.	Financiera.

IV. Remaining spearheads: None.

PERU

I. Completely eliminated by action of the government or by force of other sanctions:

Deutsche Lufthansa A. G., Peru.
Deutz-Diesel.
Emmel Hnos. S. A.
Banco Aleman Transatlántico.
Hilbeck Kuntze y Cia.

Franz Rotmann.
Southern Cotton Company.
"Taibo," Sociedad Anónima.
Ferrostaal A. G. Essen.
General de Anilinas S. A., Cia.

II. Process of elimination:

Agricola "Retes" Ltda., Soc.
Emmel S. A. Ltda., Gernando.
Hardt y Cia., E.
La Quimica Bayer S. A.
Nonomiya Shoten S. A.
Ostern & Co. S. A.

Peru Menka Kabushiki Kaisha.
Roedinger y Cia. S. A., H.
Arens & Lessel, S. A., Ltda.
Casa Welsch.
Otten y Cia. S. A.

III. Intervened or no action taken:

Casa Rehder.
Klinge y Cia. S. A., Ltda., F.
Telefunken Unión S. A., Radio Distribuidora.

Woyke y Cia.

It is estimated that up to the present time close to 400 firms have been subjected to such action, many of which were Japanese, and not listed here.

There are no spearhead interests in Peru other than those mentioned above.

EL SALVADOR

I. Completely eliminated through forced liquidation or voluntary termination of business activities:

Carlos A. Schmidt y Cia.
Gossman y Cia.
Luders y Cia., Sucrs. de Juan.
"Agfa."

Hamburg-Amerika Linie.
Italia S. A. Di Navigazione.
Norddeutscher Lloyd.

II. Intervened and owners deported:

Beneficio "Los Ausoles" (Alberto Ben- Beneficio "San Guillermo" (Schmidt, dix). (Guillermo).
Deininger, Walter. Joyeria "La Princesa" (August Mich-
Deininger, Frieda. iels and Felix Schafer).
Giessler, Federico. Wilmes y Cia., H
Groskorth y Cia. (Fabrica de Jabon y Nottebohm Trading Co.
Velas La Salvadorena).

The foregoing takes into account all spearhead interests in El Salvador.

URUGUAY

I. Completely eliminated: None.

II. In process of elimination:

Banco Aleman Transatlantico.

This bank was intervened under a Decree of December 12, 1941, and a Decree of October 19, 1942, provided for its virtual liquidation. The application of this decree has been very slow. This bank was again intervened under the decree of May 4, 1945.

III. Non-eliminative action:

Banque Francaise et Italienne pour l'Amérique du Sud S. A.

This bank was intervened under a decree of December 12, 1941.

By a decree of May 4, 1945 the following firms were declared intervened and subject to control of officials whom the Executive may designate:

"Albingia" S. A.	"GEOPE" Cia. General de Obras Públicas S. A.
Anilinas Alemanas S. A.	Curt Berger y Cia.
Eugenio Barth y Cia., Sucrs.	Exito S. A., Cia.
La Quimica Bayer.	Lahusen y Cia. Ltda.
Weskott y Cia.	Sociedad Tubos Mannesmann.
Bernitt y Cia.	Ernesto Quincke S. A.
Consal Ltda, Consorcio Alemán para las Obras Hidroeléctricas del Río Negro.	Schering, Productos Farmacéuticos.
Siemens Bauunion, Cia. Platense de Construcciones.	Staudt y Cia. S. A. C.
	"Unitas" S. A. Uruguay.
	Omura, Matsutaro.
	Yamada y Cia.

IV. No action by Uruguayan Government:

Aceros "Styria" S. de R. L.	Frederico Clarfeld y Cia. S. A. Ltda.
Agencia Merck.	Fuhrmann, S. A. Financiera y Comercial.
Bayer y Cia (no connection with La Quimica Bayer, above).	"Ribereña del Plata" Cia. Sudamericana de Comercio S. A.
Brehmer y Cia.	

VENEZUELA

I. Spearhead firms which have been completely liquidated under government decree and their names deleted from the Proclaimed List:

Hermanos Nakata.	Watva y Cia., Sakae.
Horie Hermanos, Matuo.	Wolf y Cia., Sucrs., F.
Neigert, L., "Ocularium" Instituto Optico de.	Yokoy y Serizawa.
Sakakibara y Cia., Tatuza.	Yonekura, Rizo.
Serizawa Hermanos "La Japonesa."	Yonekura y Cia., Y.
	Yonekura y Fukayama.

II. Spearhead firms completely reorganized under government decree:

Blohm & Company.	Van Dissel, Rode y Cia., Sucrs.
------------------	---------------------------------

III. In process of liquidation under government decree:

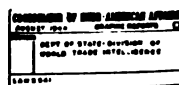
Aué y Cia., Ernesto.	Optica Alemana.
Beckmann y Cia.	Quimica Bayer-Weskott y Cia.
Breuer, Moller & Cia., Sucrs.	Quimica Schering, S.A.

IV. Remaining spearheads which are actively being considered for reorganization or expropriation:

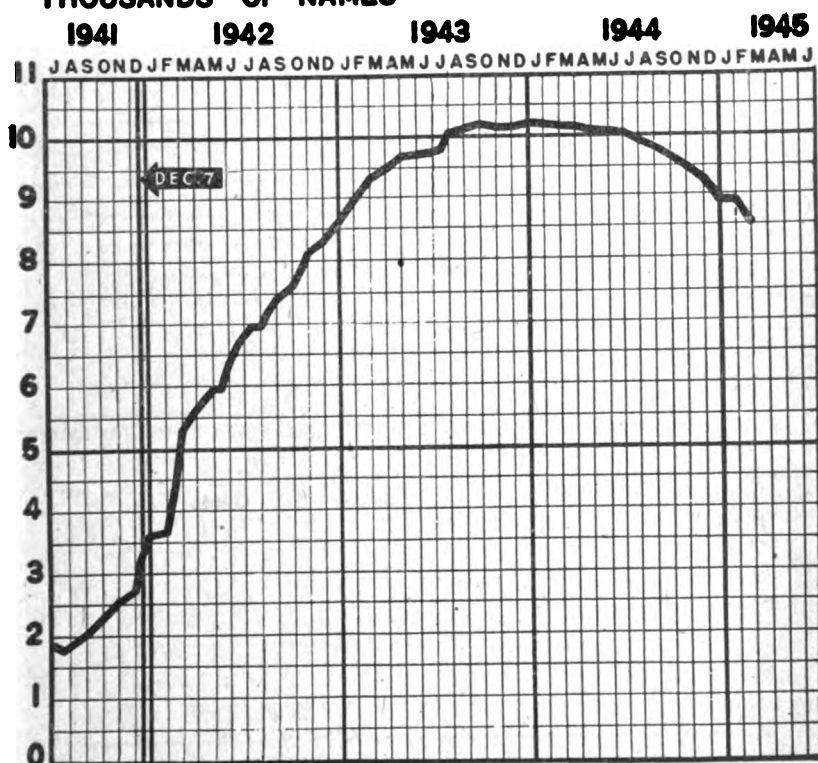
Gathmann Hermanos.	Valentiner & Cia.
Laboratorio Meyer, C. A.	Zingg y Cia., Gustavo.
Steinworth y Cia.	

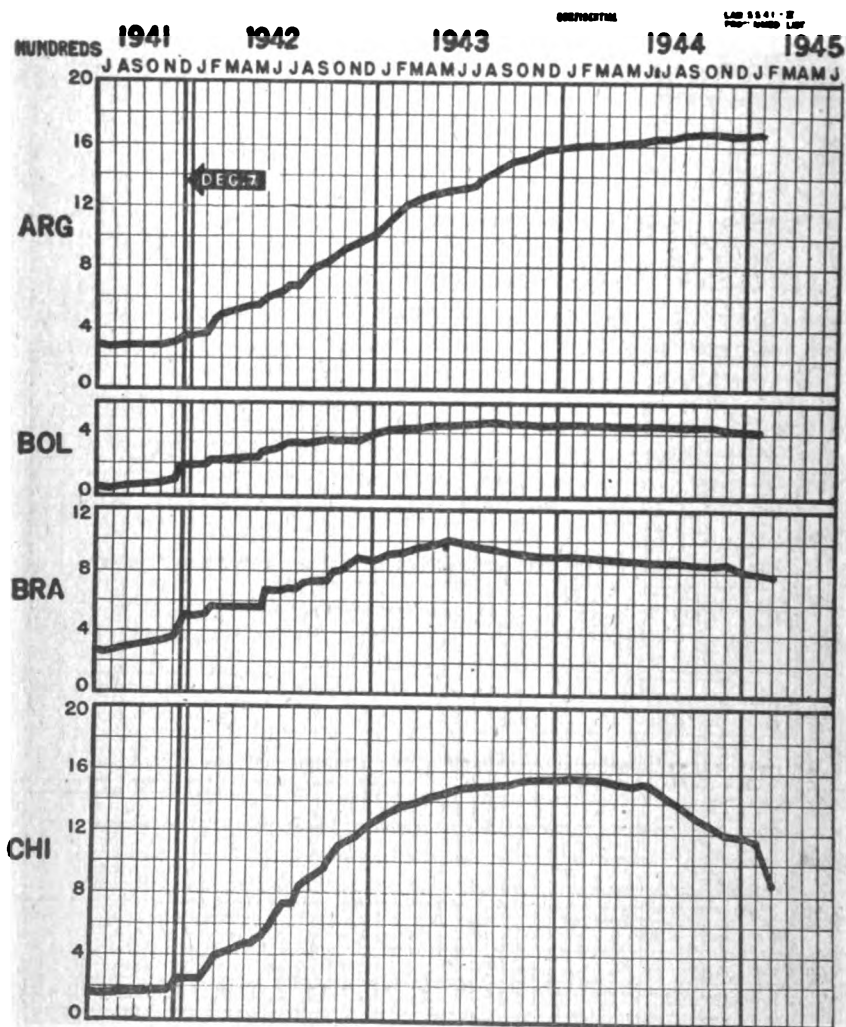
EXHIBIT No. 8

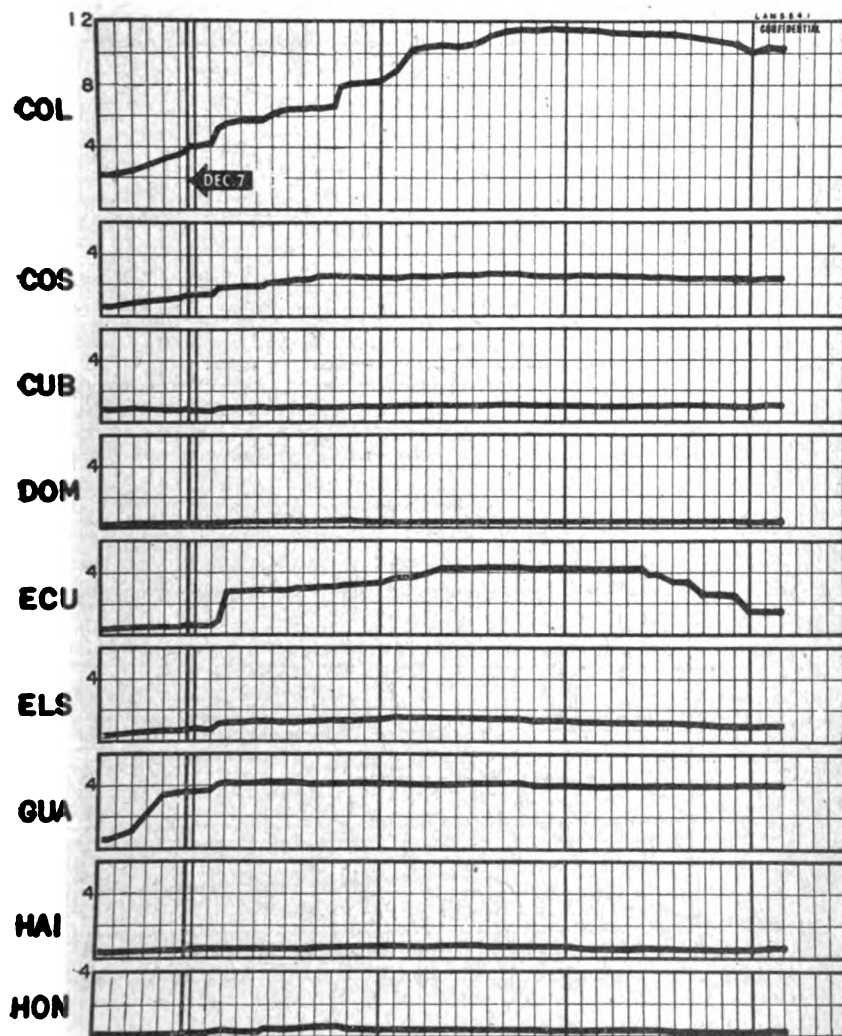
PROCLAIMED LIST



TOTAL LATIN AMERICA THOUSANDS OF NAMES







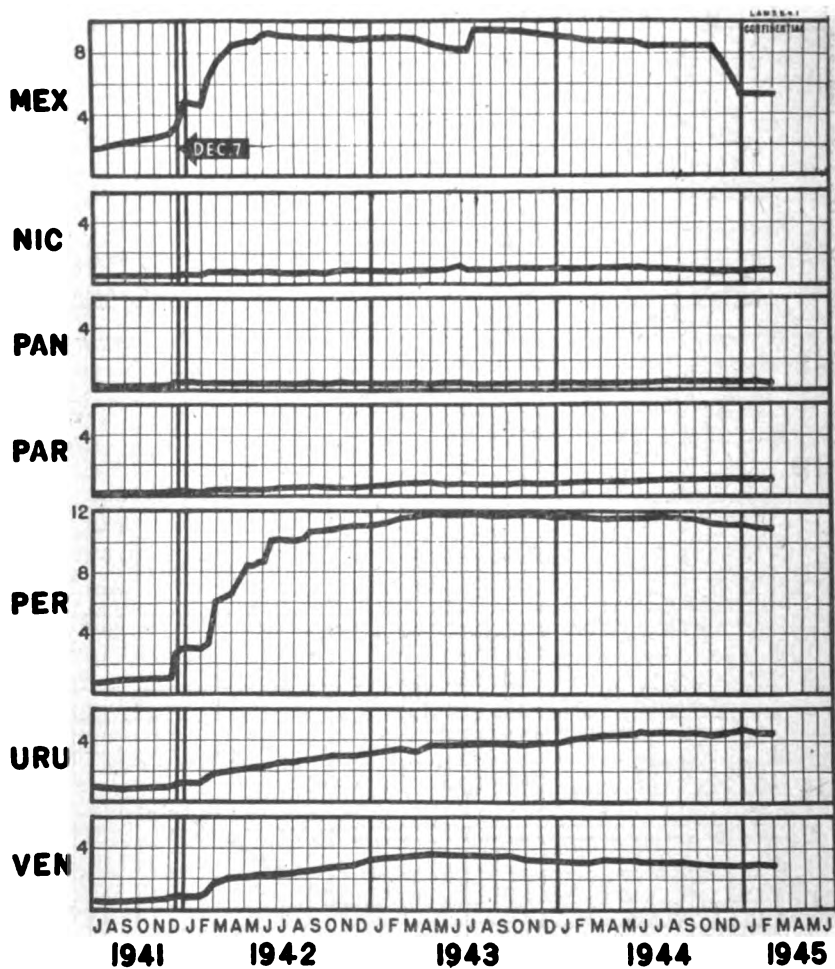


EXHIBIT No. 9

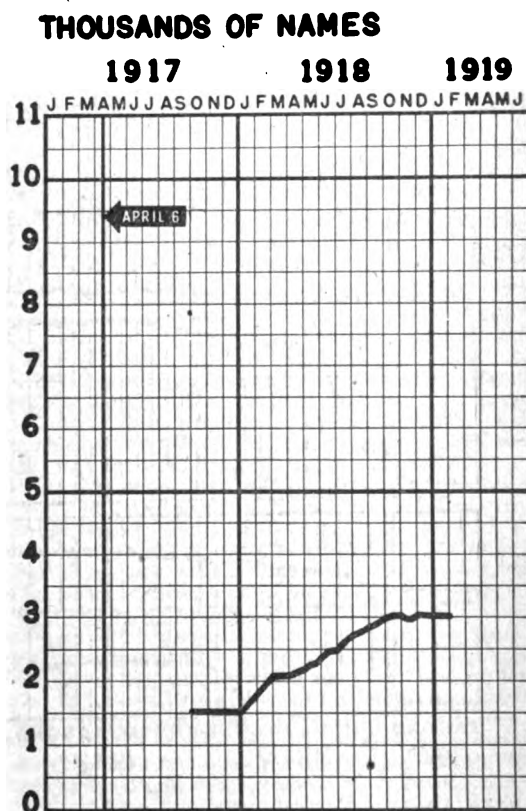
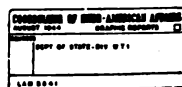
ENEMY TRADING LIST

EXHIBIT No. 10

In an address at the annual meeting of the American Drug Manufacturers Association at Hot Springs, Va., on May 4, 1944, Mr. Francis H. Russell, Chief of the Division of World Trade Intelligence, Department of State, and Chairman of the Interdepartmental Committee on the Proclaimed List stated:

"It has apparently been assumed by some of the firms that have cooperated with the Axis that the Proclaimed List and the sanctions which are based upon it will terminate with the cessation of hostilities in Europe and that listed firms and individuals will then be restored to normal trade facilities. There is no basis for such an assumption. It need not be stated that this Government does not consider the Proclaimed List as an appropriate part of the type of normal peacetime trade policies which it hopes eventually will be established. It is clear, however, that there will inevitably be a transition period from war to peacetime conditions and that the list cannot be withdrawn upon the termination of armed conflict. In view of the total character of the present conflict and its vast impact upon commerce it will necessarily take time to effect adjustments of economic warfare controls. Such adjustments will be carried out with regard to specific circumstances. The problem of eliminating economic warfare controls and in particular the Proclaimed List is believed in general to be capable of prompt solution in regions far removed from the scene of conflict where the spearheads of Axis aggression have been eliminated. The withdrawal of such controls may be expected to be slower with respect to areas adjacent to the scene of conflict and particularly with respect to nationals of, or residents in, neutral countries who have engaged or who may engage actively in equipping or servicing the military machine of the enemy—which the Allied Governments are determined to destroy—or who have rendered other important aid to the enemy."

DEPARTMENT OF STATE,

September 25, 1944.

Confidential release for publication in the morning newspapers of Tuesday, September 26, 1944, which do not appear on the streets before 12 midnight, eastern wartime, Monday, September 25, 1944. Not to be previously published, quoted from, or used in any way. Not to be transmitted out of the United States before 9 p. m., eastern war time, Monday, September 25, 1944

The Department of State issued the following statement on September 26:

"It has been determined by the United States Government and the British Government that the continuation of the proclaimed and statutory lists will be necessary following the cessation of organized resistance in Germany. This action is required in order to permit the Allied Governments to deal properly with firms which have been part and parcel of the Axis effort to gain world domination. Many of these firms have been controlled from Axis territory and have been utilized as instruments of the Axis war machine. Control over these Axis subsidiaries will be necessary as a supplement to allied control of the head offices of these firms in Germany until adequate measures are taken to prevent the further utilization of these firms as instruments of Axis policy. It will also be necessary to continue on the lists those firms that have sold themselves out to the Axis through their desire to make temporary exorbitant profits at the expense of the cause of democracy. The continuation of the lists is also necessary in order to maintain controls over foreign assets, which have been looted from their rightful owners by the Axis Governments, until steps are taken to deprive the Axis of this stolen property. Other firms on the lists constitute foreign investments by Axis leaders in an effort to finance themselves and their cause following the surrender of Germany. The lists will also constitute a means of furthering the wartime economic strangulation of Japan.

"While the lists will be maintained during the transition period from war to peacetime conditions wherever the remnants of Axis activity require, it is contemplated that the complete or virtual withdrawal of the lists will be possible at an early date with respect to those countries where adequate controls have been established and Axis spearhead firms have been eliminated.

"The United States Government expresses its hope that all governments and persons in support of the cause of democracy will cooperate to the end that these stated objectives shall be accomplished."

EXHIBIT No. 11

FINAL ACT OF THE INTER-AMERICAN CONFERENCE ON PROBLEMS OF WAR AND PEACE

RESOLUTION XIX. CONTROL OF ENEMY PROPERTY

Whereas the American Republics here represented have broken diplomatic, commercial, and financial relations with, and have declared war against, the common enemy in recognition of the principle that any act of aggression on the part of a non-American state against any of the American Republics must be considered as an aggression against all of them, and that the economic, political, and military activities of the enemy constitute a threat to the peace, welfare, and security of the American Republics.

There are reasons to believe that Germany and Japan will again attempt, in spite of their certain defeat, to conceal their property and property which they have unjustly obtained and which they have placed in other countries in order to finance, during the postwar period, activities of every sort inimical to the security and safety of the Western Hemisphere and of the world in general.

The peace and welfare of the postwar world must rest upon a foundation of justice and security and that, therefore, all necessary steps must be taken, in a manner consistent with the laws and practices of each country, to facilitate the location and restitution of property unjustly taken from the peoples of occupied countries, and the uncovering and treatment of property, directly or indirectly originating in Germany or Japan or which is owned or controlled by Germany or Japan or by individuals and entities within such countries all for the purpose of making it impossible again for Germany and Japan to be able to provoke and make war.

Each of the American Republics has adopted and put into practice various measures to accomplish the foregoing fundamental objectives pursuant to resolution V of the third meeting of Ministers of Foreign Affairs of the American Republics and the resolutions of the Inter-American Conference on Systems of Economic and Financial Control held in Washington in June-July 1942, the Inter-American Conference on Problems of War and Peace resolves:

1. That the American Republics here represented adopt and reaffirm the principles and objectives enunciated in the following:

(a) The declaration with respect to Axis acts of dispossession, issued by certain of the United Nations on January 5, 1943.

(b) The declaration on gold policy made by certain of the United Nations on February 22, 1944, and subsequently adhered to by other of the United Nations.

(c) Resolution VI of the United Nations Monetary and Financial Conference, held at Bretton Woods, in July 1944, and subsequently adopted by certain of the United Nations.

2. That the American Republics here represented maintain in force existing measures insofar as they are applicable and take such further measures as are feasible to attain the objectives of the above-mentioned declarations and resolutions, including:

(a) Measures to uncover, to disclose, to immobilize, and to prevent the concealment or transfer of property and rights located within the American Republics or held by or through any person or entity under their respective jurisdictions which property or rights in fact, whether or not in name, belong to or are controlled by or for the benefit of Germany or Japan or individuals or entities within those countries.

(b) Adequate measures to uncover, to disclose, and to prevent the transfer of any property unjustly obtained or taken in like manner by the enemy from other peoples and for the restoration of such property to its rightful owners; it being understood that the American Governments shall consult with one another as soon as possible for the purpose of defining the terms and conditions of such measures and establishing the most appropriate procedures for the adoption and execution of such additional measures as may be necessary.

(c) Measures to prevent, within their respective jurisdictions, all possibility that the American Republics may be used as a refuge for property unjustly obtained or taken in like manner from other peoples or the property of individuals or entities whose activities are inimical to the security of the Western Hemisphere and of the postwar world.

3. That the American Republics expressly agree that their rights in property vested, affected, seized, or intervened up to the present time or which may in the future, shall remain, with respect to the final disposition of each of such properties

or of their respective proceeds, in status quo, until the American Governments individually reach final decisions regarding such dispositions, or enter into international agreements in this respect, insofar as they consider it in their respective interests.

4. That the American Republics consider that the provisions of recommendation VIII of the Inter-American Conference on Systems of Financial and Economic Controls are applicable to the above-mentioned matters.

The phrase "property unjustly taken from other peoples" shall mean, in the present resolution, property, the control of which the enemy has obtained by dispossession, looting, violence, fraud, intimidation, and other like acts.

EXHIBIT No. 12

INTER-ALLIED DECLARATION ON AXIS ACTS OF DISPOSSESSION

DEPARTMENT OF STATE,
January 4, 1943.

Confidential release for publication in the newspapers of Tuesday, January 5, 1943, which do not appear on the streets before 7 a. m., eastern war time not to be previously published, quoted from or used in any way.

The Department of State made public today the text of a declaration on forced transfers of property in enemy-controlled territory which has been made by the United States and certain others of the United Nations. The text is as follows:

"The Union of South Africa, the United States of America, Australia, Belgium, Canada, China, the Czechoslovak Republic, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, Greece, India, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Yugoslavia, and the French National Committee:

"Hereby issue a formal warning to all concerned, and in particular to persons in neutral countries, that they intend to do their utmost to defeat the methods of dispossession practiced by the governments with which they are at war against the countries and peoples who have been so wantonly assaulted and despoiled.

"Accordingly the governments making this declaration and the French National Committee reserve all their rights to declare invalid any transfers of, or dealings with, property, rights, and interests of any description whatsoever which are, or have been, situated in the territories which have come under the occupation or control, direct or indirect, of the governments with which they are at war or which belong or have belonged to persons, including juridical persons, resident in such territories. This warning applies whether such transfers or dealings have taken the form of open looting or plunder, or of transactions apparently legal in form, even when they purport to be voluntarily effected.

"The governments making this declaration and the French National Committee solemnly record their solidarity in this matter."

EXHIBIT No. 13

GOLD DECLARATION OF FEBRUARY 22, 1944

TREASURY DEPARTMENT,
Tuesday, February 22, 1944.

Secretary Morgenthau today issued the following declaration:

On January 5, 1943, the United States and certain others of the United Nations issued a warning to all concerned, and in particular to persons in neutral countries, that they intend to do their utmost to defeat the methods of dispossession practiced by the governments with which they are at war against the countries and peoples who have been so wantonly assaulted and despoiled. Furthermore, it has been announced many times that one of the purposes of the financial and property controls of the United States Government is to prevent the liquidation in the United States of assets looted by the Axis through duress and conquest.

One of the particular methods of dispossession practiced by the Axis Powers has been the illegal seizure of large amounts of gold belonging to the nations they have occupied and plundered. The Axis Powers have purported to sell such looted gold to various countries which continue to maintain diplomatic and commercial relations with the Axis, such gold thereby providing an important

source of foreign exchange to the Axis and enabling the Axis to obtain much-needed imports from these countries.

The United States Treasury has already taken measures designed to protect the assets of the invaded countries and to prevent the Axis from disposing of looted currencies, securities, and other looted assets on the world market. Similarly, the United States Government cannot in any way condone the policy of systematic plundering adopted by the Axis or participate in any way directly or indirectly in the unlawful disposition of looted gold.

In view of the foregoing facts and considerations, the United States Government formally declares that it does not and will not recognize the transference of title to the looted gold which the Axis at any time holds or has disposed of in world markets. It further declares that it will be the policy of the United States Treasury not to buy any gold presently located outside of the territorial limits of the United States from any country which has not broken relations with the Axis, or from any country which after the date of this announcement acquires gold from any country which has not broken relations with the Axis, unless and until the United States Treasury is fully satisfied that such gold is not gold which was acquired directly or indirectly from the Axis Powers or is not gold which any such country has been or is enabled to release as a result of the acquisition of gold directly or indirectly from the Axis Powers.

It is understood that a similar declaration is being issued simultaneously by the United Kingdom Treasury, and by the Union of Soviet Socialist Republics.

EXHIBIT No. 14

BRETTON WOODS RESOLUTION VI ADOPTED BY THE UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE AT BRETTON WOODS, N. H.

Whereas in anticipation of their impending defeat, enemy leaders, enemy nationals, and their collaborators are transferring assets to and through neutral countries in order to conceal them and to perpetuate their influence, power, and ability to plan future aggrandizement and world domination, thus jeopardizing the efforts of the United Nations to establish and permanently maintain peaceful international relations.

Whereas enemy countries and their nationals have taken the property of occupied countries and their nationals by open looting and plunder, by forcing transfers under duress, as well as by subtle and complex devices, often operated through the agency of their puppet governments, to give the cloak of legality to their robbery and to secure ownership and control of enterprises in the postwar period.

Whereas enemy countries and their nationals have also, through sales and other methods of transfer, run the chain of their ownership and control through occupied and neutral countries, thus making the problem of disclosure and disentanglement one of international character.

Whereas the United Nations have declared their intention to do their utmost to defeat the methods of dispossession practiced by the enemy, have reserved their right to declare invalid any transfers of property belonging to persons within occupied territory, and have taken measures to protect and safeguard property, within their respective jurisdictions, owned by occupied countries and their nationals, as well as to prevent the disposal of looted property in United Nations markets; therefore the United Nations Monetary and Financial Conference—

1. Takes note of and fully supports steps taken by the United Nations for the purpose of:

(a) Uncovering, segregating, controlling, and making appropriate disposition of enemy assets;

(b) Preventing the liquidation of property looted by the enemy, locating and tracing ownership and control of such looted property, and taking appropriate measures with a view to restoration to its lawful owners.

2. Recommends: That all governments of countries represented at this conference take action consistent with their relations with the countries at war to call upon the governments of neutral countries—

(a) To take immediate measures to prevent any disposition or transfer within territories subject to their jurisdiction of any—

(1) assets belonging to the Government or any individuals or institutions within those United Nations occupied by the enemy; and

(2) looted gold, currency, art objects, securities, other evidences of ownership in financial or business enterprises, and of other assets looted by the enemy;

as well as to uncover, segregate and hold at the disposition of the post-liberation authorities in the appropriate country any such assets within territory subject to their jurisdiction.

(b) to take immediate measures to prevent the concealment by fraudulent means or otherwise within countries subject to their jurisdiction of any—

(1) assets belonging to, or alleged to belong to, the Government of and individuals or institutions within enemy countries;

(2) assets belonging to, or alleged to belong to, enemy leaders, their associates and collaborators;

and to facilitate their ultimate delivery to the post-armistice authorities."

EXHIBIT NO. 15. MODEL NOTE TO A NEUTRAL COUNTRY REGARDING SAFE-HAVEN OBJECTIVES

His Excellency the MINISTER OF FOREIGN AFFAIRS.

EXCELLENCY: I have the honor, under instructions from my Government, to make the following communication to Your Excellency:

As the Government of — is aware, the United Nations for some time have been deeply concerned with the possibility that the illegal and reprehensible activities of looting and depredation, which have been carried out by the Axis occupying authorities in the territories of Europe which were previously and some of which still are under their domination, would lead to attempts to consummate such transactions in other countries. Moreover, the United Nations have perceived cause for anxiety in the possible flight of Axis capital for the use of war criminals and other dangerous persons and other Axis manipulation of assets located abroad to the detriment of both the peace and security of the postwar world and the welfare of the country in which such assets were located.

The Government of the United States has indicated its strong interest in these matters by its subscription to the United Nations Declaration of January 5, 1945, to the Gold Declaration which was issued on February 22, 1944, and by its endorsement of Resolution VI adopted at the United Nations Financial and Monetary Conference held at Bretton Woods, New Hampshire. The Inter-American Conference on problems of war and peace has endorsed all these measures. Other neutral governments have also undertaken certain measures to attain the objectives discussed in this note. In these steps the United Nations have participated and cooperated and the interest of various of the United Nations in these measures has been directly expressed to the Government of —.

On October —, 1944, the American Ambassador had the honor to present to Your Excellency a note which enclosed a copy of Resolution VI of the United Nations Financial and Monetary Conference, and which requested the Government of — to take steps to implement that resolution. On November —, 1944, there was addressed to the Minister of Foreign Affairs the Embassy's note No. — with respect to the statement of gold policy, in which assurances were requested that the Government of — would make no future purchases of gold in which there appeared any direct or indirect enemy interest.

The attention of the Government of — is again called to Bretton Woods Resolution VI and the statement of gold policy contained in the Embassy's note dated November —, 1944. Attention is also called to the United Nations Declaration of January 5, 1943, wherein the signatory nations, including the Government of the United States, expressed their intention to regard as invalid all transfers of looted property.

It is earnestly desired that the Government of — join other peace-loving nations in subscribing to the principles of, and in the full and effective implementation of the terms and spirit of these declarations. Such full and effective implementation would include the following action:

(1) That the Government of — announce publicly its intention to adhere fully to the terms and spirit of Bretton Woods Resolution VI, the Gold Declaration of February 2, 1944, and the principles enumerated in the United Nations Declaration of January 5, 1943.

(2) That the Government of — freeze immediately and simultaneously with the public announcement referred to in paragraph 1, all assets referred to in items 3 and 4 below, and such other assets as may be subsequently uncovered by the Government of — or brought to its attention by the Government of the United States. Further in this connection, that the — Government investigate all transactions involving the transfer of assets to — or a change in title in assets located in, or managed from, — which have occurred since September 1, 1939, between — subjects or persons subject to — law or

persons acting on behalf of such persons on the one hand, and persons or subjects of Axis or Axis-controlled countries, or persons, wherever situated, acting on their behalf, on the other hand, if such transactions involve sums exceeding — or the equivalent in foreign moneys, or assets valued at — or more or the equivalent in foreign moneys, regardless of the amount of money involved in such transactions. That the Government of — immobilize assets so transferred where there is evidence that persons or subjects of Axis or Axis-controlled countries or persons acting in their behalf have an interest in such assets, direct or indirect, or where there is an obligation, expressed or implied, owing to such persons or subjects arising out of such transactions. That the Government of — make available full details to the Government of the United States concerning any such transactions where there is evidence of such interest in the assets so transferred or where the assets were transferred without the payment of adequate and appropriate compensation.

That all future transactions in such assets be prohibited except under license by the Government of — and the principles for the licensing of transactions involving the assignment, transfer, withdrawal, payment, hypothecation, or other disposition of such assets shall be in accordance with such arrangements as are provided for by the Government of —, in agreement with the Government of the United States. Any such arrangements shall provide for submission to the Government of the United States of full information on all licenses so issued.

(3) That in order to execute fully its controls, the Government of — immobilize and facilitate the return of any looted assets, as described in Bretton Woods Resolution VI, regardless of present ownership of such assets.

(4) That the Government of — conduct a detailed census of all assets, regardless of form, located in — or held abroad through persons or firms in — which, or any interest in which, direct or indirect, is owned or controlled or held by, in behalf of, or in the name of, persons and firms who are nationals or residents or domiciled in Axis countries or in countries at any time controlled by Axis countries. (The term "assets," as used in this connection, shall include, but not by way of limitation, any real property or interest therein, enterprise (commercial, industrial, financial or scientific), security, or interest therein, trademarks, corporate and contractual rights, including management contracts, patent licenses and arrangements, insurance policies and reinsurance contracts, bank accounts and deposits, including trusteeship accounts, safe deposit boxes, vaults, checks, drafts, credits, gold and other precious metals, options and any other types of arrangements or undertakings, written or unwritten.) Furthermore, that the Government of — provide that the penalty for failure to report fully or correctly will be sufficiently severe as to compel the submission of full and correct information even when large assets are involved, and that the Government of — make available to the Government of the United States the information obtained from the census.

(5) That the Government of — provide the Government of the United States with full information concerning all persons in — who possess the nationality of Axis countries and all such persons who have entered into — since September 1, 1939, and who are now in — regardless of present nationality. Such information shall include details as to their residence, occupation, travels from — made since initial entry into — and such other information as will be relevant to ascertaining whether such persons are or may be acting for or in the interests of Axis or Axis-controlled countries or who, in the period following the occupation of such countries by the United Nations may work against the interest of the occupying authorities. Also that the Government of — submit similar information on all persons who have come to — since September 1, 1939, from countries which were previously satellites of the Axis countries or from countries now or previously controlled by the Axis countries where the evidence reveals that such persons are or may have been acting for or in the interest of the Axis or Axis-controlled countries. It is further recommended that the Government of — submit similar information to the Government of the United States on all persons who, until the end of the period of hostilities, may enter — from Axis or Axis-controlled countries and on such other persons whose names may be referred to the Government of — by the Government of the United States.

(6) That the Government of — establish effective controls with respect to any transactions with the Axis or Axis-controlled countries, or the nationals of such countries in order to prevent entry into — from such countries of any assets or the removal from — to such countries of any assets. The principles

on which transactions shall be licensed will be in accordance with such arrangements as are provided for by the Government of ——— in agreement with the Government of the United States. Any such arrangement shall provide for the submission to the Government of the United States of full information on all such transactions which are authorized.

(7) That the Government of ——— after the foregoing measures have been put into effect, investigate all suspicious cases, including, but not limited to, cases referred to as being in such category by the Government of the United States and report the results of all such investigations to the Government of the United States.

(8) That the Government of ——— prosecute vigorously violations of the measures referred to in this agreement and take such other steps as are necessary to obtain rigid enforcement of such measures.

(9) That the Government of ——— forthwith establish a suitable procedure by which its officials concerned with the execution and operation of the foregoing measures may be consulted with at appropriate intervals by representatives of the Government of the United States regarding the implementation of such measures.

I understand that the British Chargé d'Affairs is addressing to Your Excellency a communication in similar terms.

Accept, Excellency, the assurances of my most distinguished consideration.

EXHIBIT No. 16

[April 27, 1945, published May 1]

SWISS FEDERAL DECREE REGARDING PROVISIONAL MEASURES FOR REGULATION OF PAYMENTS BETWEEN SWITZERLAND AND GERMANY

Articles 1, 2, 3, 5, 8, 9, and 10 of Swiss Federal decree, February 16, 1945, establishing provisional measures regulating payments between Switzerland and Germany, are abrogated and replaced or supplemented as follows:

ARTICLE 1. Payments which are to be made, directly or indirectly, by natural or legal persons subject to public or private law by commercial companies or by community of persons domiciled in Switzerland in favor of natural or legal persons subject to public or private law or commercial companies or community of persons which have, or had, their domicile, seat, or commercial management in Germany or German occupied territories after February 16, 1945, must be paid through Swiss National Bank. Legal persons subject to public or private law or commercial companies or community of persons which have their domicile or commercial management in Switzerland and in which principal interest held by natural or legal persons subject to public or private law or commercial companies or community of persons which have or had their domicile, seat or commercial management in Germany or German occupied territories after February 16, 1945, may receive payments only with authorization of Swiss Compensation Office.

ART. 2. Orders for disposal of property of all kinds (Swiss or foreign money, securities, banknotes, gold, valuables, merchandise) irrespective of how and where deposited—for example, in open or closed deposits or in safes, claims and participations of all kinds, real estate, etc.) located or administered in Switzerland directly or indirectly for account of or in favor of natural or legal person subject to public or private law or commercial companies or community of persons which have or had their domicile, seat, or commercial management in Germany or German-occupied territories after February 16, 1945, may with reservation of article 5 be carried out only with authorization of Swiss Compensation Office. This provision also applies to property located and administered in Switzerland belonging to legal persons subject to public or private law or commercial companies or community of persons which have or had their domicile, seat, or commercial management in Germany or German occupied territories after February 16, 1945. Transfer of property listed in articles 2 and 3 to foreign countries is forbidden. Swiss Compensation Office may grant exceptions.

ART. 3. Provisions of present decree also apply to payments to German citizens in Switzerland and orders for disposal property belonging to such persons. German citizens may, nevertheless, receive payments and dispose of their property freely in normal carrying out of their professional activity and for satisfying their normal personal requirements. Swiss Compensation Office may grant more extensive exceptions. Legal persons or commercial companies or community of persons which have their seat or commercial management in Switzerland and in

which principal interest had directly or indirectly by German citizens in Switzerland may receive payments and dispose of their property only with authorization of Swiss Compensation Office.

Art. 5. Obligation regarding payment to Swiss National Bank likewise applies to proceeds from debtor lawsuits or bankruptcies provided creditor has or had his domicile, seat, or commercial management in Germany or German-occupied territories after February 16, 1945. If creditor is German citizen in Switzerland proceeds may be paid either to Swiss National Bank or into blocked account of Swiss bank. Pledges acquired before February 17, 1945, by creditors domiciled in Switzerland on property referred to in provisions of present decree may be realized by debtor lawsuits or bankruptcies without authorization. If pledge is realized, sum exceeding amount of credit for which pledge is given must be paid to Swiss National Bank insofar as this sum is due debtor or person domiciled in Germany or German occupied territory. Excess sum may also be paid into blocked account of Swiss bank if due German citizen in Switzerland.

Art. 8. Payments made contrary to provisions of present decree do not release from obligation to make payments to Swiss National Bank. Anyone disposing of property for own account, or as representative or trustee, contrary to provisions provided in present decree may be obliged to pay Swiss National Bank counter value as fixed by Swiss Compensation Office beneficiary and may likewise be obliged to make such payments to Swiss National Bank if article 10 is applicable.

Art. 9. Swiss Federal Department of Public Economy authorized to issue necessary regulations for execution of present decree. Swiss Compensation Office commissioned with execution of present decree and any regulations issued by Department of Public Economy. It is permitted to demand from anyone information which might reveal fact important for execution of present decree. It may undertake revision of accounts and carry out inspections, especially in case of firms or persons who upon its request give no information or only imperfect information and also in case of firms and persons suspected of having infringed upon provisions of present decrees. In order to assure execution of present decree, Swiss Compensation Office may, in urgent cases, order provisional payment to Swiss National Bank or provisional depositing of assets at Swiss National Bank or another place designated by it. It may demand assistance of police authorities in doubtful cases. It may, as safeguard, place payments and property under restrictions, provided for in articles 1 and 2 Bis, General Directorate of Customs, Postal and Telegraph Services, and Swiss shipping enterprises are required to take necessary measures to guarantee payment to Swiss National Bank, which must be made by debtor in Switzerland. Administrative and legal authorities of confederation, cantons, and communities are required to furnish Swiss Compensation Office all information which might reveal facts important for execution of present decree.

Art. 10. Anyone who for own account or as representative or trustee of natural or legal persons subject to public or private law or commercial company or community of persons domiciled in Switzerland or as member of branch of legal persons subject to public or private law makes payment referred to in present decree otherwise than through payment to Swiss National Bank, anyone who in capacity indicated first paragraph accepts such payment and does not turn it over immediately to Swiss National Bank or insofar authorized into blocked account, anyone who in capacity indicated first paragraph disposes of property contrary to provisions of present decree or accepts such property, anyone who infringes upon regulations issued by Federal Department of Public Economy or obstructs or attempts to obstruct measures decreed by authorities executing present decree through refusal to give information or through giving false information will be punished with fine maximum 10,000 francs or maximum 12 months' imprisonment. Both penalties may be inflicted simultaneously. General Regulations Penal Code of December 21, 1937, are applicable. Neglect is likewise punishable.

Art. 2. Decree effective April 30, 1945.

EXHIBIT No. 17

SPANISH BLOCKING DECREE

OFFICE OF THE CHIEF OF STATE

Decree-law of May 5, 1945, regarding adherence of Spanish Government to resolution VI adopted at the Financial and Monetary Conference of Bretton Woods, N. H., and subsequent blocking of foreign assets

The Spanish Government, in accordance with its foreign policy, has resolved to adhere to the principles of resolution VI adopted at the Financial and Monetary Conference of Bretton Woods, N. H., and to the declarations of the United Nations of February 22, 1944, and January 5, 1945. To effect this policy a series of measures not provided for in the existing legislation must be placed at the disposition of the state. These measures should permit it to face international obligations incurred and simultaneously preserve the effectiveness of its economic rights, which the state itself may invoke in its international relations.

In virtue thereof, and in accordance with authority granted to the Government by article 13 of the law of July 17, 1942, regarding which the Cortés (Spanish "Congress") may be informed, I order:

ARTICLE 1. Assets held by foreigners who are subjects of Axis or Axis-dominated countries, to which the present decree-law refers, are hereby frozen and cannot be the object of any transaction nor of any act in general which permits their mobilization, except with special administrative authorization.

ART. 2. For the purposes of this decree-law, assets of foreigners will be considered as comprising all such property and patrimonial rights in all of their manifestations totally or partially held by foreigners referred to in article 1, in relation to article 3, either directly or through intermediaries (physical or juridical) of any nationality.

ART. 3. The Minister of Foreign Affairs will have full representation for the Government in all aspects relative to the execution and interpretation of this decree-law, and will have the following powers:

(a) To determine who are foreign subjects or who are intermediaries regardless of their nationality, whose property and patrimonial rights are to be blocked.

(b) To request from all ministerial departments and their dependencies, as well as from all authorities and public officials, the information necessary for the purpose of indicating the property and patrimonial rights which belong to the persons referred to in above paragraph (a).

(c) To request from these same departments, authorities, and public officers the adoption of the measures conducive to the blocking of such property and rights.

(d) To authorize the transactions and all acts in general which permit the mobilization of the property and patrimonial rights blocked by this decree-law.

(e) To propose or issue the necessary provisions for the execution and interpretation of this decree-law.

ART. 4. All such legal provisions not in accordance with the fulfillment of this decree-law, which enters into force on the date of its publication in the Official Bulletin of the State, to the extent required by the application thereof, are hereby canceled.

FRANCISCO FRANCO.

MADRID, May 5, 1945.

Appeared in Official Bulletin of the state dated May 8, 1945.

Translated by August Hurdlebring.

 MINISTRY OF FOREIGN AFFAIRS

Order of May 5, 1945, regarding the administrative execution of the decree law of this same date, relative to the adherence of the Spanish Government to the measures adopted at the International Conference of Bretton Woods and subsequent blocking of foreign assets

SIR: For the purposes of the administrative execution of the decree-law of May 5, 1945, relative to the adoption by the Spanish Government of the principles set forth in resolution VI of the International Financial and Monetary Conference of Bretton Woods, N. H., and subsequent blocking of foreign assets, this Ministry has decided as follows:

ARTICLE 1. The Under Secretary of Foreign Affairs delegated by the Minister, will be in charge of all executive matters related to the decree-law in question, and will submit for discussion and possible issuance such provisions as are deemed advisable for interpretation purposes.

ART. 2. An interministerial consultative commission is constituted for all matters relative to the execution of the provision referred to, under the presidency of the Minister of Foreign Affairs or of the under secretary delegated by him, consisting of the Directors General of Economic Policy, Registries and Notarial Offices, Insurance, Banking Institutions and the Stock Exchange, Bureau of Juridical Regulation of Corporations, and the Spanish Institute of Foreign Exchange.

ART. 3. The corresponding administrative services will be organized within the Direction General of Economic Policy of this Ministry, which department will present, through you, the corresponding basic proposal.

Madrid, May 5, 1945.

LEQUERICA,

To the Under Secretary of This Minister.

Appeared in Official Bulletin of the state dated May 10, 1945.

Translated by A. Hurdlebring May 10, 1945.

MINISTRY OF FOREIGN AFFAIRS

Order of May 5, 1945, with respect to decree law of the same date regarding the adherence of the Spanish Government to the measures adopted at the International Conference of Bretton Woods and subsequent blocking of foreign assets

YOUR EXCELLENCY: In consequence of the provisions of the decree-law of the 5th instant, regarding the adoption by the Spanish Government of the principles referred to in resolution VI of the International Financial and Monetary Conference of Bretton Woods, N. H., and the subsequent blocking of foreign assets, this Ministry has resolved as follows:

ARTICLE 1. The first article in regard to heading (a) of the third article of the decree law in question includes nationals of the following states:

Albania, Germany, Belgium, Bulgaria, Czechoslovakia (which description includes territories corresponding to Bohemia, Moravia, and Slovakia), China, Denmark, Esthonia, Finland, France, Greece, Holland, Hungary, Italy, Japan, Latvia, Lithuania, Luxemburg, Manchuko, Norway, Poland, Rumania, Thailand, Yugoslavia (which includes the territories corresponding to Serbia and Croaco).

ART. 2. In accordance with the terms of the second article of the decree law in question all transactions which have as their object the total or partial realization of all the assets or possessive rights in any form which belong either totally or partially to persons or legal entities of any of the nationalities scheduled in the previous article, are prohibited.

ART. 3. Persons or legal entities of any of the nationalities scheduled in article 1 of this order may at any time apply for special administrative authorization referred to under heading (d) of the third article of the decree law mentioned above. To this effect they should make a written application in triplicate of this Ministry in which will be stated in an unequivocal manner whether the assets or possessive rights whose realization is applied for were constituted before September 1, 1939, together with all the necessary details for their identification.

ART. 4. Legal entities of Spanish nationality in whose capital foreigners of the nationalities scheduled in the first article of this order participate will forward within a period of 30 days as from the date of this order, a declaration in triplicate to this Ministry in which will be given all details of the said participation and they must, unless they have applied for and obtained the corresponding authorization, suspend payment to those foreigners of dividends and debts in general which may be recognized in their favor.

ART. 5. Manufacturing, industrial, or merchant concerns belonging to persons or legal entities of the foreign nationalities specified in article 1 of this regulation and which are legally engaged in activities of those descriptions, will continue the operations necessary, for the maintenance of their respective business, always provided that the results of these activities fall within the economy of the corresponding firms and without prejudice to any special regulations which may be promulgated in any particular case.

LEQUERICA,

Executive Under Secretary of this Ministry.

MADRID, May 5, 1945.

X



17592: 431 pt. 5 ✓
ELIMINATION OF GERMAN RESOURCES FOR WAR

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
FIRST SESSION
PURSUANT TO
S. Res. 107
(78th Congress)
AND
S. Res. 46
(79th Congress)
AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS

PART 3
TESTIMONY OF
FOREIGN ECONOMIC ADMINISTRATION
AND MATERIALS ON
GERMAN PENETRATION OF
EUROPEAN INDUSTRY

JUNE 26, 1945

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, *Utah, Chairman*

EDWIN C. JOHNSON, *Colorado*

LISTER HILL, *Alabama*

SHERIDAN DOWNEY, *California*

ALBERT B. CHANDLER, *Kentucky*

HARLEY M. KILGORE, *West Virginia*

JAMES E. MURRAY, *Montana*

JOSEPH C. O'MAHONEY, *Wyoming*

ROBERT F. WAGNER, *New York*

TOM STEWART, *Tennessee*

BURNET R. MAYBANK, *South Carolina*

WARREN R. AUSTIN, *Vermont*

STYLES BRIDGES, *New Hampshire*

CHAN GURNEY, *South Dakota*

CHAPMAN REVERCOMB, *West Virginia*

GEORGE A. WILSON, *Iowa*

JOHN THOMAS, *Idaho*

HAROLD H. BURTON, *Ohio*

PAUL BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, *West Virginia, Chairman*

ELBERT D. THOMAS, *Utah*

EDWIN C. JOHNSON, *Colorado*

JAMES E. MURRAY, *Montana*

CHAPMAN REVERCOMB, *West Virginia*

GEORGE A. WILSON, *Iowa*

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

CONTENTS

Testimony of Henry H. Fowler, Director, Enemy Branch, Foreign Economic Administration.....	Page 143
---	---------------------

SCHEDULE OF EXHIBITS

MATERIALS ON GERMAN PENETRATION OF EUROPEAN INDUSTRY

No.	Exhibit	Appears on page
1	Organization of European industry: Coal production and distribution in Germany..... The coal economy of France..... The German iron and steel industry..... The light metals industry in Germany..... The Belgian economy and its contributions to enemy Europe.. The textile industry of France..... German Economic penetration and exploitation of Southeast- ern Europe..... German penetration of corporate holdings in Serbia..... German penetration of corporate holdings in Croatia..... Axis penetration of European insurance..... Significant data on the prewar German economy.....	193 206 228 265 294 313 343 352 359 367 408
2	How German assets and economic activities outside Germany af- fected German war potential and propaganda.....	454
3	Sample cases of current or recent German economic penetration abroad.....	493
4	A collection of interviews held in the United States by U. S. Gov- ernment officials with German industrialists, scientists, attorneys, journalists, and former German government officials.....	498
5	Chart, I. G. Farben's manufacture of poison gases, 1913-18, filed with the committee.....	504
6	Unofficial government.....	509
7	Selected portions of an Interim Report on Study Projects Relating to German Economic and Industrial Disarmament.....	541
8	Technical Industrial Disarmament Studies.....	552
9	Excerpt from Baltimore Sun, June 30, 1945.....	



ELIMINATION OF GERMAN RESOURCES FOR WAR

TUESDAY, JUNE 26, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:50 a. m., pursuant to adjournment on Monday, June 25, 1945, in room 358, Senate Office Building, Senator Harley M. Kilgore, of West Virginia (chairman), presiding.

Also present, Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. At the request of the subcommittee the Foreign Economic Administration has been preparing during the past 2 months extensive testimony on the problems of eliminating Germany's economic resources for another war. Mr. Leo T. Crowley, Foreign Economic Administrator, was scheduled as the witness before the subcommittee this morning to present this testimony.

Mr. Crowley called me yesterday afternoon to say that it would not be possible for him to appear before the subcommittee this morning. He is on the Hill, but is tied up on another matter. He will appear later, and this morning two members of his staff are here to present the material which has been prepared.

Mr. Henry H. Fowler will be the first witness.

Mr. Fowler, will you identify yourself for the record?

STATEMENT OF HENRY H. FOWLER, DIRECTOR, ENEMY BRANCH, FOREIGN ECONOMIC ADMINISTRATION

Mr. FOWLER. Thank you, Mr. Chairman.

For the record, my name is Henry H. Fowler, and I am Director of the Enemy Branch, Foreign Economic Administration.

In your letter to Mr. Crowley, Mr. Chairman, you indicated that it would be the purpose of these hearings, among other things, to develop further information on the technics and practices which the Germans have used at home and abroad to create economic resources for aggression, and to determine the nature and the extent of these resources.

The material to be presented this morning, Mr. Chairman, includes a statement which Mr. Crowley had intended to deliver orally to the committee, plus a lengthy written statement with a number of exhibits which are submitted for the record.

The CHAIRMAN. Will you present the statement which Mr. Crowley had intended to deliver orally to the committee?

Mr. FOWLER. Yes, sir.

We have won a war with Germany for the second time in less than 30 years. Today the most important question facing us is: What can we do to prevent a third World War? In my opinion, the subject

of the committee hearings, the economic base for German aggression, is the important key to the problem of peace.

There may be many solutions to the German problem of a political and social nature. Of none we can be sure, however, unless steps are taken to see to it that the economic and industrial potential of Germany does not permit her to wage another war of aggression. Hence, it seems most timely that through the forum of your committee, while memory of battle and death is still fresh, the American Congress and the public will become acquainted with the fact that a powerful German economic base for aggression still exists at this moment—and that it must be eliminated or controlled before we will be able to live in peace.

Mr. Crowley's statement is as follows:

For many months now the Foreign Economic Administration, through its Enemy Branch, specially constituted for this purpose out of various units of FEA concerned with economic-warfare problems, has been engaged in a broad and inclusive study of what we call German economic and industrial disarmament. This extensive study and programming project was undertaken by FEA in response to a direction from the President last fall in which he instructed me to carry forward "studies from the economic standpoint of what should be done to limit the power and capacity of Germany to make war in the future." The Director of the FEA Enemy Branch, Mr. Henry H. Fowler, who is here with me today, is in charge of this work. In the detailed statement which is to be presented for your record, there is a brief account of some of the work projected by the FEA Enemy Branch in response to this Presidential direction. Among other things, this FEA work program includes, as its major feature, the formulation of a specific program for German economic and industrial disarmament—industry by industry—designed to apply to Germany as a whole. This is precisely the type of specific program which Mr. Baruch advocated before the Senate Military Affairs Committee last week.

Let me hasten to add that in undertaking and carrying forward this extensive and important study project, the FEA does not preempt to itself the function of deciding what American policy should be on this subject or the job of executing that policy through international negotiations or the performance of occupation tasks in Germany. The task of advising the President on Executive policy on this subject is one shared by various agencies, including the FEA, acting under the direction of the Department of State. The negotiatory and executory responsibilities fall logically to the State and War Departments. In accordance with the President's letter¹ FEA tries to perform the role of a service agency for the agencies charged with negotiatory and executory functions and to promote understanding, appreciation, and knowledge in the United States field representatives of the problem of economic and industrial disarmament of Germany.

Because of the delicacy of the entire German question during the period of actual hostilities, we have had to work quietly upon this subject. But now that hostilities are over, the FEA appreciates this opportunity to present to this committee of the Congress its impressions of the nature and magnitude of the problem of German economic

¹ Letter of September 29, 1944, from President Roosevelt to the Foreign Economic Administration.

and industrial disarmament. I believe this to be a matter of the highest importance for the following and obvious reasons.

Unless the American people, speaking through the appropriate officials of their Government, are prepared to enter into the undertakings that will be necessary to sustain their security by affirmative action regarding Germany's economic and industrial war potential, all of the studies, knowledge, and programs that a Government agency can develop will be of no avail. Indeed, such a policy will prove fruitless unless the American people are willing to commit themselves to a course of determined action over a long period of years that is designed to render Germany economically and industrially incapable of waging World War III.

This job of controlling Germany, I must emphasize, is no short-term business. The Germans are capable and industrious people. They are fired by their desire for revenge and can rebuild an industrial war machine and reorganize it for war purposes in a few short years, regardless of the damage wrought by bombing and regardless of the deprivation of existing facilities through removals or destruction. Cartels struck asunder today may be restored by an agreement tomorrow. German industrial assets held abroad, although wiped out tomorrow, may be built up again within a decade. Although during the year 1945 we may confiscate Germany's tools and implements of war down to her last gun, a few years from now war materials may flow out of German plants in newer and deadlier forms—unless we take steps to prevent such a catastrophe from happening.

Hence, I say that this problem of eliminating and controlling Germany's economic base for aggression is no short-term job. But it can be done, if the public realizes that it must take out and maintain insurance against future German aggression. Insurance means premium payments in vigilance and positive action—payments which must continue for decades if protection is to be maintained.

Balancing the costs of such insurance against the fatal consequences of a new holocaust of war, I submit that the American people should protect themselves with this security.

Although the problem is a long-term one, it does not follow that we have a long time to make up our minds about whether or not we will undertake to deal with it. Many decisions are upon us now. Action or inaction today will prejudice our later opportunity to achieve our basic aims. To wait until many months of occupation have lapsed before beginning the necessary measures would almost surely constitute fatal delay.

In order to save the time of the members of the committee this morning, I am submitting for incorporation into your record a detailed statement dealing with this problem. It will be the purpose of this statement to acquaint this committee with the existence and dimensions of Germany's economic base for aggression as it still exists today (see ch. 1). Secondly, the statement presents a brief outline, largely historical, of the mistakes which we made after the First World War, in treating Germany's base for aggression and the way in which the Germans took advantage of these mistakes and rearmed for World War II (see chs. 2 and 3). Finally, this statement will address itself to some of the problems connected with the development of a full-fledged long-term program for German economic and industrial disarmament, including the work in which the FEA Enemy Branch is presently engaged (see ch. 4).

In conclusion, I am glad to be able to place in the record of this committee the first chapter of what promises to be one of the most important stories of our time. What we have endeavored to prepare and present today is an appropriate back drop for the many succeeding occasions in which this topic of preventing renewed German aggression will be discussed. Less dramatic than the account of battles, but basically more important, the effort of our Government to anticipate and defeat the forces that would fight and win World War III surely deserves continued and intensive national attention. I congratulate this committee upon its determination to put this problem at the top of our national agenda.

The CHAIRMAN. You are now going to give a summary of the four chapters of your main statement, is that right?

Mr. FOWLER. Yes, sir.

The CHAIRMAN. The summary will include all the facts of the main statement, will it not?

Mr. FOWLER. It will, sir, and in addition to the lengthy written statement we are also submitting a series of eight exhibits which I will mention in the course of the summary.

It is the purpose of the statement submitted today to provide for the committee's record a factual back drop for the many succeeding occasions that we anticipate the committee will address itself to this topic of Germany's economic base for aggression.

In order to provide this factual back drop, the written statement submitted includes, first, an appraisal of the nature and extent of Germany's economic base for aggression today.

The CHAIRMAN. Mr. Fowler, it is true, is it not, that the Foreign Economic Administration has investigators in each country, as the Army advances, checking records?

Mr. FOWLER. Yes, sir, we have a limited staff of economic intelligence investigators who are associated with the military forces as they go forward. Of course, the staff is small in number but they attempt to concentrate their efforts on uncovering and making available economic information and intelligence.

The CHAIRMAN. Isn't it true that other agencies are helping, so that you are really getting the service of more men than you actually have abroad in each of the countries?

Mr. FOWLER. That is correct, sir, and one of the purposes of having an FEA contingent is to provide liaison with the military forces, so that when occasion demands it, additional men can be drawn into the study or procurement of batches of information that become available.

The CHAIRMAN. Do you know how that work is being done by the British? Is it done by their military intelligence, or do they have an agency similar to the Foreign Economic Administration?

Mr. FOWLER. I am not sure I can answer that question, but I am sure, in result, a similar procedure is followed, because there is in the British Foreign Office an economic advisory branch whose function is to follow and keep up to date the economic intelligence and information of this character as it is sent back from the field.

Insofar as the United States Government is concerned, there is quite a network of interagency coordination in this field, both at home and in the operating theater, particularly in the work of collecting

economic intelligence. It is becoming recognized that various agencies have substantial interests in the information that becomes obtainable. So, under the leadership of the Department of State, the recruitment of personnel for the ultimate dissemination of this information has been going forward for some time. In addition to that, there are other forms of interagency coordination for the development of study and the development of a program, which I hope to deal with in a few moments.

The second phase of this statement submitted today includes a review of the disarmament provisions in the last treaty of peace, plus a historical treatment of Germany's rearmament for World War II on the economic base that was left to her by the victorious Allies. Finally, in conclusion, we have ventured some general observations on the task of developing a program for treating the German problem.

There is not included in the statement, Mr. Chairman, a substantive description of a program, but rather a description of how we are going about the process of developing one. The program that is in process of development is not complete and we did not think it appropriate to bring forward a half-finished analysis today.

Dealing with the first topic, briefly, Germany's present economic base for aggression, I think it would be fair to say that, unhampered by international restrictions or intervention, and given the will and the political leadership to prepare for war, Germany could be far better prepared for war economically and industrially within a few years than she was in 1939.

That is because of the tremendous advances in organizing and girding her industrial economy for war that have taken place, not only before hostilities began in 1939, but also during the course of hostilities.

It is easy to confuse Germany's momentary inability to utilize her industrial potential for war that is a natural consequence of defeat, with a permanent elimination or control of Germany's physical war-making power.

Allied bombing and military operations accomplished their mission. That mission was to harass and damage German industrial production or reduce it to possession by force of arms in order to achieve the defeat of the German armed forces.

But such military operations, basically selective in their character, were not and could not be executed so as to eliminate permanently a national industrial war potential. That can result only from the making and keeping of the peace in such a way as to complete the process of German economic and industrial disarmament and prevent any rearmament.

The most important fact about Germany today is the size and range of the existing German industrial plant. It has been geared for total war and can be geared again; the bone, muscle, and sinew of the economic and industrial war power that nearly conquered the world is still in existence—Germany's economic base for aggression remains to be eliminated or put under long-term control.

The CHAIRMAN. The roots of that plant are spread all over the world?

Mr. FOWLER. There are very extensive roots in Germany and they extend throughout the world in one form or another.

The CHAIRMAN. And, preceding the war, that was built up, with the idea of war and conquest in mind?

Mr. FOWLER. Completely.

Not only evidence brought out by the study of the Foreign Economic Administration, but also evidence uncovered by studies of other agencies proves conclusively that for a long period of years, there has been in Germany a perfect working partnership between the state and industry and military staff, in which the three have worked together for the common purpose of girding themselves industrially and economically for war.

The CHAIRMAN. The thing that impresses me about that partnership of government and industry is that industry was not solely interested in the expansion of business but its ultimate aim was the industrial domination of the world to be accomplished by force.

Mr. FOWLER. Exactly.

You will notice we have submitted as an exhibit to this statement, in that connection, exhibit 6, which is entitled, "Unofficial Government." I think one of the impressions that one can derive from a close study of the way in which both official and unofficial government has been organized and run in Germany over the past several decades is that it was a partnership designed to carry out exactly the plan you have described. In many cases, where ordinary business judgment and a response to the rules and motives of free competitive enterprise would have dictated one course, a completely different course has been adopted by reason of an arrangement between the state and the business owner involved.

Mr. SCHIMMEL. In regard to your exhibit 6, entitled "Unofficial Government," I gather that this partnership was not one between the Nazi state and the whole of German industry, but rather between the Nazi state and the major cartel groups. The partnership was used by members of the major cartel groups—corporations like Krupp and I. G. Farben and Vereinigte Stahlwerke—to dominate and to regulate very strictly the smaller and weaker German business groups. Is that not true?

Mr. FOWLER. There was ample evidence shortly after the First World War to substantiate that. There developed an inflation which many observers, including General Morgan, of the British Control Commission, believed to be planned inflation. It wiped out a number of the smaller enterprises, and in the wake of that inflation the larger business organizations, such as I. G. Farben, were able to consolidate their positions.

The CHAIRMAN. The result of that period of inflation and deflation was that the major cartel groups, which cooperated closely with the German Government, were left at the end of the period with practically all Government business under its control; is that correct?

Mr. FOWLER. Yes, sir.

Mr. SCHIMMEL. The significant combines were in the war-making industries, notably the chemical, steel, electrical, synthetic rubber, and similar industries?

Mr. FOWLER. That is correct. Exhibit 6 develops that point in two specific cases, the chemical industry and the iron and steel industry, which, of course, are the two great industrial pillars of the war potential of any state.

What are the component elements of an economic base for aggression? Obviously, everybody can make up his own list, but due to our own experience with our own war effort, perhaps certain generalizations can be ventured, about what industries or types of products deserve listing as components in an economic base for war:

Perhaps the principal element is a huge machine shop equally capable of turning out arms, ammunition, and implements of war and a wide variety of useful peacetime products. The possession by a nation of a large installed stock of machine tools constitutes a major element in a war-making capacity, outweighing the military potential of population numbers. Germany, with a 1938 population of 70,000,000, had a machine-tool inventory and a machine-tool building capacity larger in 1939 than that of the United States, with more than 130,000,000 people, and a more highly mechanized civilian economy. It is believed today that even with allowances made for damage and obsolescence, Germany has in excess of 4,000,000 tons of machine tools together with a vast undamaged capacity for new machine-tool production. As it stands today, Germany, except for the United States, is the outstanding machine shop in the world.

The CHAIRMAN. Mr. Fowler, a country being geared industrially for war must, in the period preceding war, find outlets for much of its production in order to keep up its huge industrial momentum; isn't that correct?

Mr. FOWLER. Exactly. One of the purposes of the Germans was to establish and maintain motion in particular industrial fields which, when the occasion presented itself, could be easily converted to war production. In order to keep those industries alive in peacetime, it was necessary for them to be developed in Germany, both internally and through foreign trade.

The CHAIRMAN. That was the reason also for developing a highly centralized and cartelized control, was it not, so that industry could be rapidly geared to war?

Mr. FOWLER. That is right.

In the section in the lengthy statement on foreign trade, there is a considerable treatment of the way in which the German Government built up before 1939 large stock piles of raw materials, so that particular industries would be able to greatly expand their rate of operation when the time came.

The CHAIRMAN. I have been told, Mr. Fowler, that prior to 1939, as a part of the German stock-piling program for war, the German people were urged to put copper rainspouts and gutters on their houses. Do you have any information on that?

Mr. FOWLER. No, but it seems probable, considering the value of copper scrap.

The CHAIRMAN. I noticed a general absence of gutters and downspouts on German houses when I was there, and it appeared that they might have been taken for stock piles.

Mr. FOWLER. There is very complete evidence summarized in the written statement of the way in which Germany expanded her imports of certain raw materials far beyond their current need between 1934 and 1938. Imports, for example, of copper increased 101 percent; chrome ore, 130 percent; bauxite, 262 percent; iron, 165 percent. So, in one way or another, they were building stock piles during the years 1934 to 1938.

As a counterpart to the machine shop previously described, there was an iron and steel capacity in Germany which was huge in its extent, even before the war, producing 20,000,000 tons per annum, and the evidence we have indicates the greater part of that capacity is available today.

Despite rather substantial bombing damage the capacity of a huge German chemical industry remains or can be rebuilt in a short time. Some segments of it, such as that devoted to the production of synthetic petroleum, were substantially curtailed in their operation in the latter stages of the war because of bomb damage, but substantial segments of the industry are capable of high level operation in the near future, given an opportunity to repair and rehabilitate.

Fundamentally, this is the story all the way up and down the scale of industrial production. Many buildings stand in rubble, including a vast amount of residential housing. Many plants were damaged sufficiently to put them out of operation for the war just ended. But a huge block of industrial capacity is or can be made available for operation, given a relatively short period and the opportunity to repair and rehabilitate. The skill, know-how, and physical capacity is there.

The shape of the German economy of the future, warlike or peaceful, will depend fundamentally on what happens in the months ahead, not those just behind.

Many raw materials are available to provide the working materials for this industrial potential. Coal is still in the ground in huge deposits. The forests still grow. Through a marvelous capacity for synthetic production, supplies of textiles, rubber, petroleum, nitrogen, and many other items not available in their natural state in Germany can be produced in synthetic form.

A huge electric power industry, based on both ordinary coal and so-called brown coal, stands ready to provide power for the wheels and tools to fashion the raw materials into semifinished forms. Germany has the capacity for an outstanding electronics and electrical equipment industry and a superb precision and optical instruments industry. These are examples of industrial superiority and capacity which are esteemed by our military production authorities as vital elements in a war machine, particularly where they exist in a hugely oversized form. This existence in Germany of the capacity to produce a given material or product in amounts far beyond that necessary for a peaceful economy must be considered as a threat to peace.

Apart from the purely physical availability of plant, raw materials, and power capacity, there are other important components in Germany's economic base for aggression which must not be overlooked.

The last months of the war provided ample testimony to her amazing technical ability to produce new weapons and materials as a result of mobilized technological research and development. The organized and adequately financed research institutions, operating independently of or in connection with normal industrial operations and including large numbers of highly trained and specialized scientists, constitute one of the most important parts of the German war machine.

An equally important and sometimes overlooked base consists of the properties presently or formerly owned by Germans which are located outside the physical borders of the country, together with a

wide variety of economic and trade activities which constitute a transmission belt for the achievement of German economic and political objectives.

This particular phase of the subject was developed fully, I understand, at the hearing yesterday by Mr. Clayton, who discussed, in particular, the situation in some of the South American countries. I would like to call your attention to exhibit 2. That includes a detailed description of some of the methods Germany used after the last war to evade the controls that were imposed by the Treaty of Paris. One of the outstanding features of the German's program for evasion last time was the way in which they used their economic resources and activities outside the geographical area of control in Germany.

Through German economic penetration, and the fifth column activities on which it was based, Germany won an amazing string of victories. It is this economic base for aggression outside of Germany which, like the fifth column, can be most easily overlooked in any organized effort to defeat the peace. Why? Because this is the base which can be most readily utilized in all of the various countries when the cynosure of all eyes is upon the prevention of organized planning for aggression in Germany.

The CHAIRMAN. Mr. Fowler, the German cartels did not hesitate to use the good faith of their cartel partners abroad to further the interests of the German Government, did they?

Mr. FOWLER. No, sir. I think the private businesses in other countries, dealing with Germany, were at a terrific disadvantage. The private traders in Germany had the Government behind them. The other dealer had his own business interests to think about and the German trader was able to play upon his lack of resources, shall we say, to take advantage of him.

Finally, we must not overlook the highly integrated control of German economy which has become both traditional and intensified. This integrated control took many forms, sometimes manifest in the relationship between the state and industry, sometimes between German military leaders and private industrial organizations, sometimes being effected by trade organizations themselves through cartel and similar devices. It is easy to be deceived by the temporary state of disorganization of the German economy, about which we hear so much. The years of working together in a highly organized fashion have created a habit pattern and manner of doing business that is easily reconstituted.

That is well illustrated, Mr. Chairman, by the fact that the German coal cartel at the present time is perfectly willing to finance the operations of the mines and produce the coal, and turn it over to the occupation forces without guaranty they will be reimbursed. They would rather do that than relinquish control of the mines. They would rather provide coal to the military forces and actually pay the workers themselves. This is similar to an incident which occurred during the course of reparations after the First World War: there was a suggestion by the Allied authorities that a given item be taken off reparations; the German authorities in question urged that the item be kept on for reparations because it tended to secure a market for them that otherwise they might not have been able to sustain.

There is a general warning indicated in recent statements of German industrialists which have been reported both officially and by

the press. These statements clearly picture the efforts of the Germans to revive their important key industries, regardless of the cost involved. That will undoubtedly have a high priority in the German mind as the most important step at reconstruction.

Next, I would like briefly to summarize the points in the treaty after the last war, which are salient to the problem of disarming Germany.

Already we have avoided two of the difficulties that last time defeated an attempt to prevent Germany from making war again. We have avoided a negotiated peace. We have instituted Allied authority in lieu of a German government. We have agreed that Germany should be treated as a defeated nation and disarmed so completely that she will not be able to menace the people of the world.

Last time the disarmament of Germany was conceived of as a part of universal disarmament, not as a specific program for preventing a recurrence of German aggression that might impinge upon the sovereignty of a German government.

Last time Germany was permitted to retain and equip an army. The possession and manufacture of arms, ammunition, and implements of war was only restricted. It was not abolished.

The provisions of the Treaty of Versailles were eloquent in their omission of provisions constituting a program for the elimination or control of German industries capable of military production. They aimed, rather, at reducing the standing military forces of Germany and the amount of true military equipment they could retain and manufacture.

Last time there were widespread attempts to violate and evade the provisions restricting the maintenance of or redevelopment of Germany's armed might. The enforcement commissions were slow in beginning control. They were possessed of inadequate powers, badly understaffed, and particularly hampered by the lack of adequate Allied intelligence personnel. In addition, the surprising course of Allied policy of upholding German sovereignty against the role of the commission greatly interfered with enforcement activities.

In the lengthy statement there is a considerable elaboration of that phase of the report.

Mr. SCHIMMEL. Mr. Fowler, I think it is very significant, as you bring out in your lengthy statement, that all this was happening when there were still very considerable democratic elements in Germany, as contrasted to the situation today when there appears to be no remnants of any democratic elements left in Germany. The danger today would therefore appear to be all the greater.

Mr. FOWLER. Yes; in the lengthy statement we have developed that point, Mr. Schimmel, thinking it worthy of emphasis at this stage of the game, that contrary to some general opinion to the effect that the Nazis were solely responsible for war preparations, there is a surprising record in the years immediately succeeding the end of the First World War during the tenure of the so-called Weimar regime of attempts not only private but official to evade the provisions of the Treaty of Versailles.

The evidence on that point is summarized in chapters 2 and 3 of the written statement.

One of the main features of this effort historically was, of course, the activities underground and apparent of the so-called General Staff group.

Even before World War I was over, German military leaders were analyzing the causes of their impending defeat and planning for the next war. They found few defects in German arms and military strategy. The main weakness that they discovered was in the field of war economics.

The Treaty of Versailles abolished the German General Staff, but the German General Staff was able to circumvent that prohibition by continuing its work in various governmental organizations such as the National Archives, where they purportedly worked on a historical study of the First World War.

Not long after 1918, the German General Staff set up schools to train German officers in military economics and industrial organization. By the middle 1920's many German officers trained in those schools had been sent out to help and guide German industrialists to rearm Germany economically and industrially for World War II.

THE CHAIRMAN. Mr. Fowler, did you know that one of the foundations in this country, the American Research Foundation, helped by spending several million dollars to make a study of Germany's failure in the First World War?

MR. FOWLER. I wasn't aware of that, but I did find that some innocent mistakes were made. Some of the companies in this country educated the Germans rather successfully in the art in which we are outstanding and superb; that is, the techniques of mass production. In the lengthy statement, there is an account of the way in which the Germans sought to take advantage of that opportunity and to learn as much as they could about American production methods and assembly techniques.

By the end of 1923, the German General Staff's plans for the next world war were so apparent that the British Brigadier General, John H. Morgan, of the Allied Disarmament Committee, was able to state: "Germany is in many respects far better prepared, industrially speaking, for a great war than she was in 1914."

The date of that remark was 1923.

The German General Staff did not confine its economic efforts to Germany itself. In fact, they hardly had surrendered in 1918 when, working closely with the industrialists, they encouraged and organized the flight of specialized assets and personnel from Germany. Blueprints, plans, and many valuable documents, and in some instances, equipment and machinery, were taken from Germany into neighboring countries where German research and development was continued.

There are many examples of this: For instance, not long after the armistice of 1918, train after train crossed the German border into Holland bearing equipment and materials of an important Fokker airplane works. Along with them went German technicians. A similar incident occurred with regard to a Dornier subsidiary which was established in Switzerland, just across the lake from its parent company in Germany.

THE CHAIRMAN. We have had examples of Germans sending large amounts of airplane-manufacturing machinery to a neutral country with detailed technical information for setting it up. They are already undertaking to do it again.

MR. FOWLER. History is being repeated to a considerable extent.

In the lengthy statement, in chapter 3, and also in exhibit 2, there are a number of examples with which I will not now take up your time.

The CHAIRMAN. Has your organization made any studies of the interlocking of stockholdings in such companies as Bofors and Schneider-Creusot in France with Skoda, Vickers, and Krupp?

Mr. FOWLER. I am informed that there were some months ago some studies of that character made by the Office of Economic Progress, a related organization.

The CHAIRMAN. I hope that thorough studies can be made. I understand that the interlocking is amazing.

Have you made any studies of the royalties which they may claim from American corporations on, for instance, stainless steel or the Bofors gun—royalties with which they may hope to refinance their companies? After the First World War royalties were paid to Krupp on steel armor plate, if I remember it, to the extent of something like \$70,000,000. I believe that the records of various American manufacturing concerns operating under licenses will show that reserves have been set up to pay royalties to German companies after the war.

Mr. FOWLER. We have heard of such instances. I don't know that we have any complete information.

The APC would perhaps be a better source of that information than would our agency, as the APC has much more intimate contact with the operation and management—.

The CHAIRMAN. No; the APC is concerned with American concerns with German holdings. In the cases of which I am speaking there would be no German stockholders.

On the question of their recuperative power, I was recently told by one of our greatest Air Force men in France that if Germany could have held the Rhine 90 days longer she would have gained air supremacy over Germany by reason of her increased fighter-plane production in spite of the bombing. My own observation, in looking over the plants, was that the man was right. They had a change-over program in progress which in spite of the bombings they could have completed in 90 days.

Mr. FOWLER. We have had very interesting reports of the so-called dispersal program, by which they were able to disperse plants and place key ones underground.

All through the 1920's the German general staff and the industrialists continued their efforts to reorganize and prepare the German economic and industrial system for World War II. They instituted and managed inflation; they arranged for foreign loans to Germany; they were able to make arrangements with the Allies so that reparations actually were used to promote their plans rather than to impede them and they widened and strengthened the network of domestic and international cartel arrangements for the same purpose. This committee has already conducted hearings with regard to those cartel arrangements. For that reason I believe it is unnecessary to refer to them further in this summary.

When the Nazis came to power in 1933 they found that long strides had been made since 1918 in preparing Germany for war from an economic and industrial point of view. However, they also found that Germany was lacking in many basic raw materials and that her imports of those materials and her production of necessary synthetics would have to be increased. Working closely with the German General Staff, the Nazis achieved a high degree of success. In particular their foreign trade policy toward the countries of southeastern Europe

was so successful that during World War II Germany was able to obtain a very high percentage of strategic raw materials from the Balkans and central Europe.

Today, many people are inclined to give the Nazis credit and blame for Germany's accomplishments and policies from 1933 to 1935. In reality the German General Staff and the military German authorities were equally responsible. During those years, Germany was in fact ruled by the Nazis in partnership with the German General Staff and the major industrialists. Any effective program of economic and industrial disarmament which we and our allies undertake must take cognizance of this fact.

How are we to cope with this problem of Germany's economic base for aggression in the light of our failures and difficulties after World War I?

The problem must be studied intensively and a program for action devised; regular and intensive discussions and negotiations with our allies should continue; an adequate short-term policy should be maintained so that long-term plans will not be unduly prejudiced; as soon as is consonant with sound judgments and careful study a United States policy for a long-term program of German industrial disarmament will be determined at the highest level.

Confronted by this rather simple and obvious course of action, the responsibilities of the FEA are limited to the first point, namely, the study of the problem of German economic and industrial disarmament and the development of a specific and definite program for United States consideration. This responsibility is derived from a letter from the late President Roosevelt, directing the Agency to make "studies from the economic standpoint of what should be done after the surrender of Germany to control its power and capacity to make war in the future." The responsibility for the carrying on of negotiations and the execution of United States policy and programs in the field, falls to such organizations as the Allied Control Council or the Reparations Commission, in which United States representatives operate under the direction of the President and the Departments of State and War.

The FEA has sought to execute the President's direction to organize and accelerate studies and programs bearing on the subject of German economic and industrial disarmament by various devices.

It has established a new organization unit known as the Enemy Branch for this purpose. It has transferred to that Branch the substantial quantities of files and information concerning the German economy which FEA and its predecessor agencies had collected in the business of economic warfare and the continuing study of the enemy's economic potentials and institutions. It has transferred to this Enemy Branch all of the staff available from the Economic Warfare Section of the Agency and other units doing related work.

It has sought to bring together in the study and analysis of this problem a variety of experts in or available to many of the executive agencies. It has sought affirmatively to widen the circle of trained minds available to this government who would work toward the formulation of an adequate program for dealing with it.

The attention of the committee is directed particularly to one group of projects which were launched some months ago and constitute, in our judgment, the most intensive and organized attempt yet made to

develop the essentials of this new science of economic and industrial disarmament. A detailed description of the interagency study project on this subject which is being carried forward by the FEA Enemy Branch is described in the written statement, and is the subject of exhibits 7 and 8.

The completion of these study projects within the month should result in:

(a) An organized consideration by experts drawn from various backgrounds of the more important components in Germany's economic base for aggression. Among other things, they will provide specific industry by industry studies which Mr. Baruch suggested be prosecuted in his appearance before the committee last week.

(b) Creation of a series of adequately prepared written analyses of the various topics selected for detailed examination. These reports are being prepared to include not only a description of the particular German industry or economic resource under consideration, but also to deal with various detailed questions that undoubtedly will be raised or answered in connection with any international considerations of a long term program. They will include recommendations of a specific and definitive character, although they will be advisory only to FEA and the other agencies concerned, and not have the force and effect of adopted Government policy.

(c) The early provision of a basis for searching and complete technical discussions of the problems of German economic and industrial disarmament by our appropriate representatives.

Those 27 study projects are being conducted in a variety of ways. To handle most of the specific industrial projects, the FEA worked out careful cooperative arrangements with a number of departments and agencies of the government, including State, War, Navy, OSS, Commerce, WPB, Interior, and others, possessing or having access to specifically trained technical personnel. In some cases, a given project has been redelegated by the FEA to a particular agency because of a peculiar aptitude of the personnel of the agency to deal with the subject. In dealing with other projects, particularly those of an economic character, involving such difficult and troublesome questions as cartels, German assets abroad, and intercorporate relationships, the FEA has depended primarily upon its own personnel.

These reports, now in the process of completion, will be submitted to the FEA as reports of the individuals who served on the committees or prepared the report, speaking from their own knowledge and point of view, rather than as reports reflecting the policy or fixed views of the agencies to which they are attached. The reports are being made to not by the FEA. Rather than constituting adopted policy of the executive branch, they are being prepared for the advice and information of officials responsible for the making of such policy. They will incorporate the informed views and judgments of the best experts available to the Government, organized and assembled in an orderly manner.

After the submission of these reports to it, the FEA will undertake to evaluate and coordinate the conclusions and recommendations in these reports with many others worked out by its own staff into one master report. The Agency will submit this over-all summary report on the subject to the State Department and the President with specific detailed recommendations constituting a suggested long-term program for German economic and industrial disarmament.

The FEA, which has devoted more man hours to this subject than elsewhere in the country, feels that only a beginning has been made in the study of this problem and the development of sound informed judgments. In effect, only the preliminaries are out of the way. It urges that military, economic and industrial experts be increasingly employed in the task of diagnosing the plans of the enemy and in developing and executing plans designed to frustrate them. It is especially important to procure economic information and intelligence within Germany itself, particularly on the subject of German economic penetration of other countries.

Without discussing the nature or substance of the definite and detailed program which is in process of development to carry out the Yalta agreement, certain ground rules regarding the character of such a program can be outlined. The attention of the committee is directed to a brief summary of these important ground rules which is contained in the detailed statement.

That completes my summary of the material which Mr. Crowley had intended to deliver orally.

The CHAIRMAN. Will you place in the record the more lengthy and detailed statement which Mr. Crowley has prepared, together with the exhibits to that statement?

Mr. FOWLER. Yes, sir.

(The following is the written statement, with exhibits which Mr. Fowler submitted for the record on behalf of Mr. Crowley:)

There are few Americans today who will question the statement that the ability to wage a modern, large scale war is as dependent upon industrial and economic resources as it is upon military weapons. An airplane factory is more important than the plane. A sufficient stock pile of bauxite for making aluminum is as important as the stock pile of airplane spare parts. The Germans realized this as a result of their experience during World War I. And when they armed militarily for World War II, they also armed economically and industrially. Therefore, if we now mean to prevent Germany from possessing the means of waging a third world war, we must disarm her industrially and economically as well as militarily. That is one of the lessons learned in the last two decades. How can we apply it to the present situation in which we, as a victorious nation, seek with our Allies a lasting peace from German aggression? The answer to that question involves:

1. An appraisal of the extent of Germany's present economic capacity to wage war.
2. A review of the inadequacy of the disarmament provisions in the last treaty of peace.
3. An historical analysis of Germany's rearmament for World War II on the economic base left to her by the victorious Allies.
4. Some observations on the task of developing a program for the economic and industrial disarmament of Germany.

Discussion of these four subjects will be presented in the form of four chapters.

CHAPTER 1. THE PRESENT GERMAN ECONOMIC BASE FOR AGGRESSION

Germany is a defeated nation. She cannot use her economic potential for war. At the moment the Allies by sheer force of occupation prevent such a result. But what would Germany do in her current condition if opportunity for attack was presented, and she had the will and organization to fight? What is Germany's present-day-economic base for aggression on which it can build for yet a third world war?

Germany has the better part of her economic and industrial strength today, even though she could not martial it immediately for a third world war. It is there to build on.

The fighting has been over for only about 6 weeks. A detailed assessment of Germany's present economic and industrial position is still unavailable. But enough is known to safeguard an estimate that, if we were to leave Germany to its own devices and not to institute a program of economic and industrial disarmament Germany could be far better prepared for war within 5 years than she was in 1939.²

A major element in the defeat of Germany was the havoc wrought on Germany's industrial war machine by Allied bombing. But, contrary to popular belief, Allied bombing did not reduce most German plants to utter ruin. It substantially curtailed the production of aircraft.

This does not mean that Allied bombing failed to accomplish its purpose. Its effect on German production in 1944 and 1945 was tremendous. Its effect on German production for 1946 and 1947 and a few years after that will probably be tremendous. But it didn't eliminate permanently Germany's industrial war potential—and its effect on Germany's productive capacity could almost surely be discounted by the Germans before many years have passed unless we take steps to prevent that from happening.

Air bombing during World War II disrupted the flow of raw materials, fuels, and other supplies by wrecking the transportation system. It put certain big plants out of commission by destroying essential working parts, such as power houses. Demolition put out of operation a few key units, such as the ball-bearing plant at Schweinfurt. Other plants here and there were flattened. But even here the tools and plant equipment can be put back in shape; it is the buildings that are gone. For the most part the great majority of the most important plants could today go into operation after very little repair. In fact, some plants are already in operating shape.

The size of the existing German industrial plant is still enormous. All of it is geared for total war. All of it is still part of a huge modern industrial machine, which was organized and used for war.

Dyes and chemicals.—Germany, less than four times the size of New York State and with only five times New York State's population, has one dye plant that can turn out almost as much dye in a year as all the plants in the United States together. Not one of its windows has been shattered. During the First World War this plant using the equipment needed for dyemaking was a key unit in production of poison gases, the surprise weapon of that war. During the Second

² For a brief account of German industrial mobilization prior to 1939, see Exhibit No. 1, Organization of European Industry, published as Monograph 3 of the Subcommittee on War Mobilization, and based on material submitted by FEA and other government agencies.

World War it turned out great quantities of chemical materials for ordnance. It is in perfect operating condition today.

*Iron and steel.*³—Practically all the great iron and steel furnaces of Germany are ready for operation or can be in operation with minor repairs. Germany, which produced only 3,000,000 tons of steel in 1932, including that used to manufacture goods for export, made more than 19,000,000 tons in 1938 and at that time had a capacity of 25,000,000 tons.

This capacity would have been sufficient to supply half of the United States requirements at that time which, of course, included the tremendous transportation system, railroads, waterways, and highways necessary to keep together our economic and industrial structure which is spread over an area 16 times as large as that of Germany. Germany could not utilize a capacity of 25,000,000 tons of steel except for warfare. The mere continued existence of such a capacity is an invitation to war.

Nitrogen. In 1936-37 the world output of chemical nitrogen was around 2.6 million metric tons. Germany was producing about 1,000,000 metric in 1939 and had a potential of at least 1.6 million tons. It was this enormous capacity that enabled the demolition bombing of Warsaw, Rotterdam, London, and Coventry. More than 28 percent of the contents of each bomb consisted of chemical nitrogen from the atmosphere over Germany. The plants that supplied the nitrogen for many thousands of demolition bombs were vast enough also to supply great quantities of nitrogen for explosives needed by the Wehrmacht. A large part of the capacity remains or can be rebuilt in a short time.

Coal Tar.—Germany's coke oven, which provided the coal byproducts also necessary for explosives, produced 2,228,000 metric tons of coal tar in 1937—only 115,000 tons less than the ovens of the United States. From coal tar are derived many thousands of chemical compounds important to war. The German capacity is now considerably greater and has not been materially reduced by military action.

Synthetic textile fibers.—In 1934 Germany imported nearly 400,000 metric tons of raw cotton and cotton yarn for domestic use and for sizable exports of textiles. Today, Germany has rayon factories with a combined capacity of at least 450,000 metric tons. She no longer has to worry about her overseas cotton supplies being cut off in time for war.

Part of Germany's rayon output is used to supplement the limited supply of wool available at home and to provide high-tenacity fibers for industrial purposes.

Germany has domestic supplies of flax. This is supplemented by a new synthetic paper binder twine which takes the place of the hemp and jute which she had been accustomed to import from abroad.

In summary, Germany did not lack materials for textiles during the Second World War, the shortage of which was so serious during the First World War after the British blockade cut off the arrival of supplies from overseas. On the basis of incomplete information, it would appear that little permanent damage has been done to most of the plants which have been producing those materials during the last 6 years of war. Today Germany is still in a position to produce these essential synthetic materials.

³ See exhibit 1.

Rubber.—In 1933 Germany imported 60,500 metric tons of rubber, in the form of raw rubber and semimanufactured rubber goods. According to the best available estimates, the German synthetic-rubber capacity today is more than 100,000 tons.

Petroleum products.—In 1934 Germany was consuming less than 4,000,000 tons of petroleum products. Of that total, approximately 300,000 tons were supplied by natural petroleum found in Germany. In 1935 Germany manufactured about 300,000 tons of synthetic oil. Nine years later, in 1944, Germany was producing about 1,000,000 tons of natural petroleum and about 5½ million tons of synthetic oil, within the borders of Germany as she stood in 1938 before Hitler began to annex other parts of Europe. By the time the war ended in 1945, Allied bombing had done great damage to Germany's natural-petroleum and synthetic-oil production, but it is believed that a large part of Germany's 1944 capacity for producing petroleum products can be restored within a brief period.

*Aluminum.*⁴—In 1933 Germany had the capacity to make approximately 40,000 tons of aluminum a year. Actually, however, in 1933, Germany's aluminum output was only about 19,000 tons. According to the best estimates today, her capacity is currently around 250,000 tons. That capacity is still available to build Messerschmitts, Focke-Wulfs, jet-propelled planes, and improved pilotless flying weapons.

*Coal.*⁵—Germany has almost no raw materials except coal to feed its vast industrial machine. Coal, however, is a material required for the synthetic-gasoline industry, the nitrogen-fixation industry, the dye industry, the pharmaceutical industry, the plastic industry, and many other industries that provide substitutes for the resources Germany lacks. Germany ranks with the United States, the United Kingdom, and the Soviet Union as one of the important coal producers of the world. Its output of bituminous and subanthracite coal in 1938-39 was 187,000,000 metric tons, and production did not drop far below that annual rate until the last months of the war. In addition, Germany has vast fields of brown coal, half of it in Central Germany, that can be scooped up from open pits. In 1938-39, 187,000,000 tons of brown coal were mined; in the year ending in March 1944 the annual rate had reached nearly 250,000,000 tons. This brown coal was being used to provide a considerable proportion of the electric power of the country, to make briquettes and coke, to meet the requirements of much of the retail trade of the country, and as a material for the manufacture of liquid fuel and other military necessities.

Machine tools.—Machine tools are much more important in modern war than soldiers. A nation vastly superior in its machine-tool population is possessed of a potential for production of instruments of war that surpasses in its importance the ability to produce soldiers. One tool may be the equivalent to hundreds of workers. The possession by any nation of a large, installed stock of machine tools constitutes of itself a major element in defensive or offensive war-making capacity and outweighs the military potential of population numbers. The capacity of any nation to produce machine tools in quantities is an even greater factor in war-making potential. Whereas machine-tool

⁴ See exhibit 1, the Light Metal Industry in Germany.

⁵ See exhibit 1, Coal Production and Distribution in Germany.

capacity installed may be said to add arithmetically to the military power of a given population, the possession of knowledge and capacity to build quantities of machine tools effectively multiplies that war potential in geometric progression.

In the light of this knowledge, Germany's war potential in machine tools is a fact that is truly arresting. Recent studies and comparisons show that Germany not only has a very large number of machine tools but a capacity to produce them altogether disproportionate to any normal needs of the civilian economy. Germany, with a 1938 population of 70,000,000, had a machine-tool inventory and a machine-tool building capacity larger in 1939 than that of the United States, with more than 130,000,000 people and a more highly mechanized civilian economy. German over-all holdings compared to those of the United States on a 1939 peacetime basis are: 2 to 1 per capita of population; 3.2 to 1 per ton of steel capacity; 3.4 to 1 of production of civilian machinery; 16 to 1 per motorcar produced.

This disproportion in Germany's holdings of machine tools is even more striking in relation to other European countries. The German Nation had developed manufacturing industries far beyond her own consumption needs. These industries exported to and dominated middle Europe. In addition, Germany was the main source of supply of these non-German areas for the machinery and the machine tools they did use. Thus, the location of all of this manufacturing and tool-producing capacity inside Germany meant a large subtraction from the defense potential of other European countries.

While this same economic domination was true in other fields, such as chemicals, it was outstanding in the machinery and machine-tool field.

It is believed today that even with allowance made for damage and obsolescence, Germany has at the present time in excess of 4,000,000 tons of machine tools together with a vast undamaged capacity for new machine-tool production. Converted from their use for producing instruments of war to the uninhibited production of machinery of all types, there is no reason why Germany's industrial war potential in this field could not preserve itself and maintain its domination over the entire continent of Europe. As it stands today, Germany, except for the United States, is the outstanding armament machine shop in the world.

Other industrial potentials.—This listing and tabulation of existing German industrial war potential could be multiplied into other critical fields such as: Shipping, ship building, antifriction bearings, electric power, electronic and electrical equipment, precision and optical instruments, and vast and striking array of primary and subcontractors in the direct armament field.

The most striking fact that should be underscored in our current thinking is that in late 1944 the German Nation achieved the highest level of production in its entire history. This testimonial to her economic and industrial war potential stands out even more sharply in the perspective of heavy losses in male population due to the war casualties, the presence of a huge German Army beyond her borders, and the impact of accumulated years of aerial attack and economic warfare.⁶

⁶ These record-making levels of production in late 1944 finally sluffed off in the last part of the year and the early part of 1945 as a result of intensified Allied air attack, primarily on transportation.

In assessing these bare bones of Germany's industrial war potential certain other less tangible, but none the less important, aspects of her economic base for aggression should be appraised. These include her amazing technical ability to produce new weapons as a result of technological invention, her vast pool of skilled workmen and highly trained scientists, the existence abroad of extensive economic assets and activities, and finally, a highly integrated organization and control of her economy. Each of these aspects of Germany's base for aggression deserves a brief reappraisal as of today.

Ability to produce new weapons and products.—According to recent reports from Germany, it appears that if the Germans could have held out only 6 months longer they would have been able to smash New York City with improved V-2 bombs.

Only a little longer period would have been needed to bring into production the jet-propelled planes that could have reached Washington.

It is not necessary here to elaborate upon the terrifying scientific discoveries which our economic and industrial intelligence is gradually uncovering as we work beneath the lid in Germany. With the memories of her new V-weapons fresh in our minds, little needs to be added except to point out that they just didn't appear out of thin air. They were the fruit of carefully organized and adequately financed research institutions in which large numbers of highly trained and specialized scientists went about their business of inventing and developing the weapons that would establish German world supremacy. The results they achieved and would still achieve if opportunities are provided, spring from the existence of a laboratory here and pilot plant there and a research institution in another place. These institutions and these scientists are still on hand ready to do business for a new Germany when the break comes. Nor will their ideas and inventions be fruitless because of a lack of German capacity to translate them into mass production.

Germany could rapidly set up plants for such new products because of its enormous capacity to produce machines and machine tools, and the huge supplies of machine tools that were built up in advance of need. The plants the victors so innocently permitted to operate after the last war to turn out agricultural, construction, and textile machinery for the devastated regions of Europe were expanded and re-equipped to supply German factories to meet the needs of the war of 1939—already being planned when the armistice of 1918 was signed.⁷

*German economic assets and activities outside Germany.*⁸—One of the most important bases for German aggression consists of the properties owned or controlled by Germans, which are located outside the physical borders of the country. Coupled with these properties and based upon them, there are a wide variety of economic activities which act as transmission lines for the achievement of German economic and political objectives.

The story of the fifth column is a companion piece to the story of German economic penetration.⁹ While quantitatively this economic

⁷ See exhibit I, German Industrial Planning and Subsidization of Industry.

⁸ See exhibit 2: How German Assets and Economic Activities Outside Germany Affected German War Potential and Propaganda. Note, in particular, sec. c (3).

⁹ Some of the story is told in exhibit I, German Economic Penetration and Exploitation of Southeastern Europe.

base outside Germany may not seem to be of high importance, qualitatively, it is of the highest importance. Why? Because unless the United Nations are alert, this is the base on which plans for future aggression can be most readily utilized in the years immediately ahead when presumably our occupation forces in Germany will be engaged in preventing such planning there.

In viewing this economic base, two aspects should not be confused. One aspect consists of German efforts in the latter stages of the war, to get out of Germany, particularly to neutral countries, funds, loot, and key industrial technicians and organizers. The second aspect, less dramatic, but infinitely more important, was the existence, even before the war, of (a) extensive German investments in business properties and concerns of an enduring and well-established nature,¹⁰ and (b) long-term business relationships in the world of commerce and trade, that often took the form of private trade agreements or cartels.¹¹

When World War II broke out Germans were strongly entrenched economically in Spain, Switzerland, Turkey, Argentina, and Portugal as well as Finland, Bulgaria, and Rumania. During the occupation of the remainder of Europe they took the opportunity to lay the ground work for an economic empire which involved in direct affiliations of business relationships, literally hundreds of thousands of individuals in the liberated areas, including such countries as France, Belgium, Holland, Norway, Yugoslavia, and Austria.¹²

This economic network grew with government supervision and was carefully planned as an important component in the German scheme for the maintenance of an overwhelming political and economic power. Old established investments, contractual rights, personnel, and other assets were used to serve the objectives of the state.

With the defeat of Germany these assets previously used in outright war take on a new meaning. They are the means whereby the ground work for rebuilding a new German war potential can be developed beyond the reach of the Allied occupation forces.

This is a story which can be told country by country in great detail. The agencies of this Government, in painstaking fashion, are trying to build up, through various means, more complete records of the story of German economic penetration. We are all sure that as of today that story can by no means be fully told.

This committee and agencies of the Government including the Department of Justice and the FEA, having painstakingly traced the records of a goodly number of international cartels through which the Germans attempted to build up their own war potential and prevent their potential opponents from achieving an adequate defensive position. Yet the probabilities are that for the dozen stories of this sort that are fully known to us today, there are a multiplying number as yet unknown or barely glimpsed.

However, we do know enough to assess and place in special categories the more important types of German economic bases abroad which are important to take into account in our planning.¹³ They are:

¹⁰ The evidence in this respect is overwhelming. See exhibit I, Integration of the Continental Iron and Steel Industry into the German War Economy; German Penetration of the European Aluminum Industry; German Penetration of Corporate Holdings in Serbia; German Penetration of Corporate Holdings in Croatia.

¹¹ See exhibit I, the Iron and Steel Cartels; and the International Aluminum Cartel.

¹² Details on some of the business relationships established by the Germans in France may be seen in exhibit I, the Textile Industry of France. The Belgian Economy and Its Contributions to Enemy Europe gives some idea of the extent to which the Belgian economy was tied to the German.

¹³ Sample cases of Recent and Current German Economic Penetration Abroad are presented in exhibit 3, cases 1-15.

(1) Long-term investments in industrial plants, banks, mines, commercial enterprises, shipping, warehouses, public utilities, insurance companies and other types of industrial, commercial, and financial undertakings, whether completely or partly owned.¹⁴ These are by far the most dangerous of German assets since most long-term investments are of prewar origin and have become well integrated with the neutral economy.

(2) Stock piles of merchandise or raw materials built up in anticipation of continued trade between Germany and the neutrals. These consist of stock piles of German goods either accumulated in order to maintain a dominant position in the neutral markets or destined for shipment to Germany when the latter was cut off by the Allied landing in France, or originally intended for safe haven.

(3) Art objects, jewelry, and privately owned precious metals which often may be looted property but in many cases the legitimate property of Germans who either reside in the neutrals or have shipped their valuables abroad in order to escape contributing to reparations or other Allied penalties.

(4) Gold holdings, securities, and bank deposits which make up a large part of German assets in the neutrals. German Government-owned gold may be deposited with the German Embassy or Legation; privately owned gold may include stocks, usually bearer shares, of foreign and domestic companies, bonds, and the like. Securities and bank deposits of German nationals and companies and their cloaks in the neutrals undoubtedly are considerable in amount.

(5) Contractual rights include cartel agreements, mortgage, patents, licenses, trade-marks and copyrights, reinsurance treaties, and options of various sorts.

Integrated control of economy.—The last-mentioned but not the least important economic base for a new German aggression is the highly developed control machinery that blanketed the country from top to bottom. It is our belief that it is capable of functioning fairly efficiently even in the absence of any native political government. Although authority over policy was concentrated in Berlin for the last 2 years, a considerable measure of local industrial authority was permitted during the closing months of the war, when bombing disrupted communications and transportation. At all levels the persons participating in the control of German industry have been trained to follow a pattern that will advance the interests of the country. Its elements are:

(a) Some of the officials of the large civil service bureaucracy that has never attracted any great attention to itself by political activity in the Nazi Party. This body has no doubts about a revival of Germany and will seek to act in a manner that cannot draw censure when foreign troops are withdrawn.

(b) The military organizations that are being disbanded. The military tradition is so firmly imbedded that uniforms and open display of rank are not needed to obtain unquestioning obedience. Even with the General Staff disbanded there will be men of lesser rank ready to promote the long-term program of Germany, just as happened after the last war. Every graduate of the military schools knows what that program is and can be counted on to act accordingly.

¹⁴ The way in which the insurance business of Europe lent itself to German long-term plans for domination is described in exhibit I, Axis Penetration of European Insurance.

Small groups will begin, if they have not already begun to do so, to meet cautiously to study the causes of defeat and devise ways of preventing it the next time. As long as the industrial plant of the country is intact, it will be far easier for new groups to mobilize the country's resources for war than it was for their predecessors of the 1920's, because industry has now been integrated for total war.

(c) The network of trade, industrial, and cartel organizations: These have been streamlined and intermeshed, not only organizationally but also by what has been officially described as "personnel union." Legal authority to operate this organizational machinery has been vested in the concerns that have majority capacity in the key industries, such as those producing iron and steel, coal, and basis chemicals. These concerns have been deliberately welded together by exchanges of stock to the point where a handful of men can make policy and other decisions that affect all. During 6 years of war the ordinary procedures of the free market largely have disappeared.

Each small buyer learned to depend on a given supplier or to have a substitute provided by a higher authority. As one prisoner of war stated it: "We smaller manufacturers have become plant superintendents and bookkeepers."

The managers of the German machines are already displaying their tactics. Almost daily there are newspaper reports that American members of the Allied Military Government are met in each factory by hand-picked men, frequently engineers, speaking English and often prepared with credentials to prove acquaintance with reputable citizens of the United States. After disclaiming all association with the Nazi Party, they endeavor to persuade the visitors that the German industrial capacity can greatly contribute to the war with Japan, or at least to relieve the needs of liberated Europe. These are precisely the tactics the Germans adopted after the defeat of 1918, to get the wheels of Germany's industry required for military production, rolling and operating, for purposes other than war production, so that the Allies would continue to allow them to operate and forget or disregard their importance to Germany's industrial war potential.

No criticism of individual cases of plant reopenings or the resumption of production in "peaceful types" of industries is intended or implied. The purpose of the observation is to point up the general danger to which we must be constantly alert.

As we have reviewed the various aspects of Germany's economic base aggression, it would seem to be abundantly clear that the problem of eliminating or controlling that base in such a manner as to prevent renewed German aggression is not a simple one.

If such an objective is to be achieved, surely we must understand the complexities of the problem and plan on a broad plane. At the risk of rehashing history of recent years that may be well known to members of the committee, it will be the purpose of the next two chapters of this statement to trace the fatal errors made in the wake of World War I which left the Germans the opportunity to wage World War II and the way in which the German nation took advantage of that opportunity.

CHAPTER 2. THE INADEQUACY OF THE DISARMAMENT PROVISIONS OF THE
TREATY OF VERSAILLES

The economic and industrial war potential of defeated Germany in 1918 was small compared with the potential of defeated Germany in 1945, just described. However, it was a large war potential in terms of 1918 and compared favorably at that time with the economic and industrial war potentials of the victor nations. Nevertheless, it was largely ignored by the Allied statesmen when they convened at Versailles in 1919 to draw up a treaty of peace. It is necessary for us to examine carefully the reasons for this and to take advantage of the lessons of the past.

Today our rights in Germany are those of conquerors. The Germans surrendered unconditionally about 6 weeks ago, after they had been beaten so thoroughly that they were unable to continue resistance. Today, in 1945, there can be no question of a negotiated peace. In fact, there is no German Government with which to negotiate. In 1918, by way of contrast, there was an armistice, a negotiated peace, and a German Government which we recognized.

Lack of unified Allied policy.—At the end of World War I there was no unified Allied policy toward Germany. There was no general agreement that Germany should be treated as a defeated nation and disarmed completely so that she would not again be able to menace the peace of the world. Instead, there was a desire on the part of many Allied statesmen to deal with a responsible, democratic German Government, to impinge as little as possible on the sovereignty of the German Government once the Kaiser was removed, and to prepare the way for the eventual entrance of Germany into the League of Nations. The disarmament of Germany was conceived of as part of a program of universal disarmament, not as a program for preventing a recurrence of German aggression. The introductory paragraph of part V of the Treaty of Versailles states:

In order to render possible the initiation of a general limitation of the armaments of all nations, Germany undertakes strictly to observe the military, naval, and air clauses which follow.

To repeat: In 1919 there was no unified conviction on the part of the Allied leaders that it was necessary to disarm Germany in order to secure the peace. And it was against this background that the peace treaty was written and enforced.

The military disarmament terms.—A quick reading of part V of the peace treaty indicates clearly the extent to which the provisions fell short of adequate disarmament. Germany was allowed to retain and equip a provisional army of 100,000 men—an army larger in proportion to the population of Germany than the Regular Army of the United States before the present war was to the population of the United States. In an attempt to prevent evasion of the 100,000 limitation, the treaty limited the number of customs officers, forest guards, coast guards, police, members of veterans societies, etc., which the Germans could have.

The treaty provided that the German General Staff should be abolished. It limited the number of officers in the Ministry of War and

similar ministries and restricted the number of civilians who could be employed by the military services.

Just as the treaty limited, but did not do away with, the armed forces of Germany, so also it restricted but did not abolish the possession and manufacture of all arms, ammunition, and implements of war. It did prohibit the retention of manufacture of any poison-gas equipment, armored cars, and tanks. But it provided for the German Army of 100,000 men to be equipped with artillery, machine guns, trench mortars, rifles, and ammunition. All such material of these types in excess of the amounts allowed to be retained was to be surrendered to the Allies. All war-plant capacity in excess of that needed to keep the Army of 100,000 men equipped with the permitted types and amounts of war material were likewise to be surrendered to the Allies, but such war plants were not so defined as to include definitely anything other than a specialized, direct arms-producing factory or arsenal.

The naval disarmament terms.—The naval terms of the treaty were similar to the ones directed at the German Army. The German Navy was reduced to specifically named warships. Further, Germany was not permitted to retain any submarines, and all construction of submarines and warships was prohibited.

The air-disarmament terms.—The air clauses of the treaty forbade Germany to possess or manufacture military land or sea planes, but no limitation of any kind was placed on the manufacture of civilian aircraft.

Import and export prohibitions.—The treaty prohibited the importation into or exportation from Germany of any arms, munitions, or war materials.

The Commissions of Control.—The treaty provided for three Inter-Allied Commissions of Control: Military, naval, and air. The German Government was instructed in the treaty to provide liaison officers to aid these Commissions. In general, the Commissions were given investigatory and supervisory powers.

Lack of any general economic and industrial disarmament provisions.—The treaty placed limitations and some absolute prohibitions on the production of direct military goods. It provided for the surrender to the Allied authorities for destruction of "any special plant intended for the manufacture of military material, except such as may be recognized as necessary for equipping the authorized strength of the German Army" (art. 169). But it contained no provisions prohibiting or limiting the production in Germany of any but direct military goods. There were, for instance, no provisions reducing Germany's steel production capacity to the level required for peaceful purposes. There were no provisions to keep Germany from building up plants for the production of peacetime goods in times of peace and war materials in time of war. There was, in short, no attempt to regulate those key industries which are related intimately to war production.

The omissions were undoubtedly due in part to a lack of understanding of the concept of economic and industrial armament and disarmament, a concept which Germany learned through bitter experience in World War I. But even if that concept had been understood by the Allied leaders in 1919, they would have almost surely not adopted it. For the concept would have been applicable against

Germany only if the Allies had decided to treat her as a defeated nation over which long-term control was necessary.

To summarize: The disarmament provisions of the treaty aimed merely at reducing the standing military forces of Germany and the amount of direct military equipment which they could retain and which could be manufactured for them. This was the same approach which was taken during the 1920's at the various international disarmament conferences at which attempts were made to persuade the major powers to reduce their military establishments and their manufacture of articles of war.

*Violations and evasions by the Germans.*¹⁵—The ink was hardly dry on the treaty before its provisions began to be violated and evaded. The size of the German armed forces was, in fact, reduced, but the police forces were increased beyond their authorized size and a number of voluntary military and semimilitary organizations were formed. In addition, many military officers were transferred to civilian status, and entire divisions of the military organizations and the ministries administering these organizations were transferred to civil ministries.

In addition, the 100,000 men making up the regular army were not constituted as an army but rather as a body of specialists and leaders who were trained as such. The general staff, while formally abolished, was reestablished in such innocuous looking organizations as the National Archives, where it studied the causes of the defeat of Germany in the First World War and planned for German victory in the Second World War.

The enforcement of the provisions of the treaty dealing with stocks of military equipment and war factories was even less effective than the enforcement of the provisions dealing with the size of the armed forces.

Slowness of Commissions in beginning control.—In the first place, the Military Commissions were too slow getting started. They did not begin active enforcement until 14 months after the armistice was signed in November 1918. During those 14 months, the Germans were able to hide away and camouflage equipment, blueprints, and other articles, and to organize methods of evading the provisions of the treaty.

Inadequate powers of the Commissions.—In the second place, the Commissions were not given sufficient independent powers and freedom of action, and their prestige was weakened by the Allied leaders, who bypassed them from time to time and dealt with the various Allied ambassadors in Berlin on military matters which should have been handled solely by the Commissions. Further, the Commissions were ordered to report to the Conference of the Ambassadors of the principal Allies, which continued to sit in Paris. In addition, in between the Conference of Ambassadors and the Military Commissions in Germany was interposed the Inter-Allied Military Committees of Versailles, which was set up to interpret and transmit decisions of the Conference of Ambassadors on military points arising under the treaty. All this made for cumbersome, unworkable machinery and meant that the Commissions in Germany were not free to act on the spot.

¹⁵ See exhibit 4: A Collection of Interviews Held in the United States by U. S. Government Officials with German Industrialists, Scientists, Attorneys, Journalists, and Former German Government Officials.

In addition, the Commissions were badly understaffed and were particularly hampered by lack of adequate Allied intelligence-gathering personnel. As a result, they were largely dependent on their German liaison officers for intelligence. These liaison officers were supposed to act as servants of the Commissions. Instead they were in fact often advance agents of the German Government and helped to keep the German Government informed of every move the Allied Commissions were making and in many cases enabled the Germans to hide away equipment and records which the Allies desired to examine.

Allied policy of upholding German sovereignty.—Added to all this was the Allied policy of upholding German sovereignty and of not treating Germany as a defeated nation. The Commissions were in enemy country without adequate military enforcement powers and without the support of adequate Allied military garrisons. They had to argue with the German Government concerning the interpretation of the provisions of the treaty. They had to ask for advance permission to make inspection visits at factories, depots, and barracks. And also they had to face the fact that the German courts were invoking the German treason law against informers who cooperated with the Commissions, thus severely discouraging Germans from cooperating with the Commissions.

Efforts by the Commissions to control production of military goods.—Under these circumstances, it is surprising that the Commissions were able to accomplish as much as they did and that they were able to arrange for considerable amounts of military equipment to be turned over to them. They also seem to have succeeded, in some degree, in restricting production of direct military equipment, though it is highly doubtful if such production stayed within the limitations set by the treaty. In fact, a number of instances of direct violation, particularly by firms such as Krupp, are on record.

Destruction of surplus war plants.—The provision of the treaty requiring that surplus war plants be surrendered to the Allies was narrowly interpreted by the Commission. Only such buildings and machines incapable of conversion to peacetime uses were destroyed. Some general-purpose machines which were in direct war-material factories were dispersed in order to break up the factory, but this dispersal was on a very small scale and had little adverse effect on the German industrial war potential.

Achievements of the Germans.—While the Commissions were meeting great obstacles inside Germany, the Germans were busy sending personnel, blueprints, and some equipment abroad where manufacture and research were continued. These activities outside of Germany (which are described in some detail in ch. III), when added to those activities which the Germans were able to carry on inside of Germany, provided the Germans with adequate opportunity for continuing to develop, design, test, and improve models of war equipment for future production and future use.

It was not the amount of military material which Germany was able to save from destruction by the Allies nor the handful of military material which Germany was able to manufacture by devious methods in violation of the provisions of the Treaty of Versailles, which were important during the years which immediately followed

the defeat of 1918. Rather, it was the fact that Germany retained intact a vast aggregate of economic and industrial war potential and was able to continue to experiment, plan, and prosecute its development in terms of future war production that was important. Indeed, it was this fact that later enabled the German nation to organize itself completely and entirely for war in a very short space of time, when the opportunity came with the ascendancy of the Nazis to power and the final breach by Germany of the provisions of the Treaty of Versailles.

Lessons from the past.—There are lessons to be learned from the failures of the Allied statesmen in the period immediately following World War I. We have already demonstrated that we have already learned some of those lessons. Germany today is being treated by the victor nations as a defeated country. It is being administered by Allied military forces. Considerations of German sovereignty are not weighty and inhibiting as yet. We are not beset by divergent aims the way we were last time. President Roosevelt, Prime Minister Churchill, and Marshall Stalin pledged at Yalta to "eliminate or control all German industry that could be used for military production." This is a tremendous advance over the attitude which governed at Versailles in 1919 when the concept of general economic and industrial disarmament of Germany was lacking.

Yet we are only at the beginning. We have still to agree on and to begin to apply a detailed, specific, unified economic and industrial disarmament program which will eliminate the German war potential as a part of a unified occupation program. We have yet to impose a treaty of peace on Germany and to enter into an accord between the Allies that will establish permanently a control of Germany's war potential. We have yet to establish anything that resembles a long-term disarmament machinery which, over a period of decades, will see to it that the disarmament provisions of such a treaty are enforced and adapted as the situation may require.

We have seen the extent of Germany's present war potential—a war potential which exists despite the military defeat we have inflicted upon the German nation. Further, we have seen the mistakes which we made immediately after the last war. But in order to understand completely the problem of economic and industrial disarmament of Germany, it is necessary for us to trace through the pages of history the ways by which Germany achieved the economic and industrial rearmament for World War II.

CHAPTER 3. THE ECONOMIC AND INDUSTRIAL REARMAMENT OF GERMANY FOR WORLD WAR II

In the early summer of 1918 it was clear that Germany would be defeated. The men who had directed her war effort, began to develop a new plan for the next war. The men who had drawn up Germany's economic plans for mobilization of the entire German economy during the First World War began in 1918 to plan the economic and industrial rearmament of Germany for World War II.

General Staff emphasis on war economics.—The German General Staff, while officially abolished, as discussed in chapter II by the Treaty of Versailles, actually continued in existence after 1918, operating mainly in the National Archives, where, it was announced some former

war leaders were engaged in writing a historical study of the recent war. They did publish some volumes on military events, but their primary work was analysis of the causes of their defeat, and planning for the next war.¹⁶ Few defects were found in German arms and military strategy; the main weakness discovered was in the field of war economics. For that reason, soon after 1918, the General Staff determined that part of the Officers Corps must be trained in this subject. Under the Treaty all military schools were to be abolished. They were, in fact, closed, but at the same time the underground General Staff opened a new academy in the Institute of Technology at Berlin-Charlottenburg. This old institution not only had some of the best engineering faculties of the country but also one of the best economic staffs. Later, other similar institutions were developed.

Carefully selected officers and officer-candidates were sent to the institute for a course of studies that included the efficient use of industrial manpower, the economics of raw materials, production management, industrial standardization, and war financing. In time the course came to include 1 year of practical experience in plant management.

As early as 1926 graduates of the General Staff's new type of military academy for economic and industrial training had become active in the industrially important army corps areas, where they were the technical advisers of the army commanders and worked closely with the industrialists. Among their functions was the "rationalization" of industry; they brought the latest advances in technology and production methods to the attention of manufacturers and promoted research on such matters as the synthetics Germany must have to wage successfully another war. They later took credit for having accelerated the development and production of synthetic petroleum, for increasing the production and improving the quality of rayon, rayon staple, aluminum, and magnesium, for improving the methods of working low-grade iron ore, and for greatly expanding the capacity of the machine-tool industry. In many cases Government funds were used to stimulate the desired activities. The corporations concerned often received freight rebates, tax exemptions, and similar favors in return for their collaboration.

Long range plans for World War II.—The plans of the General Staff branch that on the eve of World War II emerged as the War Economics and Armament Office embraced these measures:

- (a) The freeing of Germany from war debts and reparation payments;
- (b) The reorganization of industry essential to war; the expansion of its capacity; the equipment of all plants with labor-saving machinery to lessen the vulnerability of industry to wartime shortage of manpower;
- (c) The development of domestic resources to the maximum, and of synthetic substitutes for critical materials not to be found in Germany, or nearby in Europe;
- (d) The stock-piling of critical materials that could not be developed in Germany;

¹⁶ See Exhibit 4: A Collection of Interviews Held at U. S. Government Officials with German Industrialists, Scientists, Attorneys, Journalists, and Former Government Officials. The cases set forth in this exhibit are illustrative of a great deal of the discussion in this chapter.

(e) The rebuilding of the merchant marine and the building up of an air fleet;

(f) The construction of strategic motor highways and the unification and reequipment of the railroads;

(g) The institution of governmental economic and industrial controls well in advance of the outbreak of war to prevent confusion in the critical period of initial attack.

Statements by one of the Allied Disarmament Commissioners.—Too little information is available to judge precisely the extent to which the German General Staff and its industrial collaborators planned and promoted certain situations in the years immediately after World War I and to what extent they merely took advantage of them in putting their program into effect. But the staff's operations were already so apparent at the end of 1923 that the British Brig. Gen. John H. Morgan, of the Allied Disarmament Commission was able to state:

Germany has now got, ingeniously camouflaged, that Economic General Staff which was the dream of Rathenau * * * and the whole of the key industries of war—coal, tax products, sulfuric acid, nitric acid, aluminum, and all the rest—have been reorganized, subsidized, and controlled to this end. The whole of German industry and production have been reorganized by some astute and able brain with a view to making her independent of overseas supplies of material in the next war. Even her rolling-stock for ordinary commercial traffic has been altered to a new type capable of immediate conversion to troop trains.

Later Morgan said Gen. van Seeckt was the director of the ——— that the Government of the German Republic was collaborating fully with him, and that members of the general's economics staff were planted in key positions in Government agencies, including the Ministry of Finance.

Morgan also wrote in 1923, "Germany is in many respects far better prepared, industrially speaking, for a great war than she was in 1914."

General Morgan made these statements in 1923, 3 years after the guns had ceased firing on the Western Front. We were trying to forget there had been a war. The Germans were already on their way toward a new one.

*Flight of specialized assets and personnel from Germany.*¹⁷—The German General Staff did not confine its economic efforts to Germany itself or to international cartel arrangements worked out by German industry. In fact, they had hardly surrendered in 1918 when they encouraged and organized the flight of specialized German assets and personnel from Germany. Indeed, the 1918 surrender had taken place so far beyond the German boundaries that the Germans were able to secrete, camouflage, and smuggle key blueprints and other vital data of a technical and military character out of the country or into hiding places in Germany before a single representative of the Allies entered the country. The situation in the period before the formal arrangements of Allied control were put into effect was so lax that the Germans even continued the construction of submarines in Germany until an annex to the armistice terms ended the work.

The informality and looseness of the situation also was so favorable to the Germans that the important Fokker airplane works were shipped out to Holland. Train after train crossed the border from Germany into Holland bearing equipment, parts, and materials,

¹⁷ See exhibit 2: How German Assets and Economic Activities Outside Germany affected German War Potential and Propaganda. See particularly, sec. (a) and (b).

and German technicians to install the machines and resume construction of planes. Later a Dornier subsidiary was established in Switzerland, just across the lake from its parent company. Junkers continued to make planes through a Swedish subsidiary. Thus, German technicians continued German military research and trained other German technicians for the next war.

Other German firms arranged to have various kinds of military construction carried on abroad, and to protect their patents on devices of military importance by use of native firms and secret subsidiaries in neutral countries. Krupp, for example, transferred key patents, licenses, and secret processes to Bofors, the Swedish armament company, in exchange for a bloc of its stock. Later, in order to circumvent Swedish legislation aimed at preventing direct German ownership of Swedish armament facilities, Krupp gained control of the company by the purchase of additional shares. Krupp brought suit against the British armament firm of Vickers for infringement of Krupp patent rights on fuses for hand grenades; in settlement of the case Vickers turned over to Krupp its steel-rolling mill at Miers in Spain. This strengthened its outpost operations in that country, which already included naval construction and manufacture of machinery.

Submarine construction was carried on in the Netherlands through a disguised subsidiary of the German Government-owned yards at Kiel. The manner in which this subsidiary operated is of interest. Finland advertised for bids on a submarine. It was arranged that the contract should go to a small Finnish firm, though none in the country had facilities for doing such work. The Finnish company then subcontracted the order, placing it with the German subsidiary in the Netherlands. This operation was publicized by the French company that had competed for the Finnish subcontract with others from Britain and Italy, offering lower bids than the German puppet in Holland. Protests of the French Government over the treaty violation brought no Allied measures against Germany.

A more direct arrangement for submarine construction was made by the German Navy in 1924, when two model submarines were built in Spain and the German U-boat ace, Capt. Manfred von Killinger, founded a company in Echevarria, Spain, to experiment with submarines.

One of the best opportunities afforded the Germans for maintenance of forces skilled in manufacture of a military nature, and for experimentation, was arranged with the Russians. At a time when Russia's former allies were invading the country and supporting the so-called White Armies, the Soviets had too few engineers and technicians to utilize the old tsarist armament plants to advantage. German firms, above all Krupp, offered to operate these plants on lease and did so for a number of years. Junkers also operated a plant in Russia.

At a time when the continuation of experiments with engines and plane parts was vital to the Germans if they were to build up a fleet of military planes as good as that of future opponents, some German designs were almost forced into production in countries not considered dangerous to Germany. Blueprints for a fighter engine were donated to a Czechoslovak manufacturer and designs for bombers parts were

sold to the Czech Government for a nominal price. In return, the Germans were allowed to watch performance tests.

While the establishment of some German subsidiaries abroad in the field forbidden to parent companies in Germany under the peace treaty might be considered merely a series of commercial ventures, the completeness with which every industry falling within the terms of the treaty was soon in operation abroad left little doubt that the corporations were working in close collaboration with the general staff. Some of the production they undertook could not have been carried on otherwise, since it involved the use of blueprints for which the manufacturers were responsible to the government.

Military research inside Germany.—Not all the experimentation in the immediate years after World War I was carried on outside Germany. As shown in chapter II of this statement, military production and research never actually ceased in Germany. The Reich military research institutes which could carry on in properly guarded buildings, continued operations with budgets that were buried in government appropriations for the benefit of agriculture and similar peace time activities.

Military production inside Germany.—An example of military production, Germany during these years is set forth in the Report of the Special Senate Committee of the Seventy-third Congress on the Munitions Industry. The report refers to a statement by a representative of Du Pont to his company in which he said that a State Department official had informed him that the Germans were exporting powder and munitions and that the Allies were not objecting because these exports were increasing Germany's ability to pay reparations.

Use of American methods.—The United States accidentally played an important role in the technical arming of Germany. Although the German military planners had ordered and persuaded manufacturing corporations to install modern equipment for mass production, neither the military economists nor the corporations seem to have realized to the full extent what that meant. Their eyes were opened when two of the chief American automobile companies built plants in Germany in order to sell in the European market without the handicap of ocean freight charges, and high German tariffs.

Germans were brought to Detroit to learn the techniques of specialized production of components, and of straight-line assembly. What they saw caused further reorganization and refitting of other key German war plants. The techniques learned in Detroit were eventually used to construct the dive-bombing Stukas. While this aid to the German airplane industry was accidental, at a later period I. G. Farben representatives in this country enabled a stream of German engineers to visit not only plane plants but others of military importance, in which they learned a great deal that was eventually used against the United States.

Industrial reorganization.—During the latter years of World War I, the German military economists had found many industrial plants with outmoded equipment and dependence on cheap manpower rather than modern devices that not only saved labor but also promoted mass production. They had also found industries poorly grouped for efficient operation and the saving of transportation. Some important segments, while having capacity sufficient for peacetime markets, were much too limited to meet military demands.

Plants producing synthetic substitutes for critical materials were quite inadequate, both in the character and type of their output. In other words, much of the German plant needed reorganization, reequipment, and expansion before Germany could safely enter another war.

But accomplishment of this program required the expenditure of large sums of money at a time when reparations payments and service on public and private debts were materially reducing the funds available for investment in construction—especially in construction on which no immediate return could be expected. Thus, during the early 1920's, the German General Staff and the industrialists had a problem on their hands: How was Germany to finance the program of construction needed to arm Germany economically and industrially for World War II.

The answer was in a sense threefold: Inflation, foreign loans, and reparations, although all were related rather than separate methods.

Inflation.—Various apologists for Germany have denied that inflation in Germany during the early 1920's was managed. But, General Morgan, who was in Germany through the period when it was in operation and in an exceptionally good position to discover the facts, stated the conviction that inflation had been "the instrument" of the underground General Staff to accomplish a large part of its program. Such a program could not have been carried out without the collaboration of the government of the Weimar Republic and of the major industrialists. The latter were in control of banking and, in addition, occupied many of the government offices concerned with public finance. They, furthermore, were the chief beneficiaries. While small businessmen who did not understand the techniques of managed bankruptcy were ruined, and salaried workers and wage-earners were driven to desperate expedients in order to subsist with prices doubling overnight, a constantly narrowing group of the major industrialists were creating economic domains of fantastic proportions. As company after company was forced to the wall, the successful manipulators bought them up.

The new empires built with the aid of inflation were not all within Germany. At the same time when Germany was pleading poverty and inability to pay reparations, German manufactured products were being sold abroad in large quantities, thanks to the low-production costs, and part of the proceeds from them were being used to acquire properties abroad—some of them German holdings that had been confiscated by the Allies.

The final triumph of inflation was its blackmail value. Germany's ability to undersell other nations with goods produced under inflationary conditions began to cause trepidation among other trading nations in 1922. The speculation in the mark was also disturbing the money markets. The German Government insisted that it was powerless to handle the situation. Finally the Allies agreed to review the reparations question and to consider aiding Germany financially. The mark was abruptly stabilized.

Foreign loans to Germany.—The Dawes plan, adopted in August 1924, fitted perfectly into the plans of the German General Staff's military economists. A more than reasonable program of reparations payments was worked out. It was agreed that the German obligations ended with payment in marks to the Allied Agent General in

Germany. And the Allies undertook to float loans to enable German economic rehabilitation.

With such guaranties, German business had little difficulty in floating private loans in other countries. German municipal and regional governments, as well as the Reich Government, shared the inflow. The result was a new construction boom whose stimulating effects on other industries caused many observers to write approvingly of the amazing recovery of Germany.

There was surprisingly little intelligent analysis by foreign observers of the purposes for which the moneys were spent, or investigation of the soundness of the investments. While some foreign money was used for housing and much-needed public works, a very considerable portion of the funds went for the construction of iron and steel mills and similar works that Germany already had in sufficient capacity for legitimate peacetime needs. Coal mine development went ahead sharply and in spite of reparations deliveries German coal was soon cutting into British export markets. The results of this building up of German industrial capacities were fully apparent by 1937, when the bituminous coal output almost reached the all-time peak of Greater Germany in 1913, the steel output was slightly greater than in that year, and the pig-iron output was only about three million tons less than when Lorraine ore was in German hands. Long before 1937 Germany had more than replaced the industrial capacity of the territories taken from her by the Treaty of Versailles.

Reparations in finished and semifinished goods.—Reparations in finished and semifinished goods played a not inconsiderable role in the German economic and industrial rearmament. The reparations in goods kept the enlarged plants busy and skilled staffs together, built up buyer demand for Germany in the receiving countries against the day when the deliveries stopped, and retarded the development of key war-potential industries abroad, particularly in the machine and chemical fields. Countries receiving German machines became dependent on Germany for spare parts and replacements. Consumers of dyes who had learned to use the German products successfully were later unwilling to risk the use of other products when the reparations deliveries ceased.

It was of considerable significance that Germany, long before the day in 1928 when she had an option to end the deliveries of chemicals, informed the Agent General that she was quite ready to continue this form of reparation payment. In that year 16.6 percent of the value of all the alizarine dyes Germany exported, 18.3 percent of the value of the chemical fertilizers, and 26.3 percent of all the synthetic ammonium sulfate were on the reparations account.

In his annual report the Allied Agent General for Reparations Payments stated that the Allied experts considered it advisable to encourage the deliveries in goods because of their healthy effect on German industrial activity. He further justified the continuation of reparations in this form with the explanation that the deliveries had become "an inevitable part of the economic condition of several of the Allies, so that they could not be abandoned without considerable dislocation."

The word "inevitable" was ill-chosen in the light of the facts. France, for example, was a major recipient of German dyestuffs, though it had its own dye industry, which had been expanded during

the war and which had been strengthened by the seizure of German dye patents. As early as 1924, however, Germany had begun to regain control, not only of the plants using its patents but also of the French chemical company that had taken them over. By 1927 there was an agreement with the company that enabled I. G. Farben to dictate what quantities and kinds of dyes France might produce and export.

This took place only 10 years after the Germans had used their dye plants to manufacture poison gases¹⁸ and to launch gas attacks on French soldiers and civilians, counting on the superiority of German dyes production capacity to prevent equivalent Allied retaliation.

Not long ago President Roosevelt pointed out in a letter to Secretary of State Hull that "the history of the use of I. G. Farben by the Nazis reads like a detective story." But the detective story had been running in serial form when Adolf Hitler had been a mere corporal on the Western Front. It had been running under the authorship of the German General Staff and the major German industrialists.

Cartel arrangements.—The cartel program as developed first by the General Staff and the big industrialists, and after 1933 by the Nazis as well, called for the manipulation of the world's trade and the world's resources by German industry through the medium of cartel arrangements so as to strengthen Germany's position to make war, and, in turn to weaken the defensive position of its potential enemies.

Two of the best examples of the success of such manipulations are the stories of the aluminum and magnesium cartels.

Aluminum, a light-weight metal, is an important war item. It is used for aircraft, and also as a substitute for steel, copper, brass, and a catalyst in the production of aviation gasoline and important chemicals.

During the 1920's and 1930's the Germans gradually built up their aluminum production and entered into cartel agreements under which French, British, and American production was limited. Germany increased its purchases of bauxite, and alumina from France (bauxite is the raw material from which alumina is made; alumina is the base from which aluminum is made), by seeing to it that the French owners of bauxite and alumina made more profit by selling to Germany than by increasing French aluminum production. When World War II started, France paid dearly for this arrangement. And when, not long after, the United States was attacked at Pearl Harbor, it found itself with far less aluminum production than it needed. The British went through a similar experience.

Magnesium is one-third again lighter than aluminum. It is highly inflammable and generates great heat when it burns. It is the main ingredient of the incendiary bombs which our superforts are now showering on the Jap homeland. But when we were attacked in 1941, we had insufficient magnesium production and very small stocks on hand in this country. This we owed to cartel arrangements made by I. G. Farben under which American—and British—magnesium production was limited.

The result was that for many months, until American manufacturers were able to produce sufficient magnesium, we had to use

¹⁸ Exhibit 5: I. G. Farben's Manufacture of Poison Gases, 1913-18.

thermite instead of magnesium. Thermite is highly inflammable, but it burns in 30 seconds. It is therefore not nearly as suitable for incendiary bombs as the longer burning magnesium. Thus, during months of war, the magnesium cartel arrangements were responsible for greatly reducing the efficiency of what is today one of our main aerial weapons—the incendiary bomb.

In addition to the economic and industrial advantages which Germany gained by means of cartels, the system was exceedingly useful to the military planners. It gave access to military developments abroad in a much more direct way than any spy system could, and it actually allowed Germany to undertake a program of disarming the powers who had beaten her in World War I.

All this was going on at a time when we were engaged in helping Germany get back on her feet. The Dawes plan was in operation and Germany was quiet on the surface. But underneath, war preparation was going on.

Foreign trade.—The Nazis found when they came to power in 1933 that long strides had been made since 1918 in using German foreign trade as an instrument of preparing for war. The reparations arrangements, the extension of the cartel system, and the flight of assets and personnel to neutral and other countries after the armistice in 1918 fitted roughly into a pattern of foreign economic policy which included a determination to gain control over the sources of strategic materials required by Germany, even in view of her program of synthetic production, to wage successfully the new war.

Germany's lack of raw materials.—As a matter of fact, it is actually amazing that England, France, Russia, America, and all the other nations who have repeatedly suffered from German aggression stood by and allowed Germany to accumulate the raw materials she needed for the Second World War. With the exception of coal, and about one-third of her iron ore requirements, Germany possesses none or grossly inadequate amounts of strategic raw materials. Germany is dependent, wholly or in large part, on synthetic production or on imports from abroad for her petroleum, rubber, copper, manganese, nickel, lead, zinc, chrome, bauxite, industrial diamonds, opium, fats.

She has solved the need for some of these materials by the production of synthetics within her own borders. Well-known examples of this practice are synthetic rubber and synthetic oil. But synthetics alone were not able to satisfy Germany's needs for strategic materials—and so the Germans looked abroad—to foreign trade.

The trade statistics for the years between the two World Wars were available for everyone to examine. They portrayed a pattern of preparation for war—a pattern which was almost entirely ignored by the nations against whom it was directed.

German imports.—During the period 1934–38 German imports increased in the following proportions:

	Percent increase
Iron ore.....	165
Copper ore.....	101
Lead ore.....	71
Chrome ore.....	130
Bauxite.....	262
Petroleum.....	57
Rubber.....	34
Pyrites.....	45

During the same 4 years, total German imports increased less than 10 percent. And the two principal exporters to Germany during this period were the United States and the United Kingdom.

Nazi foreign trade policy was simple—(1) to import as large quantities of raw materials and products needed for war as possible and to import as little of anything else as possible, (2) to obtain the required imports by exporting things which (a) Germany did not need for war, and (b) the receiving country could not use for war, and (c) Germany could produce with the slightest possible burden on her domestic rearmament production program, e. g., children's toys. Some of the instruments used by Germany to implement this policy have already been mentioned. Cartel arrangements, for instance were one. Others included subsidies, foreign exchange control, German Government allocation of import requirements, etc.

Bilateral agreements.—Foreign trade however involves two partners and German unilateral control was not enough. To overcome the shortage of foreign exchange which continued to stifle trade, Germany turned to a series of discriminatory bilateral agreements, the network of which was spread over Europe and certain countries of South America. Barter agreements provided for the exchange of definite quantities of specified commodities; clearing agreements set up special accounts in the central bank of each country in which local importers deposited domestic currency and out of which exporters were paid. These types of agreements were negotiated particularly with countries which could directly supply commodities in which Germany was deficient.

Barter and clearing agreements, however, did not supply foreign exchange. It was of paramount importance therefore that Germany should obtain free exchange particularly from her good customers who happened, however, to be her reparations creditors. With them she ran the danger that they would retain any surplus exchange for the amortization of her World War I debts. To safeguard against this eventuality a third type of bilateral agreement was negotiated, known as a payment agreement, which contained among other terms a definite commitment as to the amount of exchange derived from German exports which could be reserved for payment of war debts.

Southeastern Europe.—Germany had another primary foreign trade objective—namely, the development of sources of supply of strategic materials in nearby European countries—sources which could not be disturbed by a British sea blockade. And so after 1934 Germany accentuated a program of economic penetration into her neighboring countries, which had as its purpose the development of resources in those countries which, safe from marine blockade, would complement German synthetic production.

This was especially true of Germany's interest in the countries of southeastern Europe which could supply commodities in which Germany was dangerously short, such as foods of all sorts, oil, and nonferrous metals. The economic drive to obtain those products showed good results before the war and paid high dividends during the war period. The main techniques employed by Germany consisted of paying higher than world-market prices, of signing long-term contracts for the development of certain lines of production, such as oilseeds in Rumania and Bulgaria, of selling on credit machinery to be used to develop certain resources, of granting preferential tariffs, and of handling all transactions through bilateral clearing arrangements.

In addition, Germany followed a policy of maximum buying and minimum selling which resulted in the creation of large clearing balances in favor of the exporting countries. In order to utilize these balances, which constituted a heavy burden upon their central banks, these small countries were forced to enter into new agreements with Germany providing for imports from Germany conditioned by new exports to Germany, and resulting in a still greater entanglement in the German network of economic domination.

From the German point of view, this economic policy proved highly successful. About three-fourths of Germany's war supply of chrome, more than half of her copper, and over one-fourth of her lead were produced in southeastern Europe. Rumanian and Hungarian oil represented more than 40 percent of Germany's total supplies, including synthetic. One-third of Germany's bauxite supplies were delivered by Hungary. Manganese and mica, practically unexploited before 1939 as industrial weapons of war, were imported from the southeast and used with increasing military importance by the Germans. In the textile field, hemp and other fibers were obtained, while the wool delivered by southeastern Europe represented about one-half of all new German wool supplies.

The Weimar Republic.—Germany was a republic—the so-called Weimar Republic—from shortly after the end of World War I to the ascendancy to power of Hitler and the Nazis. During those years, the German military leaders and major industrialists helped to keep up the pretense of a democratic regime, but they were both restless under it and constantly seeking a means of replacing it. The family and other bonds between the officers corps and the industrialists was strengthened by the frustrations both suffered as a result of national humiliation and the concessions necessary to keep up the appearance of popular government.

During the 1920's various right wing political parties came on the scene but only a few gained any considerable popular following. Although Ludendorff took part in the National Socialist putsch in 1923, most people of importance were not yet ready to back the Nazis. The character of many of the Nazi leaders was too crude to appeal to the General Staff and the industrialists. Moreover, while they shouted for Pan-Germanism, treaty repudiation, and military action, the Nazis also advocated a kind of internal German socialism which was objectionable to the industrialists, the land-owning Junkers, and the General Staff.

By 1929, however, the Nazis had enough of a popular following to make it seem possible that they might be able, with proper backing, to overthrow the existing regime. Some of the Nazi party leaders began to explain to the militarists and industrialists that the Socialist parts of the Nazi platform could safely be forgotten though its use must be continued in campaign oratory. A few of the Ruhr group began to send secret contributions to the party; but as a whole the Ruhr was not convinced until Hitler met with certain Ruhr bankers and other conservatives and convinced them that he could be trusted to set up a strong central government with a stable, aggressive, foreign policy.

First year of the Nazis.—During their first year in office, the Nazis were on probation so far as their monetary backers were concerned. While some of their acts were pleasing to the industrialists, certain others, intended to cement their hold on the populace, were not. The

purge of 1934, which was publicized as a measure to rid the party of certain notoriously immoral and treasonable elements, was the blood price paid to reassure the doubters. Thereafter Germany was ruled by the party, in partnership with the major owners of combines and the German General Staff.

Unofficial government.—In effect, there was an unofficial super-governmental structure in Germany from 1934 to 1945 which included the Nazi government officials, the General Staff, and most of the important industrialists. Attached as exhibit 6 is an editorial explanation, along with a chart which attempts to combine a simplified outline of the official government structure during the winter of 1944–45, with the structures of the major combines and the General Staff. This chart, which is based on a study of the laws, decrees, and administrative orders since 1930, plus an examination of governmental appointments and such industry records and data as are at hand, shows clearly the integration of German industry into the German war machine. The big German industrialists may claim that they took their orders from the Nazis—that they were sheep like the masses of the German people. But they were guilty of being more than sheep. They were full partners of the Nazi shepherds—just as were the members of the General Staff. Any effective program of economic and industrial disarmament must take cognizance of that fact.

CHAPTER 4. SOME OBSERVATIONS ON THE TASK OF DEVELOPING A PROGRAM FOR GERMAN ECONOMIC AND INDUSTRIAL DISARMAMENT

How are we to cope with this problem that emerges to confront us today in the fearsome perspective of a history that showed the Allies to be wholly inadequate in dealing with it after World War I?

Certain lines of action are clearly indicated:

(1) We must see to it that this problem is studied intensively, that the facts are marshalled, that our previous mistakes are analyzed, that corrective programs are devised, and that a general understanding and appreciation of the problem in all of its ramifications is created in the executive agencies and departments, the Congress and the public.

(2) We must seek to promote regular and intensive discussions and negotiations with our allies on this subject to the end that a common program can be devised and adequate international arrangements be made to execute that program.

(3) We must see to it that a short-term policy of controlling Germany's economic base for aggression is launched and maintained so that any common efforts to achieve a long term result will not have been unduly prejudiced by errors of omission or commission in the interim.

(4) We must, as quickly as is consonant with sound judgments and careful study, adopt as high policy a long-term program for German economic and industrial disarmament which this Government and the people of the United States are prepared to commit themselves to for many decades.

(5) We must attempt, through diplomatic negotiation and the exercise of a bold and vigorous foreign policy in this field, to seek a substantial measure of agreement to our program on the part of our allies.

This effort should result in the incorporation of an international program of German economic and industrial disarmament as one of the important foundation stones in the foreign policy of all governments committed to maintain peace, including that of a future German government.

The present interests and responsibilities of the Foreign Economic Administration concern the first point listed above, namely, the study of the problem of German economic and industrial disarmament and the development of a specific and definite program for United States consideration, designed to eliminate or control Germany's economic base for aggression.

As a result of the experience of the FEA and its predecessor agencies in the business of economic warfare and its continuing study of the enemy's economic potentials and institutions, the agency found itself in possession of a substantial amount of information concerning the German war economy and the nucleus of a trained staff equipped to deal with the analysis of this and other post-surrender problems. On September 28, 1944, the President directed the agency as follows:

Control of the war-making power of Germany: You have been making studies from the economic standpoint of what should be done after the surrender of Germany to control its power and capacity to make war in the future. This work must be accelerated, and, under the guidance of the Department of State, you should furnish assistance by making available specialists to work with the military authorities, the foreign service, and such other American agencies and officials as participate with the United Nations in seeing to it that Germany does not become a menace again in succeeding generations.

In the intervening months, the Foreign Economic Administration has been in the process of executing this direction.

Before going further, I want to make it clear that the FEA, in carrying out the President's directive, does not arrogate to itself the responsibility for determining what American policy should be, or for executing that policy through international negotiations or the performance of occupation tasks in Germany.

The FEA is primarily concerned with seeing to it that the subject of German economic and industrial disarmament is intensively studied and that feasible programs for securing that objective are prepared and presented at the various points in our Government where decisions can be made and action taken. In addition, the FEA participates as one of the executive agencies in making policy decisions or recommendations on this subject for Executive action.

In accordance with the President's letter, the FEA also acts as a service agency for either the State or War Department or military and civilian officials abroad in providing personnel or performing other work at their request. It does so, however, as a service agency without the responsibility or authority for either carrying on negotiations with other countries or executing United States policy and program in the field. That responsibility handled through such organizations as the Allied Control Council or the Reparations Commission falls, under existing arrangements, to the State and War Departments.

In the light of the foregoing, the committee will understand that I must be limited in my subsequent comments to the way in which a program for German economic and industrial disarmament is being developed rather than what form it is taking or how it is being executed.

Following receipt of the President's letter, the FEA set about its

task of "accelerating" studies of German economic and industrial disarmament by working out arrangements for the guidance by the State Department stipulated in the President's letter and launching an intensive work program on this subject.

A new branch, first called the German Branch and later consolidated with other units in the Economic Warfare Section of the Agency and now called the Enemy Branch, was created and charged with the responsibility of carrying forward this work. Its Director is Mr. Henry H. Fowler, formerly assistant general counsel of the War Production Board.

In addition to consolidating the personnel with industrial and economic knowledge of the German war potential in the FEA Enemy Branch, the FEA has sought to bring into the study and analysis of the subject various types of experts in or available to many of the other executive agencies. In other words, the FEA has not been content to treat this important problem exclusively within its own ranks. It has sought affirmatively to ever widen the circle of trained minds available to this Government who would think and work toward a solution.

I will not burden the record with a description of the many studies and reports which have been collected and prepared since we undertook that task. I will describe, for illustrative purposes, one particular group of study projects, which I believe, taken as a whole, constitute the most intensive and organized attempt yet made to master the essentials of this new science. That group consists of a series of interagency projects which the committee may be interested in following.

After a review of all of the available materials within and without the agency, the problem of German economic and industrial disarmament was broken down by the newly created Enemy Branch in FEA into a series of separate projects for intensive technical examination. The basis or handbook for this effort took the form of an interim report on A Study Project of German Economic and Industrial Disarmament which was submitted to me by the director of the Enemy Branch on January 10. In order that the committee may fully understand the nature of the problem as we saw it then, and the techniques we have employed subsequently to develop a fuller governmental understanding of it, I wish to submit as exhibit 7 to this statement some pertinent portions of this interim report. I particularly call to your attention the portions of this exhibit which are entitled "Background of Study Project for German Economic and Industrial Disarmament," and the description of the 27 specific projects which this interim report outlined for intensive examination. I believe the committee will be interested in the coverage of these 27 projects, since their very titles indicate something of the nature and complexity of the subject under examination. They are:

- Project 1. The post-surrender treatment of German industry involved in the production of armament, munitions, and implements of war.
- Project 2. The post-surrender treatment of the German aviation industry.
- Project 3. The post-surrender treatment of German engineering and research related to armament, munitions, and implements of war.
- Project 4. The post-surrender treatment of German engineering and research in the "secret weapon" field.
- Project 5. The post-surrender treatment of the German light metals industry.
- Project 6. The post-surrender treatment of the German oil and petroleum industry.

- Project 7. The post-surrender treatment of the German rubber and rubber products industry.
- Project 8. The post-surrender treatment of the German radio and radar (electronics) industry.
- Project 9. The post-surrender treatment of the German bearings industry.
- Project 10. The post-surrender treatment of the German "common components" industries (exclusive of bearings).
- Project 11. The post-surrender treatment of German machine tools industries.
- Project 12. The post-surrender treatment of the German automotive industry.
- Project 13. The post-surrender treatment of the German shipbuilding industry.
- Project 14. The post-surrender treatment of the aggregate of the German machinery industries.
- Project 15. The post-surrender treatment of the German steel and ferro-alloys industries.
- Project 16. The post-surrender treatment of the German chemical industry.
- Project 17. The post-surrender treatment of the German coal industry.
- Project 18. The post-surrender treatment of the German electric power industry.
- Project 19. The post-surrender treatment of strategic minerals for German industries.
- Project 20. Appraisal of alternative devices for the international import control into Germany of supplies for which, for security reasons, that country may be made dependent upon external sources.
- Project 21. Technical requirements for a permanent Allied Commission to enforce international arrangements relating to German industrial disarmament.
- Project 22. The economic consequences of a separation from Germany of the Rhineland and/or the Ruhr, and/or areas east of the Oder River.
- Project 23. The post-surrender treatment of German landed estates and the practice of economic autarchy in food products.
- Project 24. An appraisal of the technical potentialities for the development of "peaceful" industrial activities in Germany for both home consumption and export.
- Project 25. The need for and nature of Allied activities relating to German property assets, industrial personnel, and economic activities outside Germany, designed to enforce economic and industrial security measures pertaining to Germany.
- Project 26. The post-surrender treatment of German participation in international cartels affecting international security.
- Project 27. The post-surrender treatment of German foreign trade consonant with economic and industrial disarmament considerations.

Subsequently, two additional projects have been added, one concerned with precision instruments and optical equipment, and the other with forest products industries. The purpose of these study projects was outlined in the interim report referred to as follows:

(a) A speedily organized consideration by experts, drawn from various backgrounds, or the more important subjects which can be singled out in this field for intense scrutiny.

(b) The creation of a series of adequately prepared written analyses of the various subjects selected for detailed examination. These reports should include a description of the German industries or economic problems under consideration. They should note the various detailed questions that should be raised or answered in connection with any international consideration to undertake or not to undertake a disarmament program. The pros and cons on these questions should be included. Recommendations, however tentative, should be specifically and definitely stated, with appropriate reservations as to their force as accepted policy.

(c) Through these written reports on the organized study, United States policy officials should be able to develop the boundaries of the United States position in conference with the representatives of other powers and ultimately determine what practical and feasible stand the United States can take.

It should be emphasized that these so-called technical industrial disarmament projects are pointed squarely at the problem of security from German aggression, pinpointed in the President's letter. They are not concerned with other questions such as how and why industries should be built up or repaired for rehabilitation and other purposes.

These study projects, all of which are now approaching completion, have been conducted in a variety of ways. Careful cooperative arrangements were worked out with a number of departments and agencies of the Government, including State, War, Navy, OSS, Commerce, WPB, Interior, who have especially trained industrial personnel and in some cases more specialized agencies such as OSRD and the Federal Power Commission. Pursuant to these working arrangements, various agencies designated individuals to serve on interagency working groups which were charged by the FEA with responsibility for making a study and submitting report on a particular project. This method was particularly used in dealing with the industrial projects where various types of expertise were required for thorough treatment including a knowledge of the industry in question, its technical processes, its methods of public control as exemplified in the WPB type of limitation, its role in foreign trade, methods of production and distribution, and so forth. In some cases outside consultants were enlisted by the FEA or one of the participating agencies because of a special technical background for contributing to the particular study project.

In other cases, such as projects 1, 2, 3, 4, and 13, the project was delegated to one or two agencies for study and preparation of a report because of the peculiar aptitude of the agency in question to deal with the project. In dealing with certain other projects, particularly of the strictly economic character, the FEA has attempted to handle the project exclusively with its own personnel, leaving it up to them to seek informally advice and assistance from other agencies.

In other words, the FEA Enemy Branch, acting as a "coordinating work shop" has sought to engage and enlist the best qualified experts available to the Government, regardless of current departmental or agency affiliation. I wish to offer for the record an exhibit describing just how each project is being handled, together with a list of the personnel constituting the interagency committee, wherever that device has been employed. (See exhibit 1.)

Let me add that the launching and conduct of this interagency project by the FEA has received the fullest cooperation from the other participating agencies. It is a striking example of the proposition that ability in various corners of the Government can be assembled, organized, and put to constructive work without friction and jurisdictional dispute. It would have been impossible for us to pull together an equivalent group of experts in a single agency.

Lest there be any confusion or concern about the status of the reports of the various working groups whom we have sought to enlist in this effort, I wish to emphasize certain points.

All of these 29 project reports, when completed, will be submitted to the FEA Enemy Branch as a report of the individuals who serve on the committee or prepared the report, speaking from their own knowledge and point of view, rather than reflecting a policy or fixed view of the agencies to which they are attached. These reports are being

made to, not by, the FEA. It has been constantly emphasized and generally understood that the reports are advisory and, rather than constituting adopted policy of any agency or of the Executive Branch, that they are being prepared for the advice and information of officials responsible for the making of such policy. They constitute the informed views and judgments of many of the best experts available to the Government organized and assembled in an orderly manner.

We have been careful in the handling of these projects to refer questions to the type of personnel seemingly best equipped to deal with them. For example, in dealing with the industry projects we have sought to enlist, through our agency and the WPB, the help of industrial technicians who have a firm practical knowledge of the industry in question and of existing WPB measures of limitation or control, that represent the principal body of experience we have to go on in this field. Similarly, in dealing with the cartel question and intercorporate relations between German concerns and concerns outside Germany, we have confined this topic (which cuts across many of the industries in question) to a single project, number 26. There it is being dealt with by our own staff with informed contacts with an already existing Government Committee on Private Monopolies and Cartels rather than the committees on particular industries which naturally included personnel who had worked for or were interested in companies engaged in international trade and finance.

We expect all of these 29 reports to be completed sometime within the next 30 days. They will be submitted for advice and information of interested United States officials without carrying on their face any FEA endorsement or rejection of the views stated therein. However, the FEA will undertake subsequently to evaluate and coordinate to the conclusions and recommendations within these reports together with many others worked out by its own staff into one master report which the agency will submit to the State Department and President with specific detailed recommendations constituting a long-term program for German economic and industrial disarmament.

The Enemy Branch of the FEA is presently engaged in the preparation of such a program and will, before the summer is out, complete that phase of its task.

As I have indicated before, it will be for other agencies to determine with the FEA whether or not such a program is acceptable and should be adopted as long-term United States policy in the field. Likewise, it will be the entire responsibility of others to negotiate and execute such a program, assuming it is acceptable to the responsible policy officials in the executive and legislative branches.

Before passing this phase of my statement, I wish to emphasize my conviction that only a beginning has been made in developing the studies and analysis of this subject. We in the FEA who have devoted more man-hours to it than elsewhere in the country are impressed and appalled with the vast amount of work that is yet to be done, particularly in the realm of the collection and appraisal of views, the development of sound and informed judgments, and the welding together of an integrated program.

Politics and technology are ever changing. What is effective today may be outmoded tomorrow by a scientific or political development. I submit to you, therefore, that we are only beginning to achieve the first point of the program I outlined in the beginning of this section

of my statement, namely, the development of a knowledge and understanding of the problem.

The executive and legislative branches and, I might add, a large cross section of the general public must continue to educate and inform themselves on this subject if we are to deal with it intelligently, not only in the initial phase of staking out the outlines of the peace machinery, but in seeing to it in the years ahead that that machinery is kept up to date. Just as the German General Staff in the last war studied ways and means of developing an industrial war machine, and as some yet unknown German underground organization may again pursue that subject, so the peace-loving nations must utilize their military, economic, and industrial exports to diagnose the plans of the enemy and outwit them. An Allied General Staff for preserving the world from German aggression is indispensable.

Perhaps this sounds pessimistic. We would all prefer to think that when the peace treaty is signed we are done with this dirty business of policing a nation of sixty-odd-million people. Our efforts in that field will have to simplify and abate after a period of occupation. However, our experience in FEA in the last few months in scratching the surface in the study and development of this problem persuades me that the peace of the world requires considerable organized governmental attention to the course of industrial and economic development and operations in Germany. This will be true at least until generations of peace from German aggression have demonstrated that it is no longer necessary to keep open the watchful eye and maintain the necessary surveillance and control.

To this end it is our hope and purpose to continue to collect facts and information on this subject and develop informed judgments concerning what can be done. Thus far, we have tried to exploit to the fullest the information available to us in this country, largely in the experience and knowledge of our own war agencies concerning the relationships of various industrial processes and potentials to the business of war making and the feasibility of their control. Now that Germany has surrendered and the opportunity for obtaining authentic, on-the-ground information from Germany itself is presented, we trust that it will be possible to obtain an ever-increasing flow of economic information and intelligence from Germany itself.

Of course, this is more important in some fields than in others. A machine tool is a machine tool whether it is in Germany or in the United States. To a considerable extent industrial processes in both countries are similar. However, we are able to learn much in certain chemical and mechanical fields concerning new developments in German technology now that the lid is off. But, in certain other areas, having exhausted the store of information available in this country, it seems to us in the FEA that determined efforts must be multiplied to tap the resources available in Germany.

This is particularly true on the subject of German economic penetration of other countries. The ramification of German holdings and economic interests outside of Germany can be most fully determined by investigations on the ground. Likewise, the thorough spading up of the countless business relations via the trade agreement and cartel route can become reduced to possession only by vigorous investigation in Germany. Similarly, a full story of the ways and means of which the Germans utilized exports and imports to bind other nations into

dependency upon Germany can only be uncovered by complete investigation at the center of the web. The story of German efforts to utilize the neutral and other countries as escape valves and bases for future aggressive enterprises can only be uncovered by tapping the source of this planning in Germany.

Therefore we stress the importance of adding, to the efforts which have been going forward here in Washington, very intensive efforts in Germany itself on the part, not only of the central council but of the interested civilian agencies such as our own. A free flow of information back by which the sum total of our information here can be considerably refreshed with that obtained in the field is necessary if we are to keep on the top of this problem and plan and execute the necessary diplomatic measures with the countries involved.

As indicated previously, this statement will not attempt to recite in detail the efforts this Government already has taken to deal with the problem of Germany's economic base for aggression as a result of the studies by FEA and other agencies of the nature and extent of the problem. Nor will it attempt to describe the series of concrete recommendations and conclusions on which we are presently working.

Since this Government has undertaken to explore extensively this problem, a substantial measure of agreement on several important fundamentals has been achieved. At Yalta an agreement was reached by the late President Roosevelt, Prime Minister Churchill, and Marshal Stalin which was published to the world at large. On the subject of disarmament and security this pledge of agreement was reported as follows:

It is our inflexible purpose to destroy German militarism and Nazism and to insure that Germany will never again be able to disturb the peace of the world. We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contributed the resurgence of German militarism; remove or destroy all German military equipment; eliminate or control all German industry that could be used for military production; * * * and take in harmony such other measures in Germany as may be necessary to the future peace and safety of the world. It is not our purpose to destroy the people of Germany, but only when Nazism and militarism have been extirpated will there be hope for a decent life for the Germans, and a place for them in the comity of nations.

The Allied determination to disarm Germany economically and industrially was made by the three leaders with full knowledge of the pattern of German history from 1918 to 1945—and specifically of the partnership between the German General Staff, the major German industrialists, and the Nazis. They knew that Germany had prepared for war by a program of economic and industrial, as well as military, armament—and that to disarm her and keep her disarmed, economic and industrial measures and controls were required.

To implement this pledge the three allies, with the addition of France, have agreed to and established an Allied control council to occupy Germany and exercise the power and authority necessary to carry out Allied objectives regarding that country. A reparations commission has been established to consider ways and means whereby reparations for damage can be obtained in some measure. It is important to interject here that the tone of this agreement on reparations and subsequent statements by our Executive and his Reparations Commission quite properly have made it clear that we intend to utilize the device of reparations to carry out our security objectives,

rather than permit the process to be utilized to maintain and restore a German industrial war potential.

Without discussing the nature of the definite and detailed program, which is in process of development to carry out the Yalta agreement, several general observations seem appropriate at this time. In my opinion, and the opinion of my staff, economic security from future German aggression must—

(1) Take precedence over all other Allied policies for the treatment of Germany. If there is a conflict with other policies such as reparations or the need of other countries for relief or rehabilitation, the policy of preventing Germany from rebuilding and perpetuating a dynamic power to make war must be considered primary.

(2) Be thorough. It must not be limited solely to the direct production of implements of war, but must also take into account a treatment of the general economic base for aggression, including those industries that we have come to recognize as the basis for modern warfare. The decisive factor in modern war is the industrial plant as a whole rather than those designed particularly for the assembling of guns and explosives. The application of the Yalta formula of elimination or control of these various industrial segments must not be so strictly construed as to be meaningless as in the case of the last treaty.

(3) Be addressed to the overwhelming German economic domination of Europe, through the abuse of foreign trade and the utilization of a wide variety of devices for economic penetration which rendered the remainder of Europe relatively powerless to resist German aggression.

(4) Be lasting in concept and character. It serves no useful purpose to enter upon a program that bravely restricts a defeated Germany in 1946 but expires into feeble and impractical ineffectiveness in 1956 or 1976. What we undertake now must be attuned to long-range objectives. This search for security from German aggression is no short-term business. The Germans are a capable and industrious people. More than likely they will continue to be fired with the desire for revenge or to obtain what they believe to be their rightful position of world dominance. Given the resources and the opportunity to do so, they can rebuild and reorganize their industrial war machine within a few short years regardless of the extent of bombing or short term deprivation of facilities through plant removals or construction. Cartels struck asunder today may be restored by agreement tomorrow. German industrial assets held abroad, although greatly reduced by reparations, may be built up again within a decade. Therefore, any system designed to limit the power and capacity of Germany to make war in the future must be built and fashioned to last.

(5) Recognize the difference between a powerful war economy and a healthy consumer economy. It by no means follows that international arrangements designed to limit Germany's power and capacity to make war need have the result of permanently lowering the standard of living of the German people or of depriving them of opportunities to have an increasing measure of goods and services. In the long run, the German people will be far better off when German resources are being used in the interest of higher consumer standards

of living for the individual Germans rather than to build up an over-industrialized, self-sufficient war economy, designed to equip Germany to conquer the world. More houses and less war plants won't hurt the German people. Of course, Germany is going to go through a period of difficulty no matter what we do. Let us not make the mistake of considering that to be security measures we propose when, in reality, it is directly the result of Germany's aggression. The difficulties they will encounter for the greater part will be the direct results of a war they brought on themselves. Hence, our program for preventing German aggression should not be postponed, deferred, or modulated because of the confusion of its results with the results of the war itself.

(6) Be developed and understood as a measure of security and not as a device for punishment and retribution. The issue of a soft versus a hard peace as it applies to a program for security is a false issue. This concern with the appropriate treatment of Germany's economic base for aggression must be constantly distinguished from any desire for a soft or a hard peace; it is and should be held by advocates of both types of peace. Nor is it a derivative of feelings of vengeance. Indeed it has its origin in an unemotional and scientific point of view, being responsive to the simple common sense purpose of preventing those who have proven themselves lawless from reacquiring the unhindered power and capacity to forge new weapons with which to menace the world.

(7) Be achieved by a variety of means. A wise occupation policy, including affirmative industrial and economic controls is a first step. Suitable terms that condition the return of sovereignty to a government selected by the German people is a second measure. Appropriate international arrangements of long term nature providing specific machinery for maintaining security from German aggression after actual occupation is the final and most significant stage in the process.

(8) Be flexible. Changing technology and new forms of industrial and economic activity will call for a process of considerable adaptation of this program. As a nation we have watched with increasing interest and concern the emergence of full-fledged economic warfare, the competition of varying types of industrial mobilization, and the rise of new and fearful technologies. To perfect and mass produce deadly weapons, such as a more powerful explosive, a faster plane, a robot bomb, an atom-smashing device, or a better tank, may condition a victory or defeat. The ability to do so may prompt an aggression as much as the ability to assemble and train an army. The perfection of processes for the manufacture of synthetic oil and rubber in Germany in 1926 and the unfettered trend of her heavy industry toward overexpansive development in the nineteen twenties and thirties were sure harbingers of war. Any program must be capable of adaptation to meet these changes.

(9) Be realistic. A league that offered only protection against a German aggression once begun and backed up by a huge war potential was an idealistic symbol rather than a practical force. Once the power and capacity to wage war is built up in Germany, it will constitute an explosive force. It invites these threatneed by a resurgent Germany to attempt to play it off against targets other than themselves or to conjoin themselves to it rather than resist it.

(10) Be possessed of a maximum of administrative feasibility and simplicity. Complicated and detailed controls may be practical during the period of occupation. Eventually, however, a long-term program must be designed with an eye for administrative simplicity.

(11) Be simple and understandable for the common people of the world. If the conclusions of such a program can be summarized on a single sheet of paper and become the household property of the people and accepted by them as necessary, a base for the powerful and vigilant public opinion which is necessary to such a program will not be lacking.

(12) Be spelled out in detailed particulars. General conclusions are useful to educate and inform public opinion. They must be translated, however, into specific orders, decrees or instruments of understanding, if they are to be lasting and enforceable and subject to changes required by new conditions.

(13) Be the springboard of a peaceful industrial and agricultural future for Germany. Such a program of economic and industrial disarmament, effective for the security purpose, can become the means by which the German economy is reoriented to provide for the consumer standards of the people rather than the war madness of the leaders.

(14) Be consistent with the ambition of Europe to regain a desirable economic and industrial development. A program for German economic and industrial disarmament, properly conceived and executed, can be a first step towards the industrial development of the remainder of Europe in the direction of a balanced economic structure that will prevent exploitation and dominance by an overpowering Germany.

In its larger aspect the problem of the economic and industrial disarmament of Germany is part of the economic reconstruction program facing the world. All of us must get used to living in peace instead of in war or under threat of war. The United States must work with the other United Nations to achieve increased prosperity for itself and its allies. But neither the United States nor its allies can afford to do this unless Germany is effectively disarmed, and kept disarmed. Then, and only then, can we relax our present emphasis on military strength and our ability to protect ourselves. Then, and only then, can we look forward to peace, prosperity and life, and forget about war, destruction, and death. (End of written statement.)

The CHAIRMAN. There is one question I wanted to ask you—from your studies, have you found this fact to exist, that other nations rely purely upon commercial research by private companies, whereas Germany went into war research as centralized industrially, and the research became the foundation stone of their war machine as based upon their contracts and cartels, and not upon the study of the war machines; but one of the real potentials of Germany is research work she has done?

Mr. FOWLER. My own impression is that her advantage was tremendous there. The so-called private concerns were willing and able to spend large sums at the suggestion of a particular government agency involved in research and development in a particular line. For example, the German General Staff claimed credit for pressing the development of synthetic oil and rubber, which was completed in a fairly workable form in 1926, and in addition to the amount of organized research that the General Staff was able to sustain through

private institutions, they, of course, did go forward and establish governmentally owned or directed research.

The CHAIRMAN. I didn't make my question clear. With their economic set-up that they have with that marriage between capital, industry, and state, they were able to guide the destinies of their research on a central plan, whereas other nations, particularly the United Nations, relying largely upon voluntary private research; of course, the research was largely commercial, and their research could be centralized on work that would have a commercial sustaining value, but could be instantly converted to a tremendous wartime potential.

Mr. FOWLER. I think oil and rubber are really the outstanding examples of that. The commercial price levels would have made it ridiculous from a competitive point of view to expend huge sums of money to develop synthetic oil and rubber, and yet, in spite of that, they went ahead and spent money on these synthetic industries and completed them long before they began World War II.

APPENDIX

EXHIBIT I

ORGANIZATION OF EUROPEAN INDUSTRY

COAL PRODUCTION AND DISTRIBUTION IN GERMANY

POSITION OF GERMAN COAL IN THE EUROPEAN ECONOMY

Germany is the greatest coal producer of continental Europe. Most European countries have a coal deficit. Before the war Germany stood second only to England as a source for their supply.

Average coal production, consumption, and deficit in countries around Germany, 1928-37

(Thousand metric tons)

Country	Average production			Average apparent consumption in terms of Steinkohle	Average surplus (+) or deficit (-) in terms of Steinkohle
	Steinkohle	Lignite and brown coal	Total in terms of Steinkohle		
Austria	•	3,090	2,040	6,430	-4,390
Belgium	26,610		26,610	31,150	-4,540
Czechoslovakia	13,200	17,600	24,800	23,160	+1,640
Denmark				5,700	-5,700
Finland				1,300	-1,300
France	48,570	1,000	48,800	79,700	-30,900
Hungary	820	6,600	4,100	3,070	+1,030
Italy	390	600	520	12,950	-12,427
Netherlands	12,410		12,410	12,220	+190
Norway				2,970	-2,970
Poland	34,230		34,230	23,110	+11,120
Sweden				6,570	-6,570
Switzerland				3,480	-3,480
Total	136,230	28,890	153,510	211,810	
Gross deficit					-72,280
Gross surplus					+13,980
Net deficit					-58,300

¹ German term covering semianthracite, bituminous, and subbituminous coal.

² Conversion ratios:

Austria, Czechoslovakia, Hungary: 1 ton of lignite or brown coal equals $\frac{3}{4}$ ton of Steinkohle.

Denmark, France, Italy (and Germany): 1 ton of lignite or brown coal equals $\frac{3}{4}$ ton of Steinkohle.

³ Production excludes coal from the Saar.

*German coal production, consumption, and exports*¹

(Thousand metric tons, in terms of Steinkohle)

Period	Production	Apparent consumption	Exports
1928-37, average	172,989	143,787	29,205
1932	131,995	111,136	20,859
1937	225,551	182,326	43,225
1938	229,507	194,217	35,290
1939 (estimated)	236,275		
1945 (estimated)	238,000		

¹ Figures are for the Altreich, which did not include the Saar before 1935. Saar consumption was about 2,000,000 tons, exclusive of coal used at the mines.

Average United Kingdom coal production, consumption, and exports, 1928-37[Thousand metric tons, in terms of Steinkohle¹]

Period	Production	Apparent consumption	Exports
1928-37.....	232, 360	170, 216	62, 174

¹ All United Kingdom production is in the Steinkohle class.

German production increased as the Nazis prepared for war and the increase has been more than maintained during the war. But in most countries under German domination (excepting Poland and Czechoslovakia) production has declined, owing to lack of willing labor, undernourishment of miners, shortage of new machinery, and so on. It may take some time after the liberation of these countries and the cessation of hostilities to restore their production to pre-war levels.

Military action and German demolitions may further impair continental coal production and impede post-war rehabilitation of the liberated mines. In the Soviet Union many of the mines have been seriously damaged. Even in Sardinia, where there was little enemy demolition, the mines are in poor shape. If the Germans repeat their 1918 wrecking of the northern French mines or if they flood those in the Low Countries, the normal European deficits will be still further multiplied—and this at a time when the work of reconstruction will be making unusual demands for coal.

If the war in the Pacific continues beyond that in Europe, it may be a considerable period before the supply and shipping situation of the United Nations would permit any large-scale imports from England or the United States. Thus, the production of Germany is likely to be of unusual value to the United Nations and especially to the liberated areas in Europe. It could help provide fuel and materials for the manufacture of supplies needed not only for reconstructing wrecked railroads, bridges, roads, ports, houses, and so on, but also for making consumer goods to replace what has been worn out, or destroyed through military action or Nazi destruction. Still more important, it could help overcome mass unemployment that would exist if liberated plants are idle for lack of fuel and if businesses dependent on them are closed.

OWNERSHIP OF COAL DEPOSITS AND ORGANIZATION OF MINING ENTERPRISES

OWNERSHIP AND LEASING OF THE COAL DEPOSITS

With unimportant exceptions, ownership of land in Germany does not give any right or prior claim to underlying minerals. Any person who can show evidence that minerals exist in a specific place, may, if he obtains permission from the State, enter the lands, seek the minerals, and exploit them. Having obtained a mining right, he may not leave the minerals unexploited if, in the opinion of the National Mines Bureau, such exploitation is in the interest of the State. The State also has the right closely to supervise and regulate the mining operations. This concept of mining as a public utility has existed in Germany for centuries.

The owner of the mining right pays an annual royalty to the State in accordance with the number of square meters in his concession.

Mining is carried on by individuals, by partnerships called *Gewerkschaften*,¹ by stock companies, and by the Reich. Formerly cities and States also operated mines but all or nearly all such enterprises have been taken over by the Reich. Although a few of the public enterprises are operated through Government agencies, most are administered through stock companies with the State as sole owner of the stock.

The majority of the enterprises are very large. In 1937, 55 percent of the Steinkohle and 82 percent of the brown coal came from mines having an individual output of more than 1,000,000 tons a year. The total number of coal mines in Germany was only about 260, and they were operated by a very few companies. One company alone, Gelsenkirchener, accounted for 14 percent of the total output in 1937.

Percentage of total production by large companies, 1937

Number of companies:	Percentage of Albreich output
5.....	50
13.....	70
21.....	90

The majority of the mining companies are subsidiaries of the iron and steel combines, though a large part of their output is sold to the general market.

Types of coal mining enterprises and percentage of output from each in 1937

Type of enterprise:	Percentage of total Albreich output
Engaged solely in mining.....	31
Subsidiary to heavy industry.....	54
Subsidiary to chemical industry.....	10
Subsidiary to power and miscellaneous industries.....	4

Among the largest enterprises engaged solely in mining in 1937 were some that have long been publicly owned. Part of the state mining companies were later placed under control of the Reich holding company Reichswerke "Hermann Göring." By 1943, these and other transfers had brought the percentage of total output of coal and brown coal mined by combines to 90 percent, with 70 percent in the hands of heavy industry.

Some leading combines in control of German coal, 1940¹

Interests	Important coal holdings
Graf von Ballestrem group ²	Gewerkschaft "Castellengo Abwehr." Rudaer Steinkohlengewerkschaft.
Friedrick Flick K. G. ³	Essener Steinkohlenbergwerke A. G. Anhaltische Kohlenwerke.

¹ As far as possible, the holding company of the combine is named in the first column. Where the name of the holding company does not indicate the informal name for the combine, this has been added in parentheses. The second column gives the name under which the mines are operated.

² The various iron and steel interests of the von Ballestrem family seem to be held in the name of the mining company, which is a partnership.

³ See next section also on Flick interests.

¹ Although the number of *Gewerkschaften* has declined in recent years, a few large collieries are still in this class. Rights of the partners are not transferable except by agreement of all partners. Corporations as well as individuals may be partners. The rights of the partners are represented by imaginary shares (*Kuxe*), each of which usually represents 1/100th of the net assets, but may represent 1/1000th or 1/10,000th.

Some leading combines in control of German coal, 1940—Continued

Interests	Important coal holdings
Gutehoffnungshütte Aktienverein für Bergbau und Hüttenbetrieb (Haniel combine).	Gutehoffnungshütte Oberhausen A. G.
Henkel-von Donnersmark-Beuthen G. m. b. H.	Mines of same name.
I. G. Farbenindustrie-Rheinische Stahlwerke A. G.	Mines under name of Rheinische Stahlwerke A. G. in Steinkohle and brown coal fields.
	Mines under name of I. G. Farben-Industrie.
Iseder Hütte A. G.	See next section.
Klöckner-Werke A. G.	Mines of same name.
Friedrick Krupp (family firm).	Friedrick Krupp.
	Constantin der Grosse.
	Emscher-Lippe.
	Bergbau Lothringen. ⁴
Mannesmannröhren-Werke A. G.	Mines of same name.
Reichswerke "Hermann Göring"	See next section.
Grüfl. Schaffgott'sche Werke A. G.	Mines of same name.
Schering A. G. and Borsig A. G.	Borsig Kokswerke A. G.
Schering A. G.	Niederschlesische Bergbau A. G.
Saltzdetfurth A. G.	Braunkohlenwerke Saltzdetfurth Mansfeld A. G.
Gebrüder Stumm G. m. b. H.—Otto Wolff K. G.	Essener Bergwerks Verein-König Wilhelm.
Vereinigte Stahlwerke A. G.	See next section.
Verkaufsgesellschaft der Michel-Werke (Michel combine).	Niederrheinische Bergwerke A. G.
	Michel.
	Vesta.
	Leonhardt.
Gerwerkschaft Wintershall (Wintershall combine with Gunther Quandt in control).	Gute Hoffnung.
	Braunkohlen Abbauverein "zum Fortschritt."

⁴ Acquired from Wintershall in 1943, apparently as part of the "reprivatization" movement in anticipation of defeat. The Reich is reported to have some interest in both Wintershall and Saltzdetfurth, which were originally potash combines.

REICH COAL MINING INTERESTS

The Reich has much the most important bloc of interests in the German coal-mining industry. It was estimated at the end of 1942 that more than 40 percent of the total Steinkohle and a considerable percentage of the brown coal being mined in the Altreich came from mines wholly owned by the Reich, by its subdivisions (primarily Prussia), and by combines and holding companies in which the Reich was the sole or the leading shareholder.

Some outstanding enterprises in this category, together with their output in 1937 (the last year for which their respective production figures are available) were—

1. Preussische Bergwerks und Hütten A. G.: 5,777,000 metric tons from mines in Upper Silesia and Saxony. The mines were developed by the Kingdom of Prussia before 1900. The company also mined brown coal.

2. Bergwerksgesellschaft Hibernia A. G.: 10,229,000 metric tons from pits at Herne in the Ruhr. Some stock in this company was acquired by the Kingdom of Prussia before 1912; the remainder was purchased in 1916.

3. Saargruben A. G.: 13,365,000 metric tons. This Reich-owned company produced most of the coal coming from the Saar. The Reich bought out French lessors when the Saar was returned to Germany after the plebiscite of 1934.

4. Gewerkschaft Friedrich der Grosse: 1,221,000 metric tons from pits at Herne in the Ruhr. This company is a subsidiary

of Ilseder Hütte, an iron and steel corporation in which the Reich already had 25 percent of the stock before 1933. It is not clear whether or not the Reich's participation in this subsidiary was increased when the Reich-owned holding company A. G. Reichswerke "Hermann Göring" obtained certain other properties of Ilseder Hütte. The stock was formerly held by the old state holding company VIAG.

5. Grube Ilse: 54,000 metric tons from mines in Lower Saxony. This was also an Ilseder Hütte property.

6. Preussengrube A. G.: 1,403,000 metric tons from pits at Borsig in Upper Silesia. The Reich is reported to have participated in this enterprise before the advent of the Nazis. In 1943, a majority of the stock was held by a subsidiary of "Hermann Göring."

7. Mines of Harpener Bergbau A. G.: 9,149,000 metric tons from pits in several parts of the Ruhr. The mines were acquired outright by Reichswerke "Hermann Göring" through exchange with Friedrich Flick.²

8. Bergbau A. G. Ewald-König Ludwig: 5,008,000 metric tons from mines in the Ruhr. "Hermann Göring" held a majority of the stock.

9. Gelsenkirchener Bergwerke A. G. 26,644,000 metric tons from a number of mines in the Ruhr. This company is wholly owned by Vereinigte Stahlwerke. The Reich was the principal stockholder in this iron and steel combine in 1932 through purchase of Gelsenkirchener Bergbau from Flick and certain minority holders; the mining company was the chief holder of Vereinigte Stahlwerke stock. Under the Nazis there was a reorganization in 1933 that reduced the Reich participation to 25 percent. In 1936 it was announced that the Reich had disposed of its holdings. But late in 1939 state confiscation of the property of the Nazi Party member Fritz Thyssen, a leading stockholder in Vereinigte Stahlwerke, was announced, after he quarreled with one faction of the party and fled the country. So far as is known, the Thyssen holdings in the steel combine remained in the hands of the Reich.

10. Concordia Bergbau A. G. 1,568,000 metric tons from pits near Oberhausen in the Ruhr. Vereinigte Stahlwerke is a majority stockholder.

The above companies mine Steinkohle.³ The Reich also has very considerable participation in the brown coal fields. The mines serving the power plants developed through "Hermann Göring" account for about 8 percent of the brown coal output. This combine also owns the majority of the stock in Braunkohlen A. G. Vereinsglück Meuselwitz; no figures are available on the company's output, part of which may come from Poland or Czechoslovakia.

² It is possible that this exchange also gave some control of the mines of Essener Steinkohlenbergwerke A. G. (6,107,000) a subsidiary of Harpener and of the Flick holding company. "Hermann Göring" acquired merely the mines of the Harpener company, which, like certain other mining firms, is a holding as well as an operating company. When Reichswerke "Hermann Göring" was established its primary job was utilization of certain low-grade German iron ores, as part of a plan for making Germany less dependent on imported ores. Leaders of the older iron and steel combines united in an attempt to keep coking coal from the new rival. Flick, the speculator, broke the united front when he aided "Hermann Göring" by turning over some of his mines. His reward came in the form of heavy participation in the loot of conquered areas. According to one report, late in 1943, when the Nazis began to place as much property as possible in the "private" category in anticipation of reparation demands, the Harpener mines were turned back to Flick.

³ The Bavarian state company Bayerische Berg-Hütten-und Salzwerke was producing 610,000 metric tons of pitch coal in 1937.

MINING BY PRIVATE INTERESTS

It is difficult to discover where the Reich's interests end and private interests begin. Each of the large iron-and-steel combines has its mining companies but there has been much interchange of the stock of holding companies and subsidiaries. Vereinigte Stahlwerke sits at the center of the spider web. But interchanges have not been exclusively within the iron-and-steel combines. While Vereinigte Stahlwerke is the majority stockholder of Concordia, nearly a quarter of the stock is held by Schering A. G., a chemical corporation that has greatly prospered under the Nazis. The crossing of lines between the iron-and-steel and the chemical combines is found again in the brown coal Rheinische Stahlwerke mining company, where the major stockholder is I. G. Farbenindustrie.

Moreover, major stockholders of Vereinigte Stahlwerke and other combines appear over and over again in connection with certain subsidiaries of Hermann Göring that are partly owned by private interests.

There is considerable evidence that high Nazis have been piling up fortunes for themselves through use of dummies and it is quite probable that stocks in mining companies are among their acquisitions.

One of the objectives of "reprivateization" is to conceal such gains. The German system of issuing stock certificates of the nonliability type without the name of the owner and with dividend coupons payable to the bearer, lends itself readily to the concealment of ownership. When combined with use of dummy holders, and especially private holding companies in Switzerland and other neutral countries, it offers almost endless possibilities for Nazis to hide their loot. While ownership of large blocks of stock could under ordinary conditions be discovered by examination of the records of the banks that act as buying, depository, and dividend-paying agencies, it is to be expected that such records as they concern improperly acquired holdings will have disappeared. Bomb damage and fire can serve German purposes well in this field.

THE COAL CARTELS

The German coal cartels (called syndicates), which had their origin about 1880 and in which membership has been compulsory since 1916, might be said to have evolved the system that the Nazis adopted to place all power in the hands of a few dominant interests.

The elements of the coal cartel system as eventually developed were—

1. Compulsory membership.
2. A method of sales allocation among the member companies that increased the sales of the dominant companies and drove smaller competitors out of business.
3. Voting representation in accordance with the size of the sales in the previous year, which gradually pyramided control into the hands of a very few companies.
4. Monopoly in the domestic field through tariff protection and regulation of imports.⁴

⁴ Before the war Germany was divided into noncompetitive sales areas (i. e., areas in which the whole market belonged to specific syndicates) and competitive areas, i. e., areas in which two or more syndicates theoretically competed. But even in the competitive areas the character of the competition was strictly limited by intersyndicate agreements. As the voting power of each syndicate was determined by the size of its sales quota, one syndicate alone (Rheinisch-Westphälisches—see ahead) could outvote all the others combined. Moreover, the comparatively small sales quotas of most of the other syndicates prevented them from being serious competitors.

5. Strict penalties for violation of the cartel rules.

The key to the system that gradually gave control of all German coal to a few combines was the cartel practice of allotting sales quotas in accordance with the sales of the previous year. In theory this would have resulted in a static relationship; in fact it tended to reduce the sales of the smaller producers and to increase the sales of the larger ones.

Sales quotas were made up first by estimating the total probable sales of the coming year. A minimum was assured through use of an annual contract, required of every domestic buyer and even of some foreign buyers. Under these contracts the buyer had to spread his purchases evenly throughout the year, to agree to a price set in advance, and to accept certain other conditions. Wholesalers, in turn, were required to demand similar arrangements from retailers. The minimum total of sales assured to members of the syndicate were then allotted among the companies in proportion to their share of total syndicate sales in the previous year. This formed the basic quota. However, a fixed percentage was then added to the basic quota to cover unexpected sales of the kind that would appear in a year of rising industrial activity. The latter became the actual working quota.

When large unexpected orders appeared they were in theory allotted among the mines until the respective quota limits were reached. Actually, however, it was usually beyond the ability of the smaller producer suddenly and considerably to increase his output. This would throw the orders to the larger mines, thereby increasing their proportion of syndicate sales in the following year and decreasing the proportion of the smaller operators.

Moreover, some cartel members were able themselves to create large unexpected orders. The iron, steel, and chemical combines that belonged, directly or indirectly, through subsidiaries or affiliates, to the coal cartels could understate their expected coal consumption when the quotas were being fixed and later introduce large orders that would progressively increase the proportion of business allotted to their big coal companies.

And the rules by which the system was established and entrenched could not be changed without the consent of their greatest beneficiaries. Although membership in the coal cartels has been compulsory for all producers ever since 1916, the members do not all have equal voting rights. It is the essence of the system that such rights, like the coal orders themselves, are apportioned in accordance with the sales quotas.

Sales quotas were apportioned among the syndicates by a system similar to that used within the syndicates.

The coal cartels carried on these operations:

1. Restriction of production to maintain prices and prevent competition.
2. Price setting (theoretically kept under control by the State, but after the State coal-mining companies joined the cartels prices were kept at a high level by State acquiescence).
3. Imposition of annual contracts that dictated sales conditions.

4. Operation of sales agencies to enable allocation of orders in the manner most favorable to the dominant companies and to provide a check on compliance with the cartel rules.

Under war conditions the cartels have almost ceased to function except as sales agencies.

1. Owing to the need for maximum production, they have been forced to abandon all company and intercartel quotas. The dominant Rheinisch-Westfälisches cartel has even been forced to promise that all increases in production achieved by its competitors and by small members of the syndicate during the war period will be taken into account in setting post-war inter- and intra-cartel quotas.

2. The over-all price control of the State is applied to coal as well as other commodities, though the cartels still help to assemble the cost-accounting reports prepared by each mining company.

3. Under the rationing system annual contracts, if still used, become meaningless; the State determines sales conditions.

4. The rationing system, coupled with strict control of the distance goods may be shipped, eliminates sales solicitation. The cartel offices still receive the orders for coal that have been approved by the Government rationing authorities, distribute them among the mines in accordance with the rules of the State transportation authorities, and act as collection agents for the coal companies.

It is possible that the syndicates are also acting for the Reichsstelle Kohle in allocating the coal permitted to the large industrial consumers, many of whom are represented directly or indirectly on the boards of directors of the syndicates. While the question of the extent to which coal from their own mines might be used by the combines without syndicate accounting was long a cause of intrasyndicate quarrels, the syndicates at present seem to keep strict account of all coal used by their members.

The chief Steinkohle cartel—Rheinisch-Westfälisches Kohlen-Syndikat—has its headquarters in the Ruhr, the major Steinkohle producing district, but its membership also includes the companies of the Aachen and Saar fields. The Reich mining companies are members of the coal syndicates in every region where they operate.

The Steinkohle syndicates, their headquarters, and the percentage of total German Steinkohle output which their respective members accounted for in 1937 were:

Steinkohle syndicates	Headquarters	Percentage of total German output in 1937
Rheinisch-Westfälisches Kohlen-Syndikat.....	Essen.....	80.7
Oberschlesisches Steinkohlen-Syndikat.....	Gleiwitz.....	13.3
Niederschlesisches Steinkohlen-Syndikat.....	Waldenburg.....	2.9
Sächsisches Steinkohlen-Syndikat.....	Zwickau.....	2.4
Niederschsisches Steinkohlen-Syndikat.....	Hannover.....	0.7
Total.....		100.0

The cartels of the brown-coal companies, their headquarters, and the approximate percentage of the total brown-coal output which their respective members produced in 1937 were:

Brown-coal syndicates	Headquarters	Percentage of total German output in 1937
Rheinisches Braunkohlen-Syndikat.....	Cologne.....	29.7
Ostelbisches Braunkohlen-Syndikat.....	Berlin.....	25.0
Mitteldeutsches Braunkohlen-Syndikat.....	Leipzig.....	43.7
Kohlensyndikat für das rechte Rheinhafische Bayern ¹	Munich.....	1.6
Total.....		100.0

¹ This cartel, as its name indicates, is not wholly a brown-coal syndicate, though belonging primarily in that class. Some of the members, whose mines are scattered, produce pitch coal.

Although the total output of brown coal in 1937 was approximately the same as the Steinkohle output—some 184 million metric tons—in terms of heat value the brown-coal production was worth only about 41 million tons of Steinkohle. Thus the Rheinisch-Westfälisches syndicate controlled not only four times as much Steinkohle as all the other Steinkohle syndicates, but it also controlled, in terms of heat value, an output that was worth about three and a half times as much as that of all the brown-coal syndicates together. Moreover, some of the members are also members of other syndicates, especially of the Mitteldeutsches Braunkohlen-Syndikat, thus further increasing the dominance of the Ruhr group.

The Rheinisch-Westfälisches cartel, many of whose members are big coke producers, also controls the coke syndicate.⁵

While most of the coal syndicates are organized as limited liability companies (Gesellschaften mit beschränkter Haftung), the Rheinisch-Westfälisches Kohlen-Syndikat is a stock company (Aktiengesellschaft) which itself owns or partly owns several other companies. The most important are:

Company	Headquarters	Business
Westfälisches Transport A. G.....	Dortmund.....	Carrier of coal and other materials.
Kohlentransportgesellschaft.....	Duisberg.....	Coal carrier.
Ruhr-Elektrizitäts A. G.....	Essen.....	Utility holding company.

In Westfälisches Transport A. G., the cartel shares stock control with Vereinigte Stahlwerke, whose subsidiary, Gelsenkirchener, is also the principal member of the cartel. The Reich, however, through its own mines and through its holdings in Vereinigte Stahlwerke, is actually the majority stockholder in Westfälisches Transport A. G. and all other subsidiaries of the cartel.

Ruhr Elektrizitäts A. G., another of the important subsidiaries of the syndicate, is itself a holding company, founded in 1937 to gain control of the private power system of Germany in order to prevent it from falling into the hands of companies that mined and utilized brown coal for the generation of electricity.

⁵ See appendix for names of leading directors of the cartels and coal companies.

In addition to their joint undertakings as members of the Rheinisch-Westfälisches Kohlen-Syndikat, a number of the iron, steel, and coal companies belonging to the coal syndicate participate jointly in certain important enterprises producing coal byproducts—Ruhrgas A. G., Ruhrbenzin A. G., and Ruhrchemie A. G. The Reich is—or was—also a stockholder. A number of men who were directors of the syndicate in 1940 were likewise directors of these companies.

Distribution of coal.—Except in Silesia, where combines dominating the coal industry marketed coal through four agencies of their own, coal was sold through the syndicates, which maintained sales staffs and accounting offices. All wholesalers and retailers were united in a Zentralverband der Kohlenhändler Deutschlands. They were controlled by the syndicates through a system of annual contracts. Each wholesaler had to agree to handle only such coal as he obtained from the syndicate with which he had a contract; to maintain syndicate prices in his dealings with customers and to force the same conditions on the retailers; and to take the coal for which he contracted in shipments spaced evenly throughout the year. The dealer had to maintain the necessary storage space for coal received during the seasons of lower demand. In general, distribution expenses were shifted onto the dealers.

POSITION OF THE COAL INDUSTRY UNDER THE NAZIS

The Government's position in relation to coal and the coal industry is peculiar. State coal mining was begun long before 1900 to provide a cheap supply of coal for state-owned railroads and later for public power plants. By the early part of the twentieth century the syndicates had made coal prices so high that there was general demand for the Government to expand its operations and enter the commercial field as a competitor of the syndicate members. The threat to private producers forced prices down somewhat. Eventually the Government decided to enter the syndicates to avoid having to set up its own sales organization. The public did not greatly object to this, because it was believed that the Government as a member of the syndicates could keep the prices under control. But by the time the Government's output for the commercial market had reached sizable proportions, the leading members of the Rheinisch-Westfälisches syndicate were able to convince the public authorities that high prices were to the advantage of the public treasury, since there would be a net profit even though public buildings and certain other governmental consumers not served directly by Government mines did have to pay high prices for coal.

This community of interest between the Government and the leading members of the dominant syndicate increased with the concentration of coal-company ownership in the iron and steel industry, whose role as armament maker and steel exporter made it the darling of the Imperial and National Socialist Governments.

Some attempt was made under the Weimar Republic to curb this alliance by establishment of a national coal council (Reichskohlenrat) and a supersyndicate (Reichskohlenverband) with labor and governmental representation. But the iron and steel representatives were easily able to control the new organizations; they had allies in the ex-Army officers who were in strategic governmental positions,

secretly conniving with them in the interests of rearmament. Under the Nazis labor lost its representation in the two organizations that Weimar had created. Eventually both were abolished.

In April 1941 the Reichsvereinigung Kohle (national coal union) was established as a compulsory nation-wide organization of the coal-mining companies and the coal dealers. It was intimated that the day of the regional syndicates was over and that the Reichsvereinigung would assume their functions. But it was apparently inexpedient to abolish the syndicates during the war.

The order setting up the coal union laid various responsibilities on the members but offered no powers. Like all other business organizations, the union was called on to increase production and promote efficiency. It also had responsibility for "improving the social condition of the workers," for cooperating with big coal consumers and governmental agencies, for collecting and evaluating statistics, for advising the Government on international coal agreements, and for carrying out such agreements. While the order also stated that the members were responsible for organizing coal transportation and distribution, the increasing governmental control of all transportation, allocation, and distribution left the members with little to do but follow the regulations in parceling out orders among the mines. The praesidium of the coal union, whose members were elected for 5 years, were permitted to act through deputies. The first president of the praesidium, whose appointment was subject to the approval of the Reichsmarschall, was Paul Pleiger, a leading official of Reichswerke "Hermann Göring."

But while Reichsvereinigung Kohle now exercises few powers, this does not mean that the men who from their base in the Ruhr have long controlled the German coal industry, as well as most of the economic life of the country, are ruled by Pleiger for the benefit of the Nazis. They themselves are part of the Nazi politico-economic hierarchy, sharing power, but not publicity, with the politicians.

The industrial monopolists have long and ardently worked for pan-Germanism and have willingly joined in partnership with Hitler and his lieutenants to achieve their ends.⁶ For all practical purposes, the social and political philosophies of the partners are indistinguishable, even though their personal interests sometimes lead to factionalism. As Allied pressure increases, for example, Hitler and the politicians will undoubtedly want to fight to the end, since military defeat will entail the loss of all their power, whereas big industrialists like Flick, Tengelmann, and Zangen may wish to negotiate a surrender in the belief that they can still retain their power.

The importance of the Reichsvereinigung Kohle lies in the fact that when Nazi arms are defeated the unpublicized industrial faction may seek to use it as a ready-made instrument for resuming the monopolistic controls and as a vehicle in which they can ride out the storm and continue toward their goal.

⁶ After the firm of Friedrich Krupp A. G. was given a specially favored status by decree of the Führer in December 1943, Gustav Krupp von Bohlen und Halbach announced his retirement in favor of his son Alfred and publicly stated that Alfred would henceforth give personal leadership to the enterprise, in accordance with "the attitude of the National-Socialist state and our own ideas." Alfred, in turn, announced: "The task of carrying out to the best of my abilities the social duties of a National-Socialist enterprise will always be dear to my heart As in the past 132 years, the Krupp works community will always do what Führer, people, and Reich expect of it, especially now that our fatherland is struggling hard for its destiny, defying all powers. Heil Hitler!"—*Rheinisch-Westfälische Zeitung*, January 11, 1944.

MISCELLANEOUS ORGANIZATIONS OF THE COAL INDUSTRY

The Pflichtgemeinschaft der Braunkohlenindustrie (Compulsory Association of the Brown Coal Industry), under direction of Reichscommissar Regel of the Reichsbank, is an investment agency. Members of the brown-coal industry were ordered to unite in this association and act through it in pooling funds for construction of plants to manufacture liquid fuel from brown coal.

Three old private organizations have been permitted to remain in existence. Nominally they are concerned with technical problems of the coal industry; actually they are honorary societies. Founded for political pressure purposes, in the last years of the Republic they levied a tax on every ton of German coal sent to market to build up the fund used, under the guidance of the dominant Ruhr group, secretly to finance the Nazi drive to seize political power. These organizations are:

Organization	Headquarters
Verein für die bergbaulichen Interessen	Essen.
Oberschlesischer Berg-und Huttenmännischer Verein E. V.	Gleiwitz.
Deutsche Braunkohlen-Industrie Verein E. V.	Halle.

Owing to the small number of coal companies, and their membership in long-established and highly organized syndicates, the Gruppen of the industry were of little importance. Leaders of the Gruppen were the same men who ran the syndicates. For example, in 1937 the leader of the Wirtschaftshauptgruppe that included mining (as well as iron and steel) was Dr. Ernst Poensgen, chairman of the board of management of Vereinigte Stahlwerke and deputy chairman of its big mining subsidiary, Gelsenkirchener. Poensgen was also chairman of the regional main industrial Gruppe of the Ruhr. The leader of the national subgroup of the Steinkohle producers was Dr. Gustav Knepper, chairman of the board of management of Gelsenkirchener and a director of Schering and other mining and mine-holding companies. The leader of the regional mining subgroup in the Ruhr was Brandt, a general handyman of the Ruhr interests, who was also manager of the Verein für bergbaulichen Interessen; and the deputy leaders of the Ruhr subgroup were Ernst Buskühl, chairman of the board of management of Flick's Harpener Bergbau (and Flick representative on the board of various other companies) and the useful Walter Tengelmann.

THE MINE WORKERS

Long before the war began, Germany, like other industrialized countries, was experiencing difficulty in recruiting mine labor from among the native population. Coal mining requires experienced men who have, by and large, entered the trade as apprentices. For various reasons, the factories are more attractive than the mines to boys starting to earn livelihoods. During the period of acute unemployment that began in 1930 many German miners migrated; when production increased again their places were taken by immigrants from the less industrialized countries.

At the time the Nazis turned to open war, the earlier plan of deferring all miners was not adhered to. A serious shortage of labor soon developed. It was not possible to recruit many experienced miners for Germany in the conquered countries since the Nazis desired to exploit the mines in such areas. Moreover, the working force in other countries had been depleted by conscription and evacuation even before the Nazis took charge. A more efficient deferment program was instituted after it became apparent that the whole war production program would fail unless there was a more adequate supply of coal. Later a training program in mining was begun among war prisoners and slave laborers, and in 1944 the German press was proclaiming its success and offering per man output figures to prove that even white-collar workers could be taught coal mining in a few months.

The urgent need for coal has placed the miners, both native and foreign, among the most favored groups of wage earners. By 1943 food rations for them were exceptionally high, and they were also receiving permits for additional clothing. Even prisoners working in the mines were granted special privileges.

THE COAL ECONOMY OF FRANCE

OWNERSHIP AND EXPLOITATION OF FRENCH COAL

STATE OWNERSHIP OF MINERAL RESOURCES

The mineral resources of France are the property of the state. Ownership of the surface gives no rights to what is below it. The state may exploit the minerals itself or it may lease the rights of exploitation to private concessionaires. The latter course was followed with coal and most other minerals. The concessionaire paid a nominal fee per hectare in the concession, the fee increasing slightly when production began; but the state was a minor partner in the exploitation, entitled to a certain percentage of the output. It became customary to have the state's share marketed by the concessionaire, who turned over the proceeds to the public treasury.

The concession contracts were elaborate, with numerous clauses whose interpretation depended on a century of precedents. The state and the concessionaires were enmeshed in a complex of relationships wherein the state was owner, lessor, partner, and regulator all at once. The contracts were predicated on the theory that the exploitation would be carried on in a manner that would serve the interests of the state. If the state finds that its interests become prejudiced, it has the right to terminate the concession; if it desires to continue some exploitation it may do so alone or with a new partner.

STATE MACHINERY FOR CONTROL OF MINING

The representative of the state in exercise of its mineral rights has been the Direction des Mines, in the Ministère des Travaux Publics (Ministry of Public Works).

Bureau I of the Ministry had jurisdiction over mines of all types (including the peat pits, the stone quarries, and the state-owned potash mines), the mine schools, the colliery railroads, the leasing of mining concessions, and the adjudication of disputes over such concessions, and the granting of permits for mineral exploration (except for gas and petroleum). It also supervised mining and fuel utilization research and was responsible for safety in mines and colliery railroad operations.

Bureau II had charge of the mining royalties, verified mining reports, supervised coal imports and exports (including imports under the Versailles Treaty and subsequent international accords), sponsored legislation on mine labor and kindred matters, did geologic mapping, and published the *Annales des Mines*.

Attached to the Direction des Mines were numerous advisory committees representing the mining industry, the coal importers, the mine workers, the mining engineers, the coal wholesalers and retailers, the large private coal consumers, and the public services consuming

coal. Also attached to the Direction were a variety of technical commissions coordinating and carrying on research.

The over-all policy-making body on mining within the Ministry was the Conseil des Mines, consisting of the Minister, the chiefs of the Direction and of the bureaux, the inspecteur general in charge of the Service des Mines, his principal assistants, and two or three other public officials.

The Service des Mines carried on the field work of the Direction, which consisted primarily of mine supervision in connection with the enforcement of the official mining regulations, including those designed to promote safety and worker health. Metropolitan France was divided into six mining districts, each in charge of an official of the Service des Mines, who had reached the rank of inspecteur general, first class. His assistants had similar rank or were of the second class. The mine inspectors usually had the rank of ingénieur ordinaire. They worked out of subdistrict offices, each of which was in charge of an ingénieur en chef. The duties of the men in the field service (as well as those at the higher levels) included the giving of instruction to prospective mine foremen and others in the mining schools and the inspection and supervision of boilers in industrial establishments. They compiled mining statistics that were incorporated in their annual reports on the mines under their jurisdiction. These reports were filed with the prefect of the department concerned, and he, rather than the regional mine inspectors, transmitted them to the Ministry. The mining engineers also performed functions unrelated to mines or mining; for example, they acted regularly as arbitrators in serious traffic accidents.

THE CONCESSIONAIRES

Concentration of interests.—Approximately 77 percent of the French coal output came from 14 companies, of which 1 was a joint subsidiary of several of the others. Moreover, the interests controlling some of the other 13 companies owned or controlled certain of the lesser producers.

Companies producing 77 percent of total French output, 1938

	[Metric tons]	Tonnage
Aniche (Nord)		3, 181, 000
Anzin (Nord)		3, 027, 000
Bethune (Pas-de-Calais)		2, 478, 000
Blanzay (Saone-et-Loire)		2, 141, 000
Bruay (Pas-de-Calais)		3, 162, 000
Courrières (Pas-de-Calais)		3, 239, 000
Dourges (Pas-de-Calais)		1, 616, 000
Lens (Pas-de-Calais)		2, 960, 000
Lievin (Pas-de-Calais)		1, 419, 000
Marles (Pas-de-Calais)		2, 330, 000
Ostricourt (Pas-de-Calais)		1, 270, 000
Petite-Roselle (Moselle)		2, 601, 000
Sarre-et-Moselle (Moselle) ¹		4, 982, 000
Vicoigne-Noeux-Drocourt (Pas-de-Calais)		2, 354, 000
Total		36, 760, 000

¹ Output includes the tonnage from La Houve, a subsidiary of Sarre-et-Moselle

Sarre-et-Moselle is the subsidiary of about a dozen companies, all but two or three of which were coal producers; the two or three noncoal companies made iron and steel. Until the Faulquemont company entered production in 1936, Sarre-et-Moselle and Les Petit Fils de Francois Wendel together accounted for practically the total output of the Lorraine Basin.¹ Sarre-et-Moselle, founded after the Versailles Treaty returned Alsace-Lorraine to France and gave France control of the Saar mines for at least 15 years, acquired concessionary rights to all mines formerly operated by the Germans in the Lorraine Basin and also the French operating rights for the Saar mines.

The participants in Sarre-et-Moselle were primarily the large companies whose mines in the north basin had been wrecked by the Germans during the last war and also some metallurgical companies affiliated with them. The new enterprise not only offered unusual opportunities for profit but also, by obtaining all the newly available pits, prevented other interests from entering the field or challenging the dominance of the established companies. The latter consideration was important to the participants, especially in the period when Saar coal was at the disposal of France.

The new Faulquemont company expected to be among the million-ton producers by 1939, was also a subsidiary of a number of operating companies, but most of them, with the exception of Escarpelle, belonged primarily to the metallurgical industry. Some, however, had at the same time substantial holdings in other coal mining companies. The participants in the development of Faulquemont were—

Societe Lorraine des Acieries de Rombas.

Societe des Acieries de Longwy.

Cie des Forges et des Acieries de la Marine et d'Homcourt.

Cie des Minerais de Fer Magnetique de Mokta-et-Hadid.

Cie des Mines de l'Escarpelle.

Societe Anonyme des Acieries de Micheville.

Societe Anonyme des Hauts-Fourneaux et Fonderies de Pont-a-Mousson.

Societe des Mines et Usines de Redange-Dilling.

Industrial interests in coal mining.—As indicated above, the private interests controlling French coal mining have belonged largely to the metallurgical industry, but the same groups have also been heavily involved in iron mining, the generation and distribution of electric energy, the manufacture and sale of chemicals, and the operation of financial institutions. The number of these controlling groups, despite the variety and size of their industrial holdings, is small. Moreover, although they can be loosely distinguished according to the dominant lines of their respective operations, or according to their regional concentrations, or at times even according to separate lines of policy, they have in the long run formed a single bloc with a high degree of solidarity.² There was competition between groups, but it was not allowed to disturb their basically united front. This solidarity, as well as the great concentration of French industrial

¹ The only producer outside the two large companies was the small Ronchamp company.

² Regionally, the groups fall generally into those of the north, the east, and the center and south, though their leaders often have interests that are empire-wide and their principal offices are usually in Paris. The de Wendel group was considered dominant in the east, the Schneider in the center, and so on. An example of occasional differences in policy was to be found in such matters as labor relations. Whereas the de Wendel group was paternalistic and hostile to unions, the Schneider group considered them inevitable and sought to dominate them.

interests, is well illustrated by the variety and importance of the concerns united, directly or indirectly, in the board of the Sarre-et-Moselle company.

DIRECTORS OF SARRE-ET-MÔSELLE AND INTERESTS THEY REPRESENTED (1937)

Chairman: Henri de Peyerimhoff de Fontanelle (president, Comité Central des Houillères; vice president, Chambre Syndicale Française des Mines Métalliques; director, Confédération Générale du Patronat Français; president, coal section of the Confederation).

Coal: *Mines de Dourges.

Metallurgy:

Hauts-Fourneaux de Saulnes (J. Raty & Cie).

Soc. Générale de Fonderie.

Electric power:

Cie Générale d'Electricité.

*Forces Motrices de la Truyère.

Chemicals and petroleum:

*Phosphates de Constantin.

Pechelbronn.

Finance:

*Union des Mines.¹

Groupement des Houillères du Nord et du Pas-de-Calais.⁴

Soc. Mosellane Industrielle et Financière.

Credit National.

Vice chairman: Alfred Descamps.

Coal: *Mines de Lens.

Metallurgy: *Forges & Acieries de Nord et de l'Est.

Electric power: Cie Electrique du Nord.

Chemicals: Matières Colorantes et Produits Chimiques du Nord (Etabl. Kuhlmann).

Finance:

Union des Mines.

Banque Générale du Nord.

Finalens.

Directors:

Charles Barrois:

Coal: Mines d'Aniche.

Finance: Soc. Mosellane Industrielle et Financière.

Comte Georges de Boisgelin:

Coal:

Mines de Dourges.

Mines de l'Escarpelle.

Metallurgy: Hauts-Fourneaux de Saulnes.

Electric power: Cie Electrique du Nord.

Eugene Courtin:

Coal: *Houillère de Lievin.

Metallurgy: Les Petits-fils des Fr. de Wendel et Cie.

Finance:

Union des Mines.

Groupement des Houillères du Nord.

Albert Degouay:

Coal: Compagnie de Bethune.

Electric power:

*Soc. Artesienne de Force et de Lumière.

Soc. Electrique du Nord-Ouest.

Chemicals: Huiles, Goudrons et Derivés.

Alfred Dupont-Descat:

Coal: Mines de houille de Courrières.

Chemicals:

Produits Chimiques Courrières-Kuhlmann.

Matières Colorantes et Manufactures de Produits Chimiques du Nord (Kuhlmann).

¹ Private bank established by mining companies.

⁴ Founded by northern interests to handle their reparation and other receipts (such as advances by the Government for reconstruction purposes) after the last war.

Louis Dupont:

Coal: *Mines de Vicoigne-Noeux-Drocourt.

Metallurgy: Hauts-Fourneaux, Forges et Acieries de Pompey.

Electric power: Soc. Electrique du Nord-Ouest.

Chemicals and petroleum:

*Huiles, Goudrons et Derives.

Raffinerie de Petrole du Nord.

Finance:

*Banque Louis Dupont et Cie.

Union des Mines.

Credit Industriel et Commercial.

Groupeement des Houilleres du Nord et du Pas-de-Calais.

Caisse Fonciere de Credit.

Maurice Flayelle:

Coal: Mines de Bruay.

Electric power: *Soc. Bethunoise d'Eclairage et d'Energie.

Theodore Laurent (vice president of Comite des Forges and vice president of main metallurgical section of the Confederation).

Coal:

*Mines de l'Escarpelle.

*Houillere de Saint-Chamond.

*Charbonnages de Faulquemont.

Mines d'Anzin.

Metallurgy:

Ateliers et Chantiers de France.

Hauts-Fourneaux et Fonderies de Brousseval.

*Cie Francaise de Materiel de Chemins de Fer.

Mines et Usines de Redange Dilling.

*Tubes de Vincey.

Etabls. Delattre et Frouard Reunis.

Cie de Construction Mecanique Procedes Sulzer.

*Forges et Acieries de la Marine et d'Homecourt.

Hauts-Fourneaux et Fonderies de Givors.

*Hauts-Fourneaux et Forges d'Allevard.

*Soc. Lorraine des Acieries de Rombas.

Forges et Acieries du Nord et de l'Est.

Soc. Provencale de Constructions Navales.

Cie pour l'Exportation des Aciers, Tubes et Materiaux.

Forges et Acieries de Dilling.

Iron mining (in addition to mining carried on under name of above metallurgical companies): Mines d'Anderny-Chevillon.

Electric power: Cie Generale d'Electricite.

Chemicals: Matieres Colorantes et Manufacture de Produits Chimiques du Nord (Kuhlmann).

Finance:

Banque des Pays du Nord.

Caisse Fonciere de Credit.

Credit a l'Industrie Francaise.

Marcel Paul (vice president Comite des Forges).

Coal:

Charbonnages de Faulquemont.

Mines de l'Escarpelle.

Metallurgy:

*Hauts-Fourneaux et Fonderies de Pont-a-Mousson.

Minerais de fer magnetique de Mokta-el-Hadid.

Constructions Mecaniques Procedes Sulzer.

Soc. Lorraine des Acieries de Rombas.

Acieries de Micheville.

Forges et Acieries de Dilling.

Redange-Dilling.

Electric power:

Hydro-Electrique de la Diege.

Hydro-Electrique d'Auvergne.

Chemicals:

Huiles, Goudrons et Derives.

Comptoir de l'Industrie du Sel and des Produits Chimiques de l'Est.

Finance:

Soc. Mosellane Industrielle et Financiere.
Soc. Nanceienne de Credit Industriel et de Depots.

Henri Perret:

Coal: *Mines de houille de Blanzv.

Electric power:

Industrie et Force.
Forces Motrices du Centre.
Forces Motrices de la Truyere.

Henri Portier:**Coal:**

*Mines de houille de Courrieres.
Mines de houille de Marles.
Mines de Douchy.

Metallurgy: Soc. Metallurgique de Senelle-Maubeuge.

Chemicals: Produits Chimiques Courrieres-Kuhlmann (Etabs. Kuhlmann).

Finance:

Union des Mines.
Groupement des Houilleres du Nord et du Pas-de-Calais.

Etienne Thouzellier:**Coal:**

*Mines de Carvin.
*Houillere de Haute-Loire.
Mines de Vicoigne-Noeux-Drocourt.

Metallurgy:

Usines Metallurgiques de la Basse-Loire.
Electro-Metallurgie de Dives.
*Etabs. J-E Johnson et Cie.
Forges et Acieries du Nord et de l'Est.
Cie Generale d'Electro-Metallurgie.

Electric power: Energie Electrique de la Basse-Loire.

Chemicals: Phosphates de Constantine.

Finance:

Union des Mines.
Groupement des Houilleres du Nord et du Pas-de-Calais.

Andre Vicaire (director general of Etabls. Schneider):

Coal: Schneider et Cie.

Metallurgy:

Schneider et Cie.
*Anciens Etabls. Chavanne-Brun freres.⁵
Forges et Chantiers de la Gironde.
Soc. Metallurgique de Normandie.
Anciens Etabls. Skoda a Plzen.
Constructions Mecaniques Cail.
*Soc. Metallurgique d'Aubrives et Villerupt.
Acieries de Burbach-eich-Dudelange.
Soc. Metallurgique de Knutange.

Iron mining (in addition to that carried on by above metallurgical firms):

*Mines de Soumont.

Electric power: Cie Bourguignonne de Transport d'Energie.

Finance: Union Europeene Industrielle et Financiere.

Maurice Wallaert:

Coal: Mines de Lens.

Metallurgy: Forges et Acieries du Nord et de l'Est.

Finance: Finalens.

Paul Weiss:

Coal: Mines de Vicoigne-Noeux-Drocourt.

Metallurgy:

Forges et Ateliers de Commentrey-Oissel.
Soc. Lorraine Miniere et Metallurgique.
Hauts-Fourneaux, Forges et Acieries de Pompey.

⁵ Vicaire was president of this company, on whose board sit representatives of Forges de Chatillon, Commentrey et Neuves-Maisons; Commentrey-Fourchambault et Decazeville; Hauts Fourneaux, Forges et Acieries de Denain et d'Anzin; Forges et Acieries de la Marine et d'Homecourt; Schneider et Cie (Le Creusot); Les Petits-Fils de Francois de Wendel. All of these metallurgical corporations have coal mines.

Electric power:

Soc. Bethunaise d'Eclairage et d'Energie.
Cie Electrique du Nord.
Soc. Electrique du Nord-Ouest.
Soc. Miniere et Electrique des Landes.

Chemicals and petroleum:

Huiles, Goudrons et Derives.
Carbonisation et Distillation des Combustibles.
Raffinerie de Petrole du Nord.
Soc. Francaise des Petroles.

Finance:

Union des Mines.
Soc. Mosellane Industrielle et Financiere.

While the combination of companies represented on the board of Sarre-et-Moselle illustrates the integration of the great financial and industrial interests of France and the position of the coal industry in the economic structure, the names do not indicate the complexity of the relationships among those interests. Only about a dozen of the listed companies were direct stockholders in the enterprise, but some of the others in turn controlled these participating companies. For example, Courrieres, a stockholder in Sarre-et-Moselle, was controlled by (though not a subsidiary of) Etablissements Kuhlmann.⁶

The family blocs.—While in some cases the link between the coal companies and other industrial enterprises was created by the investments of individuals, much more often it was a result of large investments by closed family corporations. These have long been characteristic instruments of control in France. Family ties have produced a cohesion and permanence of group interests seldom found in firms whose members are united purely by business ties.

The role of such family groups was extremely important in the French coal industry. One alone—the de Wendel family—controlled directly the companies accounting for 15.3 percent of the total French output in 1938, and indirectly enough more to make its share of the output at least twice as great as that of the Republic itself. The coal companies wholly or partly owned by the family were—

Petite-Rosselle unit of Les Petits-Fils de Francois de Wendel.⁷
Mines de Douchy of Soc. Metallurgique de Senelle-Maubeuge.
Mines de Crespin-Nord.
Houillere de Thivencelles.
Mines de houille de Clarence.
Houillere de Lievin.
Mines de houille Marles.

At the beginning of the nineteenth century, the Code Napoleon established the principle that all heirs standing in the same degree of relationship are entitled to separate equal portions.⁸ But the older

⁶Indicates that the Sarre-et-Moselle director was either chairman of the designated company in 1937 or had been in such position at some time since 1934; in most cases where an asterisk is lacking the person was a director of the company named, but in a few he was merely a representative of a controlling bloc in the company. Paul Weiss, for example, although not a director of Pompey in 1937, frequently represented the Fould family, which controlled Pompey.

⁷ See appendix K for the affiliations of all directors of French coal companies and for additional ties of those on the board of Sarre-et-Moselle.

⁸ Les Petits-Fils de Francois de Wendel is one of two companies operating and holding the de Wendel family interests. The existence of two companies is a result of the German annexation of Lorraine in 1871, which divided the family properties between the two countries, with the important mills of Les Petits-Fils in Germany. A new company, the Societe de Wendel, was formed to handle the interests of France. Both companies had, and have continued to have, the same trustees and supervisory boards.

⁹ This provision has been a factor in the declining birth rate. Farmers and businessmen alike have had to face the fact that the more children they had the more pieces into which their property would be broken when they died.

system of joint control of family property has been widely continued on a voluntary basis, since it often enabled the members of a family to gain power and prestige that they could seldom achieve alone.

The family blocs have been so significant in the French economy, and their composition so much affected by inheritances and dowries, that a knowledge of genealogies and marriage alliances has been indispensable to persons conducting big business in France. Since a French financier or industrialist frequently speaks not as an individual or as an executive for a widely held corporation but as a member of a family group, the successful negotiator has found it necessary to know not only the group to which the man belongs but also his current degree of importance within the group. The man's ability to promote or hinder a project may depend on such circumstances.

Usually the family business blocs have developed out of some enterprise established by the head of the family two or more generations back. The heirs of the founder pooled their shares and were the first partners. They withdrew only such part of the profits as seemed desirable or necessary for living expenses and used the rest to expand the plant or the family interest in other enterprises. Sometimes one of the partners would withdraw a larger percentage of the profits, or sell part of his share in the firm to another member, in order to establish his son or sons in another business. Even in such cases, however, the new enterprise was usually welded into the general sphere of family interests.⁹ Although this system of expansion was relatively slow it could be financed without issuing securities to the public. The result was that even some of the largest companies were owned by a tightly knit family group.

As the investment portfolio of the family firm expanded, management of the investments often became more important than operation of the industrial enterprises that had furnished the base of the whole development. The industrial operations have sometimes been left entirely to technical employees—the so-called civil servants of industry. As a rule, however, up to recent years, most important business families have endeavored to have at least one or two technically trained members, to provide judgment on some kinds of investments if not for participation in industrial operations.

The power and financial position of such family firms have been fortified by marriages as carefully planned as corporate mergers in the United States. The financial arrangements and other practical features of the marriages have generally been protected by legally executed contracts.

When a new generation takes control, the husbands of female heirs sometimes participate in the family affairs. This has been common in the de Wendel family, which for several generations has produced an exceptionally high proportion of females. But relatives by marriage have not become trustees of the family corporations—that is, held the positions of highest authority on equality with the male de Wendels.

In families where the system of joint-control of family property has prevailed for several generations there has been a tendency to promote marriages among cousins of varying degree in order to limit the number of shareholders in the family corporation.

⁹ Examples of such proliferations of family interests were less common in the heavy industries than in some others, such as the textile industry. See CA Information Guide: The French Textile Industry (War Department Pamphlet No. 31-172).

The carefully arranged alliances by marriage have not been confined to industrial circles. With the growth of wealth and prestige, the important business families have been united with the landed aristocrats, further consolidating the positions of both of these elements of French society.¹⁰

While the de Wendels have the largest and oldest single bloc of family interests in the coal industry, there are others, including some of recent origin, that are important—for example, the Schneider, the Dupont, the Thiriez-Wallaert, the Laurent, the Peyerimhoff, and the de Vogue. Such family blocs are not wholly independent of one another; not only do their spheres of business interest overlap but also their marriage alliances—to the extent, that is, that religious ties and the relative prestige of the various family circles permit.

TRADE AND CARTEL ORGANIZATIONS

Trade organizations.—The Comité Central des Houillères de France (Central Committee of the Collieries of France), whose first constitution was approved in 1892, was formed, according to its charter, for “the study and the defense of the common interests of the coal industry.” The organization had various special committees, one of the most important being devoted to legislative matters.

The Comité was supported by dues levied, like the special taxes collected at intervals and charged by the companies to operating expenses, on the basis of the proportionate output of the member companies. The number of representatives each company was entitled to was in rough proportion to its output, but voting rights were in exact proportion to the contribution of the company to the organization's support. Thus, 13 companies held more than three-quarters of the votes and the de Wendel family alone at least one-sixth.

The coal producers also belonged to regional organizations. The charters of both the Comité Central and the regional organizations permitted the member companies to be represented either by their officers or by their technical employees. Usually, however, the president-chairman of the board of directors was the principal representative in the central organization, sitting on its governing board, and the higher employees sat on committees whose work involved complex technical matters. The latter also were often the chief representatives in the regional associations.

Other bodies in which leaders of the coal industry were prominent, as representatives either of coal companies or of iron-mining or metallurgical companies, were—

Confederation Generale du Patronat Francais (General Confederation of French Employers). This organization was the successor of the Confederation Generale de la Production

¹⁰ Illustrations of nearly all the various types of arrangement found in such family corporations exist in the de Wendel family. The trustees of the family holding companies at latest report were Francois, Humbert, Maurice, and Guy de Wendel, representing the two main lines now dominant in family affairs; the first three are the sons of Henri and the last is a son of Robert; all four are great-grandsons of the Francois who died in 1825 after founding the family fortune with his iron furnaces in Moselle. The supervisory boards of the family companies consist of G. de Maille, H. de Montaigne, Jean de Moustier, Charles de Gargan, and L. de Curel. The first two represent sisters of Guy; the third member of the board represents a double crossing of the line created when Maurice married a member of the de Moustier family; the fourth member represents a female line created two generations back in which the de Wendel blood and inheritance was strengthened when the Comte Emanuel de Mitry (whose mother was born a Gargan) married the daughter of Francois. The Baron Jean de Seilliere, a son-in-law of Maurice found on the boards of certain de Wendel coal companies, represents another crossing of the lines; his mother, a Demachy of the so-called “de Wendel private bank”—Demachy et Cie.—belonged to yet another female de Wendel line established two or three generations back.

Francaise, reorganized in 1936 after its officials signed the "Matignon Agreement," which bound the Confederation to act as the central employer agency in collective bargaining with workers.

Societe de l'Industrie Minerale (Society of the Mineral Industry).
Comite des Forges (Committee of the Forges). This was originally only a trade association of the maitres des forges but eventually became the powerful cartel of the French iron and steel industry.

Numerous advisory and consultative committees sitting with members of the Direction des Mines.

The governing boards of the state engineering schools.

The positions held by the leaders of the coal industry in such bodies depended on the importance of the body, on the major line of personal activity, and on politesse. Henri de Peyerimhoff de Fontenelle, long president of the Comite Central des Houilleres and active in promoting the interests of the coal industry, was also head of the coal section of the Confederation Generale; but Francois de Wendel, who as senior trustee of the vast de Wendel interests might be expected to represent the de Wendel mines either on the governing board of the Comite Central or as president of the coal section of the Confederation, always appeared as head of the metallurgical interests. Almost automatically the presidency of the Comite des Forges went to a de Wendel—in recent decades to Francois, who was also head of the section Siderurgie et Metallurgie in the Confederation. And Andre Vicaire, Schneider representative on Sarre-et-Moselle, was vice president of the Constructions Mechaniques et Metalliques section of the Confederation. Moreover, Theodore Laurent, chairman of the board of directors of the Escarpelle, the Saint-Chamond, and the Faulquemont coal companies, and a director of Sarre-et-Moselle, appeared in the Confederation as vice president of the section Siderurgie et Metallurgie; and on the official list of members of the supervisory board of the state Ecole des Mines at Paris Laurent was identified as the president of Forges et Acieries de la Marine et d'Homecourt and vice president of the Comite des Forges, rather than as a representative of mining interests.

Cartels.—France's coal cartel history runs back about a hundred years. In the first half of the nineteenth century the Loire producers made sales and price agreements that enabled highly profitable monopoly of a large market. This initial combination for control of trade was ended by the building of railroads that widened the sales field both for imported coal and for the coal from other French regions. Attempts to reach marketing agreements in the north failed because of the close ties between some of the largest coal companies and the major consumers; these companies refused to treat the coal that they supplied to their affiliated plants as part of their marketing quotas. Gradually, however, with the concentration of colliery ownership in a few companies, secret price-fixing developed. And in 1932, depressed economic conditions (discussed in the next section) promoted more formal arrangements for market control, not only through price agreements and market division but also through agreements to limit production.

For sales purposes, metropolitan France was divided among the producers of the three major regions—those of the north, the east, and the southeast. Heavy penalties were imposed for violation of the terms of the marketing agreements.

Four major preferential marketing zones were established. Zone A, covering 16 departments in northern France (including Paris), was reserved to the mines of Nord and Pas-de-Calais. Zone B, composed of 8 eastern departments, was reserved to the mines of that region but was permitted to receive coke from zone A. Zone C, covering 41 departments of the south and the center, was subdivided between the mines of the center and those of the Midi. The rest of France, zone D, was open to all French producers, but was primarily a consumer of imported coal (chiefly from Britain). Zone R, the public utilities market of the whole country, was covered by special arrangements. The imported coal, which went primarily to the southwest, was admitted to other zones by agreements with the French cartels that enjoyed the marketing privileges in their respective zones.

So far as zone B was concerned, the imports consisted almost entirely of coke and coking coal for the iron and steel furnaces of the region. But in many cases the metallurgical companies that owned the furnaces had heavy interests in French coal companies both in zone A and zone B. In addition they had iron-mining concessions in zone B that could provide more ore than their mills used. Germany was a particularly desirable customer for their surplus ore. The German heavy-industry combines produced good metallurgical coke, and the exchange of products between Lorraine and the Ruhr insured a load for the barges in both directions. These factors highly complicated any general scheme for limiting or controlling imports.

Practically all arrangements affecting coal imported by sea had to be made by agreement with Worms et Compagnie, which was founded as a coal importer but which later became the owner of nearly all colliers carrying the French flag and of numerous port storage facilities. Worms et Cie also participated heavily in the imports of coal from Germany, which they financed through their own bank, Banque Worms.

In 1937 the Comptoir de Douai, central office of the northern coal companies, initiated a central sales system under which it handled the distribution of all orders for more than 3,000 tons of coal a year. It was already the coal price-fixing office for all France.

RELATIONS OF THE CONCESSIONARIES WITH THE GOVERNMENT

The French attempts to have the state participate with private coal-mining interests, while seeking to regulate the industry in the public interest, were no more successful than similar experiments had been in Germany. The situation was complicated in France by the small size of the reserves and the position of the mines in the defense establishment.

The state's ownership of the mining deposits and the authority vested in the Direction des Mines in connection with the granting and operation of the concessions gave the state engineers great power over the mining industry. Moreover, the authority of the administrators to interpret and apply the body of mining laws and regulations as well as to construe and enforce the elaborate concession contracts

placed the Corps des Mines (as the regulatory personnel were called) in a strategic position with respect to the success or failure of mining enterprises.

But the relations of the industry to the Corps des Mines were such that the state administrators and engineers were conditioned to an atmosphere of smooth cooperation. The relations started at the engineering schools, before the prospective civil servants were embarked on their public careers.

The professional education of French mining engineers, technically excellent, has been conducted on two levels. Each year about 2,500 young men took examinations for admission to l'Ecole Polytechnique, which provides a 2-year preengineering course. Only the 200 top-ranking candidates were admitted. All graduates of l'Ecole Polytechnique were entitled to positions in the public service, civil or military, after advanced training in some special field. The fields they entered largely depended on their ratings at the end of the 2-year course, for the number of appointments made each year to the various state services was limited and the graduates, in the order of their school ratings, were entitled to select the service to which they wished to be appointed. The first 60 positions were in the civilian services, the remainder in the military. At the top of the civilian list were 4 to 6 places in the Corps des Mines. Before the successful candidates in the mining field were appointed to the Corps they spent 2 years at l'Ecole Nationale Supérieure des Mines, at the state expense.

Candidates who failed to gain admission to l'Ecole Polytechnique might still enter l'Ecole Nationale Supérieure des Mines by special examination. They might also enter one of the national mines schools of lesser standing, such as the Ecole des Mines at St. Etienne or Nancy. Graduates of such schools might achieve posts in the lower ranks of the Service des Mines, but were ineligible for the policy-making positions, which went to the graduates of l'Ecole Polytechnique.¹¹

All of the mining schools were under the supervision of the Direction des Mines.¹² While the majority of their officials, faculties, and lecturers were members of the Corps des Mines, some were drawn from leading business and industrial circles. For example, the governing boards of the schools included such prominent industrialists as Laurent, Vicaire, and Francois de Wendel.

The prevailing atmosphere throughout the educational period was one of conscientious harmony between the interests of the state and those of industry. As many of the students aspired to become employees of the mining companies, either directly after completion of their studies or after some experience in the Corps des Mines, it was natural for them to cultivate the good opinion not only of their civil-service instructors but also of those industrialists with whom they came in contact.

Graduates who wished to become state mining engineers took civil-service examinations. Thereafter their advancement depended no

¹¹ The roster of former students of l'Ecole Polytechnique is considered the Burke's Peerage of the French business and technical world. Graduates who did not achieve a rating that entitled them to advanced training for the Corps des Mines but wished to enroll in l'Ecole Nationale Supérieure des Mines might attend that school by the payment of tuition. This course was frequently followed by men whose family interests involved mining.

¹² The Direction also had jurisdiction over the Ecole des Aspirants-Gouverneurs des Mines (which trained mine controllers) and the Ecoles Techniques des Mines, at Douai and Ales, whose graduates became mine foremen (maîtres-mineurs).

the period of service and on each individual's record. The man who might happen to develop unorthodox views as to the state's best interests or who might create some disturbance in the smooth relations between the administration and the concessionaires could easily be shifted to a remote station or otherwise sidetracked.¹³ The traditional goal of each state engineer was to achieve the rank of inspecteur-general, first class, both because of the perquisites attached to the grade and because of the social prestige.

But, particularly in the last 30 years, an increasing number of state engineers have hoped for promotion to private industry, for the money fluctuations of the period made Government salaries and retirement pensions, even of inspectors-general, relatively unattractive. Among former state mining engineers who have bettered their positions by leaving Government service are Leon Daum, a director of the Anzin coal company and of Marine-Homecourt; Raymond Beer, a director of Mines de Potasse de Blondelsheim; M. Lavaste, director-general of Saint-Gobain, Chauney et Cirey, and its representative on various Government commissions; M. Defline, director of the Kuhlmann-dominated Courrieres mining company; and Albert Lebrun, who became president of the Republic.

When a state engineer, after some years' experience in regulating the concessionaires, had an opportunity advantageously to enter private industry, he could do so by merely taking leave of absence from his Government post. This enabled him to retain his rank and to obtain reinstatement if he should ever desire it. In some cases the Government connection was preserved, even after the engineer-on-leave (*ingenieur en conge*) became a leader of industry. Thus, Monsieur X, director-general of a mining company, might be the official superior of the state engineer whose duties required inspection of Monsieur X's operations. Moreover, when an emergency developed involving the mining industry, Inspecteur-general X might be recalled briefly from his business post to assist the Government in solving the problems.

The decade 1930-40 brought a series of national emergencies that severely tested whether the relationship between the Government and the coal industry could produce public-interest solutions to public-interest problems.

In France the international business depression was accentuated by a reluctance to devalue the franc after Britain abandoned the gold standard in 1931. This led to an increasing gap between French coal production costs and those in the exporting countries. The existing tariff rates were inadequate to prevent importers from underselling domestic coal.

In theory France had a choice between temporarily closing all mines or shutting off all imports not needed to meet the coal deficit. Actually, neither extreme was practicable. The physical conditions and the labor and defense situation (discussed above) barred recourse to the first; and the importance of exports to the French economy barred the second, since both Britain and Germany, the major coal exporters, were determined to buy only where they could sell. The

¹³ The emphasis placed on the importance of safety-regulation enforcement as a duty of the state mining engineer should not be construed as contrary to the harmonious relationship maintained between the Direction and the concessionaires. While some provisions of the code had been promoted by the miners' unions, probably a majority were initiated or approved by the concessionaires, who dreaded having their mines wrecked by fires and explosions.

French export trade in general was declining rapidly, in part because much of it had been in luxury products for which there was currently little demand, but even more because of the high cost of the franc in foreign money markets.

The coal situation was met in the first half of the 1930's by a series of compromises that did not wholly satisfy anyone. These included—

1. Agreements among the coal companies to reduce production, support prices, and otherwise control the markets.
2. An increase from 2.75 percent to 3.5 percent in the import tax levied on the duty-paid value of foreign coal.
3. Import license fees that rose from 2 francs a ton in 1930 to 15 francs a ton on bituminous and 20 francs on anthracite in 1936. The import duty of 2 francs a ton, set in 1928, was not changed.
4. Imposition of import quotas, except on coke. The quotas were initially based on the average quantity of coal imported from various countries in the 1928-30 period, but were successively modified to meet retaliatory measures from other countries or the wishes of French special-interest groups.¹⁴

These measures kept the coal companies in a position to make profits, even though they were lower than in 1930, and to set aside large funds for amortization, in a period when many other French producers were going into bankruptcy or were barely able to avoid it.

In 1936 the popular front government was elected. Immediately after it took office, a wave of sit-down strikes in protest against the current wage situation forced passage of labor legislation that provided for wage increases, paid vacations, and certain other measures, considerably and abruptly raising labor costs. There was an immediate rise in prices, including those of coal.

While the wage adjustments were still in progress, the Government initiated a series of devaluations of the franc. Within a year its value in London had dropped a third, and by 1938 the franc cost only a little more than two-fifths of what it had in 1936. In the meantime the cost of imported coal had been rising, partly as a result of reviving industrial activity abroad and partly of price and marketing agreements among the exporting countries, which also aided their producers with subsidies of one kind and another. Thus, in spite of the rise in French costs of coal production, the French producers were much less in need of protection than they had been in 1932. But the protection devices of the previous years were not generally adjusted to meet the new situation; instead, although the coal import license tax was reduced a fifth, late in 1936 the import duty was raised 50 percent (to 3 francs a ton) and the special import tax was raised, first to 3.05 percent of the duty-paid value of the coal and later to 3.7 percent.

¹⁴ Owing to the heavy subsidies on German coal exports and certain arrangements between the French and the German metallurgical interests, Britain was the chief sufferer when the French quotas were applied. That country at once restricted imports from France, thereby reducing work in such already depressed industries as the textile; the French then adjusted the duties to give British coal preferential treatment in return for trade concessions from Britain. French investors in the new railroad built between the Polish mines and the port of Gdynia applied pressure to increase the French imports of Polish coal in order to provide that railroad with revenue. Worms et Cie., with its colliers and other facilities for bringing in coal, was also interested in promoting both British and Polish coal imports. In return for a considerable increase in the Polish coal quota, Poland agreed to place an order for a mine layer with the naval construction company presided over by Theodore Laurent.

The course of French coal prices in this period were as follows:

Pit-head prices on run-of-the-mine coal, Pas-de-Calais

	<i>Francs per ton</i>
January 1936.....	100
July 1936.....	109
October 1936.....	130
March 1938.....	169
November 1938.....	183

The rise in the cost of coal, which went up at a rate far in excess of the rise in production costs and in consumer income, placed a staggering burden on the lighter industries that did not participate in coal mining. Coming on top of the increased cost of labor, it drove out of business many manufacturers who had survived the earlier difficulties.

The price policies of the industry roused widespread indignation and criticism. A bill was introduced in the parliament for cancellation of the mining concessions and public operation of the collieries. After the bill was defeated,¹⁵ some of the coal companies demanded direct subsidies to meet the new labor costs. Otherwise, their representatives threatened, they would reduce production to the minimum required to meet only their own needs as manufacturers of chemical byproducts and power, operations that had continued to be more profitable than sale of coal. A bill was passed authorizing temporary subsidies to companies that could not continue operations without assistance; on the other hand, the Government was given authority to tax the coal companies on the same basis as other corporations, thus removing them from a favored position they had been enjoying. The Government chose not to exercise its new taxing power; but it did initiate direct subsidies, acting on data and recommendations from the Direction des Mines.

Critics of the Direction des Mines asserted that its reports and recommendations on this and other issues were more attentive to the coal-mining interests than to the public interest and that the direct and indirect subsidies were in excess of the needs created by the situation. Neither the reports on the financial position of the coal companies published in 1937 in the Direction's monthly bulletin, *Annales des Mines*, nor annual reports of the coal companies themselves, offer adequate data for an independent appraisal of this criticism.¹⁶

The defeat of the popular front and the switch in public attention to the threatening international situation pushed into the background the controversy over the relations between the Government and the coal industry, but did not put an end to a widespread conviction that they required reorientation.

¹⁵ The coal industry was well represented in parliament, directly as well as indirectly. The De Wendel family, for example, had several members in legislative seats. One of the senatorial seats from Moselle was almost an hereditary right of the family; the incumbent in 1938 was Guy. His cousin, Francois, was a senator from Meurthe-et-Moselle, and the Marquis Hubert de Montaigne (son of Guy's sister, Caroline) was a deputy from Seine-Inferieure. In addition, several members of families closely related to the De Wendels were in one house or the other.

¹⁶ French corporation reports on such matters as total assets, income, expenditures, and operational expenses are usually so incomplete, and frequently misleading to the uninitiate, that it is almost impossible to analyze the relationship between investment and profits. The general absence in France of modern cost-accounting systems is another factor that renders financial analysis difficult. A special complication in appraising the position of the big coal companies is the extent to which their original investments had been amortized before their collieries were destroyed in 1918 by the Germans, and the extent to which the collieries rebuilt and modernized through German reparations (or French Government advances on them) can be counted as private investments.

COAL PRODUCTION AND CONSUMPTION DURING THE GERMAN OCCUPATION

Coal has been a major supply problem of France since September 1939. The situation created by the deliberate decrease in production early in the 1930's was never wholly remedied. While some French requirements were reduced after the Government's surrender to Germany in 1940, others were increased by the flow of German orders for various products to strengthen the German war potential.

PRODUCTION

The year 1939 began with an increased rate of production achieved to some extent by a partial return to the 6-day workweek. When war was declared, the 6-day week became mandatory and the work-day was set at 9 hours. In the first quarter of 1940 production was at the rate of 51,000,000 tons a year, in spite of temporary stoppages in the Lorraine mines and a considerable loss of labor through unselective military mobilization. Late in the spring older miners who had been mobilized were returned to the mines and retired miners were called back to work.

The rapid German advance in June 1940 caused a temporary stampede from the eastern end of the north basin. The management of the Anzin and Aniche companies abandoned the region with their technical staffs, after stopping the mine ventilators and pumps and removing essential machine parts. Their action caused some minor flooding, taking the mines out of production for about a month. In general, however, there was little damage to the collieries, and operations were fairly normal by late fall. The principal handicap of the early post-armistice period was the disruption of transportation facilities and traffic on the railroads and canals. Another was the departure of some of the Polish miners, who were offered better pay in Germany. At the same time the Germans refused to release French miners who had been made military prisoners. Output was also decreased somewhat by a slight reduction in the hours of work, in answer to demands of the miners who were uninterested in collaboration with the Germans.

Great effort was made to raise the output of coal in what was then called the unoccupied zone, with special attention to the easily worked lignite deposits. During 1941 and 1942 the output in this less important producing area improved. But it gradually decreased in the north, as a result of deliberate slowing-down by the workers, the low level of nourishment made available to them, and the cumulative strain as Allied bombing missions in and across the area increased.

*Approximate output of French coal mines outside Lorraine, 1941-42*¹

	Thousand metric tons		Percent of 1938 output	
	1941	1942	1941	1942
Unoccupied zone.....	12.9	15.0	135	150
Occupied zone.....	30.0	28.5	97	92

¹ Lorraine, which has accounted for about 12.5 percent of French coal production, was incorporated into the Reich in 1940.

Marked increases in production were achieved only in Bouches-du-Rhone, where lignite output was almost doubled; the Alpine departments producing anthracite; and the Sarlat lignite area along the upper Dordogne, called Sarladais.

The French attempts to increase production were limited by supply shortages. The domestic output of mine timber, for example, had never been large; and when imports were cut off, the only new sources of some size that were available were the new forests around the Bay of Biscay and a few other reforested areas. But the supplies were still inadequate in quantity and quality, and the urgency of the needs frequently prevented proper seasoning. The development of lignite deposits in Landes was prevented by the German refusal to sell equipment for stripping; all Germany could make was being used to expand mining in the vast brown coal fields of Germany. By 1942 electric lamps for the mines were unobtainable. When the shortage of fuel oil made it necessary to abandon the Diesel engines used in some mines, the companies returned to the use of horses. But at times it was almost impossible to buy oats for them.

By the spring of 1944 the cumulative effects of 5 years of malnutrition, overwork, and nerve strain among the miners, lack of machine replacements, and shortages of lubricants and other supplies had materially lessened output. The disruption of communications by Allied preinvasion bombing was an added complication, preventing not only the arrival of supplies but also at times the shipment of coal brought to the surface.

Strikes further lowered the output. While the miners succeeded at intervals in obtaining wage increases to meet the rapidly rising prices of essential foodstuffs and clothing, each increase became inadequate almost as soon as received, the rise in wages being met at once by a rise in prices. In theory Vichy had both prices and distribution of essential commodities under control; actually most of the scarce rationed goods could rarely be found in the markets and people had to buy on the high-priced black market or starve.

The situation was especially bad in the North Basin. Miners began to slip out of the region, alone or with their families, though in April 1943 they had been frozen to their jobs. On the first day of 1944, some 18,000 men in and around Bruay in the Department of Pas-de-Calais began a stay-in strike that spread a week later to the Lens district, where 30,000 workers were involved. The Germans promptly arrested 130 of the men designated as ringleaders and sent them to Germany, but the strike was ended only by the shutting off of all food from the area. Shortly afterward Vichy ordered a "temporary" 10-percent increase in pay, "pending settlement of the dispute."

The Loire Basin miners had also gone on strike against the poor rations; a strike in 1941 brought some concessions, but a later one, stirred by worsening food conditions, was met, as in the North, with arrests.

To some extent these strikes were spontaneous. When the Germans entered the northern mining region many of the union leaders fled. After Vichy dissolved the existing unions and attempted to follow the German model by forming a single union with appointed chiefs, some of the old leaders came back to take their places in it. The miners, however, were hostile to the new organization and refused to follow the labor collaborationists, developing as critical an attitude

toward them as toward the industrialists who were friendly to the Germans and the Vichy New Order.

By the end of 1943 the French Committee of National Liberation in Algiers had indicated that it favored a policy of terminating the concession contracts and having the mines publicly operated. With the uncertain future of private coal-mining rights and with the growing likelihood of renewed land fighting in France, the concessionaires were not disposed, even where equipment might occasionally have been available, to make any further substantial investments in the coal-mining enterprises.

CONSUMPTION

The pattern of French coal utilization changed materially during the war, but the Government's surrender to Germany did not greatly reduce the demands. On the contrary, it is probable that consumption would have been at least as high as in the years preceding the war, had comparable supplies of coal been available. With the signing of the armistice, the cartel agreements between French and German industrialists were suspended for the benefit of the German war machine. Iron and steel mills, machine shops, aluminum plants, chemical factories, linen and military cloth mills, and other industrial establishments for which materials were on hand or could be procured were set to work at capacity to make goods desired by Germany. At first a good part of the production was to meet German "reparation" demands, but in time the Germans found that they could get better results by placing orders on a commercial basis. This greatly stimulated French industrial production, thereby increasing the burden on the limited stocks of coal.

Coal distribution was therefore handled on a priority system, with first place going to industries and services of direct German military importance, second place to industries making goods on other German orders, and last place to enterprises serving the French population.

The reincorporation of Alsace-Lorraine in the Reich removed from French control some 6,000,000 tons of coal a year, but did not complicate the supply situation, for even before the war the East was consuming more coal than it produced. With its iron and steel furnaces working at capacity, the requirements of the East rose rapidly, but they were met largely from local or German sources, rather than French.

In the pre-war period approximately half the coal consumed in the East (not counting coal used at the mines) was of foreign origin, in part because Moselle coal, unless mixed with other types, was not suitable for special needs of the local mills, and in part because the purchase of high-grade Ruhr coal enabled sale of Lorraine iron ore to Germany. The same barges that brought in the Ruhr coal carried back the French ore. In the period immediately following the surrender, the Germans attempted to have the French increase shipments of coal from the North Basin to Alsace-Lorraine, in order to relieve the demands on Ruhr coal, but this limited the coal supply for the northern French industries (also busy on German orders) and upset the established transportation pattern. Some French coal continued to go into Alsace-Lorraine and eventually some eastern coal also came into France, as in the past, but the total volume of

the border transactions (including some between northern France and Belgium) was inconsiderable.

Until the end of 1942 the French African colonies constituted a burden on the French coal supply. They needed coal for their power, transportation, and industrial facilities, which were operated partly for the Afrika Korps and other German beneficiaries. Moreover, the boats bringing back the vegetable oils and other African products desired by the Germans used considerable quantities of coal.

The destruction of French rolling stock during the military operations of 1940 and the removal thereafter of locomotives and even rails to central and eastern Europe reduced the railroad coal requirements only slightly. What equipment remained was worked to capacity. Moreover, the steam locomotives that the Germans left in France were generally old, inefficient types (heavy coal consumers), and as they wore out their fuel consumption progressively increased.

In addition to the rail and industrial requirements there were a variety of unusual coal demands caused by the occupation. For example, the Germans used French coal to heat the barracks and other living quarters for their military and civilian establishments in France. The occupant also required coal for cooking purposes, not only for the troops and missions, but also for the foreign workers brought in to build fortifications. The total requirements having high priority were so great that it was necessary in the early weeks of each year to close all industrial establishments that did not fall into the categories designated by the Nazis as essential. Such nonessential consumers and of course ordinary householders were at all times greatly restricted in their use of coal, gas, and electric power.

The Vichy regime early attempted to relieve the coal situation by further expanding the hydroelectric power facilities. But the efforts were of little avail, for a series of dry summers reduced the amount of power available even from some of the existing plants.

By the spring of 1944 the disruption of transportation by Allied bombing had created a series of supply crises in which at times even the most favored consumers were left without fuel. Subsequent military operations further accentuated the critical transportation situation.

REORGANIZATION AND POSITION OF THE COAL INDUSTRY UNDER VICHY

REORGANIZATION OF THE INDUSTRY

Almost immediately after it came to power, the Vichy government attempted to reorganize French industry in accordance with the German model. This required the dissolution of the existing employer and worker associations and the reunion of employers by industrial groups under Comites d'Organisation (organizing committees). The Comites were intended to be temporary agencies while detailed plans for the corporative state were being worked out. Until the so-called professional families of the new authoritarian economy could be built up, executive functions were vested in the organizing committees. Each Comite consisted of a chairman or director and some other representatives of the industry. Industries that were cartelized before the war usually had very small Comites, since little organizing was required.

The chairman of each Comite had supreme authority over his industry, though he was expected to consult with his colleagues before making his decisions and these were subject to review by the Secretary-Minister of Industrial Production, the chairman's superior officer in the industrial pyramid.

The functions of the Comites initially were—

The making of industry surveys and the planning of production.

The organization of supply procurement to facilitate fulfilment of the production programs.

The control of operations and competition and the rationalization of industry.

The preparation of price schedules for the approval of the national price commissioner.

Although coal was a critical problem from the beginning of the war, it was not found necessary to set up the Comite d'Organisation de l'Industrie des Combustibles Mineraux Solides (Organizing Committee for the Solid Mineral Fuels Industry) until November 9, 1940. Its members were Aime Lepercq, director-general of the Schneider-dominated Union Europeene Industrielle et Financiere; Maxime Bucher, director-general of the Lens mining company; and Emile Marturer, director of the Blanzy mines.

The membership of the fuel Comite was characteristic of those of other industries that had already been highly organized. Whereas businesses not previously cartelized had large Comites consisting of the outstanding men in the most important companies, industries such as coal had Comites whose members were of less than first rank, primarily persons of technical and financial training who had been accustomed to guarding the industries' interests. Bucher had been a member of the executive bureau of the dissolved Comite Central des Houilleres and Marturer had been president of the regional cartel organization in central France.¹⁷

Vichy also established an Office Central de Repartition (Central Distribution Office) with numerous subsections to handle the allocation of materials and products. The decisions of the Repartiteur of each Office were subject to review only by the Secretary-Minister of Industrial Production. In general, the Repartiteur of each industry was also director of the industry's Comite. In time the functions of the two agencies were largely fused, though their separate identities were maintained.

After the war began the powers of the Comptoir des Ventes, sales agency of the Comite Central des Houilleres (the coal cartel, described above) had been strengthened, giving it a semiofficial status. It was abolished with the Comite Central in August 1940. Almost immediately, however, the Comptoir was reconstituted, and gradually both the solid fuel Comite and the fuel Office de Repartition delegated their official functions to the rejuvenated cartel sales office. Such functions included the collection of data on all phases of the industry and the establishment of fuel prices. Thus, the sales office not only

¹⁷ The predominance of men with financial experience as heads of the first Comites of the important industries is noticeable. Jules Aubrun of Lazard Freres became director-general of the Comite that officially replaced the Comite des Forges, with Leon Daum, Jean Dupuis, and Eugene Roy as his official colleagues. The late Pierre Pucheu, closely connected with the Banque Worms, became director-general of the machine industry.

set the prices but also provided the data used in determining the extent to which public subsidies should be provided for the coal companies.

Under the Vichy reorganization of the government, the Direction des Mines and its field organization were placed under the new Secretary for Energy.¹⁸ In 1939 the power of the Direction des Mines over the mining companies had been considerably enlarged, as a wartime measure. It had received authority to transfer men, machinery, and even equipment to the mines where they would be most efficiently used, if such transfers were necessary to the national defense. When, in 1940, Vichy vested this authority in the Comité d'Organisation of the solid fuel industry, some delicate adjustments were necessary to prevent a disruption of the hitherto smooth relations between the Direction and the coal companies.

As the situation was explained in 1942 by a former chief of the Direction,¹⁹ "It is still the official administration that grants mining concessions and determines the closing or amalgamation of enterprises. But it no longer exercises its rights without taking the advice of the Comité d'Organisation." He added that the Comité had "avoided interfering in the operation of enterprises, except by persuasion. Only in one or two limited cases have they asked the Government to requisition a mining concern in order to eject an undesirable owner and put in a company in a better position."²⁰

POSITION OF THE COAL INDUSTRY UNDER VICHY

After the initial period of confusion, the leaders of the coal industry rapidly accommodated themselves to the new system, though the German-inspired demands for detailed operational and financial reports were an annoyance. The situation was less satisfactory, however, to the promoters of the corporate state, who found that the emergency powers granted to the Comités had so strongly fortified the position of the coal and other important industries that it was extremely difficult to displace them with the Fascist corporations in which the industrialists would be subordinate to the politicians.²¹

The mining interests who had successfully defended large price increases by threatening a producer's "sit-down" strike in 1936 were still able to command their own destinies during the German occupation. Dividends were paid regularly. As is the custom in France, however, the dividends represented but a portion of actual operating profits. Substantial returns were retained in the mining corporations by charging additions to reserves against current expenses. Thus liquid assets were accumulated which have been invested, as far as possible, in inflation-proof properties.

The position of the coal companies under Vichy can be gaged by the criticism leveled at the solid fuel and other Comités by the pro-

¹⁸ The first Secretary for Energy was Henry Lafond, a state engineer who had become prominent in the mining and other participations of the Banque de l'Union Parisienne and of Banque Mirabaud.

¹⁹ Inspecteur-general Blum-Picard was removed from his post in deference to the German racial prejudices and left France.

²⁰ Blum-Picard did not specify the criteria used in determining what constituted "desirability"; nor did he name the companies involved in the operations.

²¹ A confused "law" of October 4, 1941, had laid the foundation for the corporate state. In an attempt to adapt the Fascist pattern to France, the industrial "corporations" were to be called "professional families." The plan called for the vertical and horizontal organization of employers and workers by industry and region, with power spiralling downward from appointed leaders, each of whom was to have supreme authority for the layer below him while he himself was responsible to the leader at the layer above. The "law" of October 4, 1941, was never fully effectuated.

ponents of the corporate state. *Les Nouveaux Temps*, for example, on September 7, 1943, said that the Comites were "negators of private initiative, disloyal competitors of the industrialists and merchants who refused to accept their dictation. The most crying abuses are cited in every region: Unjustified withdrawals of purchasing cards; unwarranted suppression of the right to manufacture; systematic refusal of raw materials, etc. Only rarely has the matter received judicial recognition. If it were possible for the courts to go to the bottom of things, how quickly it would be seen that they (the Comites) were the origin of scandalous fortunes and of many ruins."

The mining interests are in an excellent position to profit from nearly any turn of economic events, particularly one involving inflation. Profits and the charges to expenses for plant depreciation have not been utilized to keep up a high state of operating efficiency in the mines and collieries but have been utilized to acquire equities in chemical, electric power, gas, and other enterprises. Even if the mines are nationalized, substantial sources of profit will still be under control of the mining corporations. Any compensation received for their mining properties, if sufficiently liquid, can be utilized for post-war expansion or extension into new fields.

THE GERMAN IRON AND STEEL INDUSTRY

NATURE OF THE GERMAN IRON AND STEEL INDUSTRY

A. INTRODUCTION

The German iron and steel industry, with an annual capacity of approximately 25,000,000 metric tons of crude steel, is second only to that of the United States, and normally is the world's most important exporter of steel products.

The Treaty of Versailles deprived Germany of a considerable proportion of her supply of iron ore (Alsace-Lorraine) and of many important mills. In spite of this handicap, the industry was able to approximate 1913 production figures as early as 1929. This achievement was made possible by a wholesale modernization and rationalization of existing plants, in part, with the aid of American loans under the terms of the Dawes and Young plans. Because the German economy could not absorb the increased product of this augmented industry, a very strong pressure to export at all costs was manifest throughout the period of the Weimar Republic. Soon after the rise of Hitler to power, rearmament took up the slack and exports were made, not because of the absence of domestic outlets, but primarily because of the continuing need for foreign exchange.

B. LOCATION OF THE GERMAN IRON AND STEEL INDUSTRY

Economic factors controlling the location of the iron and steel industry are, primarily, the location of suitable fuels in relation to iron ore and low-cost transportation, both to the point of assembly of the raw materials and for the distribution of end products. The two great coal fields—the Ruhr and Saar Basins, on the one hand, and the Silesian coal fields, on the other—represent by far the largest iron and steel-producing areas.

The Ruhr district, situated at the focal point of an excellent water-transport system, easily accessible to the great minette ore fields of France and overlying enormous high-grade coal deposits, at present accounts for about two-thirds of total German production. In 1937, the Ruhr accounted for about 70 percent; the Saar for 12.1 percent, and the rest of Germany, including Silesia, for about 18 percent of the total German output. This regional concentration has facilitated the organization of industrial combines and cartels.

A regional break-down of German steel production for the period 1929-36 is set forth in appendix II. From an examination of this appendix, it is apparent that the drop in the relative capacity and production of the Ruhr region ("Rhineland-Westphalia") merely reflects the reincorporation of the Saar in 1935. Actual production in the Ruhr increased sharply between 1934 and 1936.

For the 12-month period ending July 31, 1939, German rolling mills and forges produced about 18,000,000 tons of finished and semi-

finished products. The discrepancy between this total and that for crude-steel production for the same period (about 25,000,000 metric tons) is accounted for by the scrap loss inherent in converting steel ingots into rolling-mill products. The detailed break-down of German rolling-mill production for this period, as shown by appendix III, indicates that shapes, forgings, plates, tubes, and wire were the more important products, measured by volume of production.

C. PRESENT PATTERN OF GERMAN STEEL PRODUCTION

Appendix IV sets forth the latest available pattern of German steel production, broken down by process used. Over half of all German steel is produced by the basic open-hearth process, while a little over 40 percent is accounted for by the basic Bessemer (Thomas) process. The remainder of production is accounted for by foundries and electric furnaces, both of which processes are of secondary importance. Residue slag resulting from either the basic Bessemer or basic open-hearth process yields phosphate fertilizer of high quality, which is widely used in German agriculture.

While it is cheaper to produce steel by the basic Bessemer process, the resultant product is inferior in quality to that produced in open-hearth converters.

D. SOURCES OF RAW MATERIALS

In 1938 Germany consumed more than 33,000,000 metric tons of iron ore, of which only 11,145,000 tons were produced domestically. The principal German deposits of iron ore are in the Siegerland, Lahn-Dill, Peine-Salzgitter, and Bavarian districts. Most of these deposits are small, widely scattered, and in many cases remote from the coal fields. The German ore is generally lean, averaging less than 45 percent iron after treatment. In contrast, the Swedish ores imported into Germany range from 58 to 72 percent iron and the Spanish ores from 48 to 58 percent.

The most important sources of imported iron ore are Sweden, France, and Spain in that order. Normally Sweden supplies between 40 and 50 percent of Germany's total iron ore imports. A summary of the sources of Germany's ore supplies is shown in appendix V.

The shift from the lean Lorraine ores to the rich Swedish and Spanish ores after 1925 has been an important factor in revolutionizing German blast furnace practices. This shift has enabled fuel economies and greater output per furnace. As shown by appendix VI, there has been a progressive downward trend in the quantity of material consumed per ton of pig iron and of ferroalloys produced; these amounted to about 4.1 tons in 1913, 3.9 tons in 1923, and 3.5 tons in 1936.

In contrast to the short supplies of iron ore, Germany has abundant resources of coal. German production of coking coal is normally sufficient not only to meet all domestic requirements but also to provide an exportable surplus. The principal coal field is located in the Ruhr; others are found in the Saar, Silesia, and Saxony.

On the other hand, Germany is deficient in manganese, necessary for the deoxidation of steel. The country must also import almost all other ferro-alloys and alloy materials, such as nickel, molybdenum, chrome, and tungsten. In recent years Germany has imported most of its tungsten from the Iberian Peninsula, most of its chrome from

Turkey, and most of its nickel and molybdenum from Scandinavia.

Germany's iron and steel fabricating industry produced great quantities of industrial scrap as a byproduct of operations. However, sharply increasing demand after 1934 made it necessary to increase imports of this commodity. Scrap imports rose from 272,000 long tons in 1935 to 549,000 tons in 1937.

E. FOREIGN TRADE

In pre-war years the German iron and steel industry was dependent upon export trade for a large share of its market. Between 1929 and 1933 the industry exported about half of its total production; after 1934 this percentage dropped to about 25 percent, largely because of the demands of the rearmament program.

In 1936, the last year for which accurate country-destination statistics on German steel exports are available, Germany exported a total of almost 4,000,000 net tons of steel products. As shown by appendix VII, the Netherlands, Denmark, Sweden, Switzerland, and Great Britain were Germany's best European customers; while Brazil, China, and India provided the principal non-European markets. Germany accounted for the bulk of the steel imports of Bulgaria, Greece, Hungary, and Spain; and supplied from one-third to one-half of the import requirements of Italy, the Baltic States, and Rumania.

In terms of value, Germany's principal export products were shapes and rods, plates and sheets, and tubes and pipes, in that order.

OWNERSHIP

A. THE LEADING GERMAN IRON AND STEEL COMBINES

Large industrial units have always been a characteristic of German heavy industry. After the World War and the subsequent inflation these large vertical combines became fewer in number and larger in size. The peak of concentration was reached in 1926 when several large combines, representing more than half of all German iron and steel capacity at the time, merged to form a supercombine, the Vereinigte Stahlwerke. In 1929, 3 firms out of 26 accounted for 68.8 percent of all German pig-iron production; 4 out of 49, for 68.3 percent of crude steel; 3 out of 59, for 55.8 percent of rolling-mill products.

These large combines are also of significance in industries other than iron and steel. They produce almost three-quarters of the German long-distance gas supply, are very important in the cement industry, and own most of the large coal mines in Germany. Because of their ownership of important brown-coal deposits, from which the bulk of German electric power is produced, the iron and steel combines play a leading role in the German electric power industry. Also, many of the recently built plants producing synthetic petroleum from coal are subsidiaries of iron and steel combines. In 1943 it was estimated that no less than 70 percent of total German coal production (in bituminous coal equivalents) were controlled by iron and steel combines.

Several of these so-called iron and steel combines are even more important as fabricators, making armaments, machines, motors, and machine tools. For example, Friedrich Krupp Gusstahlfabrik at

Essen and the Grusonwerk A. G. at Magdeburg are primarily fabricators. The Krupp combine consumes almost all of its considerable steel production in its subsequent operations. Another important fabricator is Gutehoffnungshütte A. V., which controls the following large machine builders: (a) Maschinenfabrik Augsburg-Nürnberg (M. A. N.); (b) Maschinenfabrik Esslingen; (c) Zahnradfabrik Augsburg. The Hoesch combine controls Maschinenfabrik Deutschland. Humboldt-Deutz Motoren, in itself a large combine, is owned by Klöckner Werke, and the Flick combine controls Linke-Hoffman A. G., Breslau. Rheinmetall Borsig A. G., Düsseldorf, is part of the Hermann Göring combine.

The relative importance of the leading German iron and steel combines, based upon 1943 iron and steel capacity, is set forth in appendix IX. Vereinigte Stahlwerke alone accounts for about 40 percent of German steel production; and the following 12 firms are responsible for more than 90 percent of the total German output:

1. Vereinigte Stahlwerke A. G., Düsseldorf.
2. Krupp, A. G., Essen.
3. Gutehoffnungshütte A. V., Oberhausen.
4. Klöckner-Werke, Duisburg.
5. Hoesch-Köln-Neuessen A. G., Dortmund.
6. Hermann Göringswerke.
7. Mannesmann Röhren A. G., Düsseldorf.
8. Flick, K. G., Berlin.
9. Ballestrem Combine (including Vereinigte Oberschlesische Hüttenwerke), Gleiwitz.
10. Röchlingsche Werke, Völklingen.
11. Otto Wolff Eisengrosshandlung, Cologne.
12. Ilseder Hütte.

B. GOVERNMENT PARTICIPATION IN THE STEEL INDUSTRY

At present the German state exercises effective control over an important segment of the iron and steel industry through direct ownership of large blocks of shares in important combines. This control extends to more than 50 percent of Germany's total steel producing capacity. In addition, the state has worked very closely with other combines, especially those important in the manufacture of munitions, through direct subsidies and research grants. The Krupp, Flick, and Mannesmann combines are outstanding examples of this kind of relationship.

The German Reich owns controlling blocks of shares in the A. G. Reichswerke Hermann Göring, Vereinigte Stahlwerke A. G., and Ilseder Hütte A. G.

1. *A. G. Reichswerke Hermann Göring*.—This combine was founded by the Nazi state in 1937 for the purpose of exploiting low-grade domestic ore in the Salzgitter district. With the triumph of German arms, the combine expanded greatly through the acquisition of valuable properties in conquered territories. The German state thus projected its economic domination in this and other fields beyond the borders of Germany. The enterprises of the combine incorporated in greater Germany alone were capitalized at about 2.2 billion reichsmarks in 1941. All the voting stock is vested in the Reich. The annual crude steel capacity of these enterprises is about 2 million metric tons, or approximately 8 percent of the total German steel-making capacity.

Although the properties of the combine are vast and widespread, control is centralized in one holding company, the A. G. Reichswerke Hermann Göring, and its three subsidiary holding and operating companies (1) Reichswerke A. G. für Bergbau und Hüttenbetriebe, Hermann Göring (mining and steel making), (2) Reichswerke A. G. für Waffen und Maschinenbau, Hermann Göring (armaments and machinery), and (3) Reichswerke A. F. für Binnenschifffahrt, Hermann Göring (inland transportation).

The most important holdings of the Göring combine in Germany itself are the iron mines and steel works of Salzgitter, the quality steel armament plants of Rheinmetall Borsig at Berlin and Düsseldorf, and the Luitpoldhütte in Bavaria.

Salzgitter operations were undertaken only as part of the effort to attain national economic self-sufficiency. The steel produced at this plant is of such poor quality that the Nazis themselves have operated it only intermittently. Vereinigte Stahlwerke owned the Salzgitter ore fields for many years but deemed them unsuitable for the manufacture of marketable steel.

2. *Vereinigte Stahlwerke A. G., Düsseldorf.*—This combine is the most important steel producer in Europe and second only to the United States Steel Corporation in the world. It has an annual capacity of almost 10 million metric tons or approximately 40 percent of the total German steel-making capacity.

On March 4, 1932, the Brüning government bought the controlling interest in the combine from Friedrich Flick, who had secured it in 1930. Thus, the largest steel combine in Germany was under state control when Hitler took over the Government a year later. In keeping with the alleged Nazi policy of "reprivatization," Vereinigte Stahlwerke was reprivatized, the process taking place between 1933 and 1935. The capital of Gelsenkirchner Bergwerke, the largest constituent member of the Vereinigte Stahlwerke, was increased to a point where the Reich's holdings in that company amounted to less than a majority.¹ The Reich remained, however, by far the largest stockholder in the combine through its ownership of Gelsenkirchner and other stock.

In 1936, the shares of Vereinigte Stahlwerke were distributed approximately as follows:

<i>Percent of total Vereinigte Stahlwerke share capital</i>	
Holder:	
1. The German Reich (directly or indirectly)	25
2. The Thyssen group	14
3. Rheinische Stahlwerke (I. G. Farben)	12
4. The Otto Wolff combine	9
5. Gutehoffnungshütte	6
6. Small diffused holdings in the hands of the public	34
Total	100

The holdings of the Reich were again increased by the confiscation of the Thyssen holdings after the flight of Fritz Thyssen in 1939. Thus, the Reich may now control as much as 39 percent of the stock of the Steel Trust.

3. *Iseder Hütte A. G., Peine.*—The combine, in which the German Reich has a holding of 26 percent, owns the only important high-grade

¹ Before the reshuffling, the Reich held 150 million marks out of a total of 250 million marks of Gelsenkirchner shares. Gelsenkirchner, in turn, held 256 million out of a total of 800 million Vereinigte Stahlwerke shares, and 1 of its subsidiaries held another 213 million marks worth of V. S. shares.

ore deposit in Germany. While small by comparison with a few of the Ruhr giants, its capacity of 700,000 tons of high-grade steel per annum compares favorably with that of mills in almost any other section of Europe. In addition, the Reich owns 100 percent of shares of Ilse Bergbau, which provides coal for Ilseder Hütte.

C. RELATION BETWEEN LEADERSHIP OF THE IRON AND STEEL COMBINES AND THE NAZI PARTY

While no iron and steel combine as such is the property of the Nazi Party, per se, many of the owners and managers of these combines have been either party members, supporters, or beneficiaries. In 1932 Hitler was introduced to the Ruhr magnates at the Industrialists' Club in Düsseldorf by Geheimrat Kirdorff, of the Vereinigte Stahlwerke. Krupp and Thyssen were among the most important early contributors to the Nazi Party, and continued to support it later on. In some cases the steel combines furnished arms to Hitler's followers.²

Among the present leaders of the German iron and steel industry may be found some of the most ardent Nazi supporters in all Germany. A partial list of these would include Wilhelm Zangen, of Mannesmann; Krupp von Bohlen und Halbach and Loesser, of Krupp; Hermann Röchling, of the Röchlingshe Werke; Poensgen and Voegler, of Vereinigte Stahlwerke; and Friedrich Flick, of Flick K. G. These men hold leading positions in the powerful quasi-governmental control agencies, such as the Reichsvereinigung Eisen and the Eisen und Stahl Gemeinschaft, further consolidating the dominant position of these few combines in the industry. Their companies have been the beneficiaries of industrial pillage in occupied countries, and have benefited from "aryanization" and reprivatization within Germany.

INTEGRATION OF THE CONTINENTAL IRON AND STEEL INDUSTRY INTO THE GERMAN WAR ECONOMY

Whether conquered, neutral, or ally, almost every country in Europe is contributing to the German war machine in a predominantly one-sided arrangement. German methods of exploiting the resources of other nations have been very flexible. In the realm of heavy industry, the Nazi economic programs have integrated the steel industries of the several European countries into one huge tributary iron and steel industry. The result is a flow of finished steel products into the Nazi war machine.

At present, every iron and steel works in German-dominated Europe which is permitted to operate is working on German orders, whether the Germans have taken possession of the plant or have permitted the old management to continue. The Nazis determine how much of a specific plant's capacity to use or whether to close it entirely and divert the raw materials and manpower to a more efficient mill or one making a better grade of steel.

The patterns of expansion and exploitation fall into three main categories:

1. The integration of industries into the state-owned Hermann Goering Works, a prime example of business piracy and exploitation.

² Senate Committee Investigating the Munitions Industry, pt. 5, pp. 1198-1199; pt. 12, pp. 2783, 2800, 2809.

2. The taking over of foreign mines, steel works, and rolling mills by private German concerns.

3. The forcing of those properties, which were not absorbed, to work on German account, with concomitant control and inspection by the Nazis or collaborationist governments, and dependence on the Reich for raw materials and labor supply. In many cases there has been further integration by incorporation of steel works into the German cartels or Government associations.

The net effect of 5 years of seizure, integration, and exploitation has been to increase greatly Germany's capacity to wage war, without a proportionate increase in costs, for, as will be shown, other countries have borne the brunt of financing the expansion of enemy steel capacity.

Because it may be said to personify the Nazi state itself, and because of the remarkable nature of its structure and personnel, the Hermann Goering Works is discussed first.

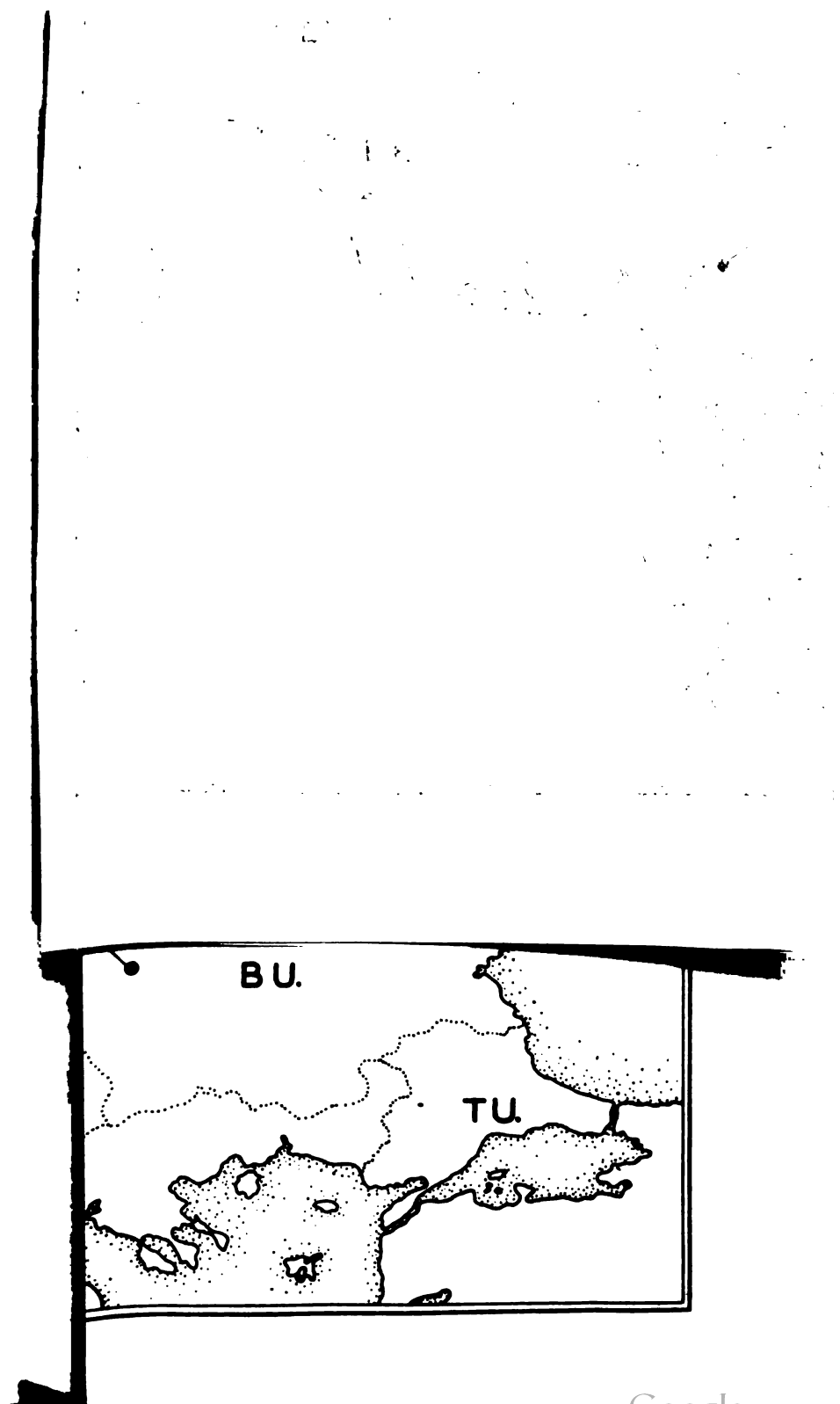
DEVELOPMENT OF THE TOP HOLDING COMPANIES OF THE HERMANN GOERING WORKS

The Reichswerke A. G. fuer Erzbergbau und Eisenhuetten "Hermann Goering" was founded July 15, 1937, with an initial capital of 5 million reichsmarks, provided by the Reich. The justification given for the creation of this Government corporation was that private firms in German heavy industry had opposed the exploitation of low-grade iron ores in the vicinity of Salzgitter, which were regarded by Marshal Goering, in his capacity of director of the four-year plan, as necessary to fill an important gap in the German iron supply.

The powers granted to the new company included the right to acquire title to all unexploited iron ore and other mineral deposits, to exploit these deposits in the national interest, and to issue stock to the holders of these appropriated mining rights and to private investors.

In April 1938 the Goering Iron Works announced an increase of its capital stock from 5 million to 400 million reichsmarks. As a result of this increase, the Goering Works within less than a year after its establishment, became the third largest German corporation; only I. G. Farbenindustrie, with a capital stock of 720 million reichsmarks, and the steel trust, Vereinigte Stahlwerke, with a capital stock of 460 million reichsmarks, surpassed it. Under the 1938 refinancing, the Reich acquired the entire new common stock, 265 million reichsmarks in value, thereby retaining 100 percent voting control of the company. Other shares were issued in the form of nonvoting preferred shares. A small portion of the preferred shares, 10 million reichsmarks, seems to have been turned over to Goering himself and perhaps to other favored Nazi personages. The bulk of the preferred shares, 120 million reichsmarks, was taken over by a bank consortium, which allotted 95 million reichsmarks among the German iron and steel firms connected with the four-year plan. By this device, these industrialists were made to assist in financing a state enterprise that was to be their most powerful rival.

Following the annexation of Austria and, later, the invasion and incorporation of Czechoslovakia, the Goering Works underwent very





extensive expansion in its corporate, territorial, and functional structure. On July 7, 1939, a holding company was created, the A. G. Reichswerke "Hermann Goering," with a stock capital of 100 million reichsmarks completely state owned. The holding company seems to have been formed primarily as a means of controlling the participations obtained by the Goering Works in the well-known Austrian Veitscher Magnesite Works and the Czechoslovak Vitkovice Iron and Steel Works.

According to the German press, however, the purpose of this move was the broader one of concentrating in the new company all holdings of the Reich in the iron-producing industry, as well as the holdings of the companies controlled by the Reichswerke A. G. fuer Erzbergbau und Eisenhuetten "Hermann Goering" in the iron fabricating and river shipping fields. The latter company was thereby supposed to resume its original function as a producer of iron and steel.

Continuing expansion of the Goering interests at home and abroad resulted in January 1941 in a further drastic reorganization of the Goering combine. A new form of organization was created, consisting of a central holding corporation serving to coordinate three distinct holding and operating corporations. The top holding corporation continued to be A. G. Reichswerke "Hermann Goering"; its capital, however, was raised from 100 to 250 million reichsmarks. The largest of the three holding-operating corporations controlled by top corporation comprised mining and iron and steel enterprises; this holding-operating corporation was called Reichswerke A. G. fuer Bergbau und Huettenbetriebe "Hermann Goering," and had a capital stock of 560 million reichsmarks, and reserves of 118 million reichsmarks. The second corporation integrated armaments and machinery works under the name of Reichswerke A. G. fuer Waffen und Maschinenbau "Hermann Goering" with a capital stock amounting to 80 million reichsmarks, and reserves of 13½ million reichsmarks. In the smallest corporation—Reichswerke A. G. fuer Binnenschifffahrt "Hermann Goering"—were concentrated all the Goering transportation interests. The stock capital and reserves of this corporation amounted to 12½ and 11½ million reichsmarks, respectively.

IMPORTANCE OF THE HERMANN GOERING WORKS

By 1941 the enterprises of the Goering Works incorporated in Germany alone reportedly accounted for a capital stock of at least 2.2 billion reichsmarks, or roughly 1 billion dollars at the then current official rate of exchange. Of this sum, 1.7 billion reichsmarks represented the share capital of the combine's German mining, iron production, and refining companies. The over-all importance of the Goering Works in Germany may be judged by the fact that in 1941 its capital stock constituted some 10 percent of the total share capital of all German mining, iron, and steel companies.

The Goering combine now far outranks I. G. Farbenindustrie and Vereinigte Stahlwerke. It constitutes, in fact, the most extensive vertical combine in European heavy industry, employing at least 600,000 persons. Its interests cover many of the most important iron and coal mines, iron and steel mills, armament factories, shipping, building and trading corporations of Nazi Europe, from Norway to Rumania. The extent of its acquisitions and its importance in Euro-

pean mining, heavy industry, and essential enterprises is suggested by the following figures indicating the percentage of output or capacity controlled by the Goering combine in some major fields:

Nearly 100 percent of Austrian iron and steel production.

Nearly 100 percent of Rumanian iron and steel production.

Nearly 100 percent of Yugoslavian copper production.

Nearly 80 percent of Sudetenland lignite output.

More than 50 percent of Czechoslovakian iron and steel production.

More than 50 percent of Polish iron and steel production.

More than 50 percent of Danubian shipping.

A more detailed account of the power and ramifications of the Goering combine in Axis Europe will be found in appendix A, which lists 128 companies and properties clearly owned or controlled, in whole or in part, by the combine.

The list of controlled enterprises includes many notable names in European industry and commerce. Best known of all is perhaps the Skoda Works of Czechoslovakia. These works constituted one of the major armament centers of Europe, producing such varied products as airplanes, automobiles, tanks, locomotives, and explosives. They have become one of the mainstays of the Wehrmacht, especially after the bombing of the German armament factories which were located nearer the air bases of England.

Another valuable addition to the Goering arsenal was the Ceskoslovenska Zbrojovka. This company, with its 10 branches, specialized in almost every type of armament. These included military binoculars, aviation cameras, artillery range finders, helmets, heavy anti-tank machine guns, airplanes, and submarines. The company also produced automobiles and ships.

The largest single iron and steel corporation outside Germany, Vitkovice Mines, Iron and Steel Works of Czechoslovakia, has also been taken over by the Goering combine. This company produced yearly over 3,000,000 tons of coal, 1,000,000 tons of coke, 750,000 tons of pig iron, and 800,000 tons of steel. It owned iron mines as far away as Sweden, and had its own shipping facilities for the transport of these ores. In Czechoslovakian economy, it occupied a position comparable to that of the United States Steel Corporation in the United States.

Occupying a similar position in Austria to that held by the Vitkovice Works in Czechoslovakia is the Alpine Montan, another member of the Goering combine. This company provided practically all of the iron and steel needed by Austria. In 1939 its mines produced 3,000,000 tons of iron ore; its coal output amounted to 2,000,000 tons, and its foundries turned out 400,000 tons of pig iron and 400,000 tons of steel.

In Poland, the combine acquired, through a special subsidiary, at least 33 percent of the Polish hard-coal mines. In Yugoslavia, the combine obtained one-third ownership of the largest copper mines in Europe, the Bor Mines, which account for 44 percent of the annual copper output of all Axis Europe.

In Roumania, the largest firms in heavy industry, the Reschitza and the Malaxa Iron Works, were incorporated into the combine. Reschitza produced annually 70 percent of Roumania's commercial iron, 80 percent of its steel, and 100 percent of its blast-furnace coke. Malaxa manufactured not only iron and steel, but arms, munitions, and machines.

In order to assure control of transportation, vital to the functioning of heavy industry, the combine had to obtain an adequate shipping fleet. Acquisition of the Erste Donau Dampfschiffahrtsgesellschaft of Vienna gave the combine the dominant position in Danubian shipping. This company not only had had the largest fleet on the Danube but also various shipping subsidiaries in Bulgaria and elsewhere, and the largest inland shipyard of Europe, located at Budapest.

TECHNIQUES AND LEGAL BASIS USED IN THE EXPANSION OF THE GOERING COMBINE

On July 23, 1937, eight days after the original Goering Works were established, Marshal Goering bestowed on the Goering Works the benefits of the March 29, 1935, law authorizing the condemnation of land for the purposes of the Reich's defense forces. This grant of power enabled him to announce the compulsory amalgamation of the Salzgitter mining properties into the Goering empire. Thus, as early as 1937 the Goering Works were placed in a position to exercise a right similar to that of eminent domain in America, and almost on a par with the Reich itself.

After the Goering combine was reconstructed at the end of 1940, all of its branches and subsidiaries were forced to incorporate in their company charters a sentence stating that their enterprises belong to the Goering Konzern and that the A. G. Reichswerke "Hermann Goering" acts as a holding company for them. On the basis of this formal act, the benefits of the 1935 expropriation law were extended to the branch enterprises of the Goering Combine. Accordingly, such subsidiaries as Alpine Montan A. G. in Austria, and the Sudetenlaendische Treibstoffwerke in the Sudetenland were permitted to lodge large claims against private real estate and immovables.

The charter provision was also the basis for allowing subsidiaries to offset profits made in one area or sector of their activity against losses incurred in another area or different field of activity. Thus, the losses resulting from the operation of the Salzgitter mines were covered out of the abundant earnings of Rheinmetall-Borsig.

The Goering Combine is one of the greatest industrial empires ever built. The major methods devised and used to achieve this swift development have been the following:

1. *Direct investment by the Reich.*—Examples of this are—

(a) Investment of 270 million reichsmarks in 1937-38 in the Goering Iron Works, Berlin.

(b) Investment of 4½ million reichsmarks in 1939 in the Goering Iron Works, Linz, Austria.

(c) Investment of 250 million reichsmarks between 1939 and 1941 in the A. G. Reichswerke "Hermann Goering."

2. *Transfer of Reich property to the Goering Combine.*—This transfer has been effected usually in exchange for such assets as H. Goering Works shares, or for cash. Examples of such transfers are:

(a) The transfer by the VIAG, the Reich's leading industrial holding company, of its shares in the Rheinmetall-Borsig, A. G., Duesseldorf, one of the leading metallurgical concerns of Germany, and of its shares in large Austrian industrial firms controlled by the leading Austrian bank, the Creditanstalt Bankverein of Vienna, a majority of whose stock VIAG had acquired.

(b) The transfer by the Haupttreuhandstelle Ost, the official German Property Custodian Bureau for Eastern Europe, of various Polish properties acquired by the Reich to the Goering subsidiary in Poland.

3. *Transfer of property by subordinate German state organizations.*—An example of this is the turning over of Luitpold Foundries in Amberg to the Goering Iron Works by the Bavarian state-owned Berg-Huetten-und Salzwerke A. G.

4. *Forced investment by private firms in the Goering combine.*—The only known instance of this is the investment by all of the iron and steel companies of Germany of 95 million reichmarks in the Goering Iron Works in 1938.

5. *Exchange of Properties.*—The most notable example of this is the acquisition by the Goering Iron Works of some valuable coal mines of the Flick combine in exchange for a coal mine in Saxony.

6. *Confiscation of State property.*—For example, in Austria, Czechoslovakia, and Poland.

7. *Confiscation or expropriation of private property without compensation.*—Examples of this are—

(a) The Thyssen G. m. b. H., one of the most important heavy industry combines of Germany.

(b) Properties held by Jews, taken over on various grounds, usually that of "aryanization." The instances of Baron Rothschild in Austria, the Petschek family in Czechoslovakia, the Malaxa Works in Rumania, and the Preussengrube A. B. of German Upper Silesia, are the most notable.

(c) Properties of Polish citizens in the Polish territories incorporated into Germany, in cases where the owners had (1) fled, (2) acquired the property since September 1, 1939, (3) settled after October 1, 1918, in areas which had belonged to the pre-1914 Reich, or (4) owned property required in the public interest, particularly in the defense of the Reich or in the strengthening of German residents or settlers.

8. *Purchase of private property through a grant of shares in the Goering combine.*—The Salzgitter mining rights of Vereinigte Stahlwerke, Ilse der Huette were acquired in this way.

9. *Outright purchase of property at par or above par.*—Examples of such purchase are the:

(a) Rheinmetall-Borsig of Germany.

(b) Steyr-Daimler-Puch, A. G., of Austria.

(c) Steirische Gusstahlwerke, A. G., of Austria.

(d) Simmering Maschinen-und Waggonbaufabrik, A. G., of

Austria.

(e) Mines de Bor of Yugoslavia.

(f) Alpine Montan, A. G., of Austria.

10. *Direct administration, as trustee and manager on behalf of the Reich.*—Such administration has been assumed, for example, over:

(a) De Wendel smelting works in Lorraine.

(b) Union de Consommateurs in Lorraine.

(c) Dunderland Iron Ore Mines in Norway.

APPENDIX A

Companies and properties controlled by A. G. Reichswerke "Hermann Goering"

Name of company or property	Location	Nature of enterprise	Approximate date of acquisition or founding	Control
GERMANY				
1. A. G. Reichswerke "H. G." ¹	Berlin.....	Holding company.	1939	Founded by the Reich.
2. Reichswerke A. G. fuer Bergbau und Huettenbetriebe "H. G."	.....do.....	Holding and operating company.	1939	Founded by "H. G."
3. Reichswerke A. G. fuer Erzbergbau und Eisenhuetten "H. G."	.....do.....	.....do.....	1937	Founded by the Reich.
4. Reichswerke A. G. fuer Waffen und Maschinenbau "H. G."	.....do.....	.....do.....	1939	Founded by "H. G."
5. Reichswerke A. G. fuer Binnenschifffahrt "H. G."	.....do.....	.....do.....	1941	Do.
6. Wohnungs A. G. der Reichswerke "H. G."	Braunschweig.....	Building.....	1937	Do.
7. Bergbau A. G. in Salzgitter vormals Anton Baky.	Salzgitter.....	Building and mining machinery.	1937	Owned.
8. Negrella A. G.	.....do.....	Building.....	1937	Do.
9. Diabas-Steinbrueche Neuwark A. G.	Harz Mountains.....	Gravel pits.....	1938	Do.
10. Rheinmetall-Borsig A. G. ²	Duesseldorf.....	Arms and machinery.	1938	Majority stock held.
11. Eisen und Metall A. G.....	Essen.....	Iron and steel trading.	1938	Minority stock held by subsidiary.
12. Vertriebsgesellschaft m. b. H. der Reichswerke "H. G."	Berlin.....	Trading.....	1938	Founded by "H. G."
13. Gewerkschaft Eisensteinsche "Kleiner Johannes."	Pegnitz.....	Iron ore.....	1938	Full control.
14. Preussengrube A. G.....	Upper Silesia.....	Coal.....	1939	Majority stock held by subsidiary.
15. Bergbau A. G. Ewald-Koenig Ludwig.	Herten, Westphalia.....	.....do.....	1939	Majority stock owned.
16. Rheinisch-Westfaelische Industrie-Beteiligungs A. G.	Muelheim-Ruhr.....	Holding company.	1940	Full control.
17. Ferngasgesellschaft der Reichswerke "H. G."	Braunschweig.....	Gas company.....	1940	Founded by "H. G."
18. Braunkohlen A. G. "Vereinsgrube Meuselwitz."	Meuselwitz.....	Coal.....	1940	Majority stock owned.
19. Schlesische Dampfer Compagnie-Berliner Lloyd A. G.	Hamburg.....	Shipping.....	1941	
20. Bayerischer Lloyd Schifffahrts A. G.	Regensburg.....	.....do.....	1940	Majority stock owned.
21. Bergwerksverwaltung Klein Roseln G. m. b. H. der Reichswerke "H. G."	Saarbruecken.....	Management and construction of mines.	1942	Founded by "H. G."

¹ "Hermann Goering."² No. 10 either owns or has considerable holdings in Nos. 11 and 125.

APPENDIX A—Continued

Companies and properties controlled by A. G. Reichswerke "Hermann Goering"—Con.

Name of company or property	Location	Nature of enterprise	Approximate date of acquisition or founding	Control
GERMANY—continued				
22. Salzgitter quarries ¹	Heinemanns Hohe.	Stone.....	1938	Owned.
23. Salzgitter mines and ore fields. ²	Bad Salzgitter.....	Iron ore.....	1937	Do.
24. Kalkwerke Walhalla. ³	Regensburg.....	Lime.....	1938	Do.
25. Luitpoldhuetten. ⁴	Amberg.....	Iron and steel.....	1938	Do.
26. Stahlwerke Braunschweig G. m. b. H. ⁵	Brunswick.....	do.....		Founded by "H. G."
27. Deutsche Bergwerks und Huetttenbau G. m. b. H.	Berlin.....	Construction.....		Do.
28. Buchtal A. G. Keramische Betriebe der Reichswerke "H. G."	Oeslau, near Coburg.	Fireproof materials.		Do.
29. Mines of Harpener Bergbau A. G. ⁶	Dortmund, Recklinghausen, Essen, etc.	Coal.....		Owned.
30. Grossdeutsche Umsiedlungsgesellschaft.		Housing.....	1939	Founded by "H. G."
AUSTRIA				
31. Wohnungs A. G. der Reichswerke "H. G."	Linz.....	Building.....	1938	Founded by "H. G."
32. Steyr-Daimler-Puch A. G. ⁷	Steyr & Graz.....	Arms and machinery.	1938	Majority stock held.
33. "Chromag" A. G. fuer Werkzeug und Metallindustrie.	Hirschberg.....	do.....	1938	Owned by subsidiary.
34. Steirische Gusstahlwerke A. G.	Vienna.....	Iron and steel.....	1938	Owned.
35. Vertriebs G. m. b. H. der Reichswerke "H. G."	do.....	Trading.....	1938	Founded by "H. G."
36. Veitscher Magnesitwerke A. G.	do.....	Magnesite.....	1939	
37. Reichswerke A. G. Alpine Montanbetriebe "H. G." Linz. ⁸	Linz.....	Iron ore.....	1939	Merger by "H. G."
38. Eisen-und Stahl A. G.	Vienna.....	Trading.....	1939	
39. Eisenwerk A. G.	Kreitzlach.....	Iron and steel.....	1939	Majority stock held by subsidiary.
40. Graz-Koeflacher Eisenbahn-und Bergbau Gesellschaft.	Graz.....	Railroad and coal.	1939	Do.
41. Bau A. G. Negrelli.	Vienna.....	Building.....	1939	Do.
42. Stahl und Temperguss A. G. vormals Fischer-Traisen.	do.....	Iron and steel.....	1939	Majority stock held.
43. Erste Donau Pampschiffahrtsgesellschaft. ⁹	do.....	Shipping.....	1940	Owned by subsidiary.
44. Schiffswerft Linz A. G.	Linz.....	Shipbuilding.....	1939	Owned.
45. Omnipol Handels A. G.	Vienna.....	Trading.....	1941	Founded by "H. G."
46. Simmering-Graz-Pauker A. G. fuer Maschinen-Kessel-und Waggonbau.	do.....	Arms and machinery.	1941	Merger by "H. G."
CZECHOSLOVAKIA				
47. Vitkovice horni a hutni teztstvo.	Moravska Ostrava.	Iron and steel.....	1939	Management and minority stock held.
48. "Ruda" Bergbau-und Huetttenbetriebe A. G. ¹⁰	Bratislava.....	Iron ore.....	1941	Founded by "H. G."
49. Cechoslovakische Oder-Schiffahrts A. G.	Praha.....	Shipping.....	1939	Controlling stock held by subsidiary.

¹ Properties as distinguished from companies.² No. 26 either owns or has considerable holdings in Nos. 100, 101, and 102.³ No. 32 either owns or has considerable holdings in Nos. 33 and 87.⁴ No. 37 either owns or has considerable holdings in Nos. 38, 49, 40, and 41.⁵ No. 43 either owns or has considerable holdings in Nos. 44, 115, 116, 117, 118, and 123.⁶ Founded out of Slovakian properties of No. 47.

APPENDIX A—Continued

Companies and properties controlled by A. G. Reichswerke "Hermann Goering"—Con.

Name of company or property	Location	Nature of enterprise	Approximate date of acquisition or founding	Control
CZECHOSLOVAKIA—continued				
50. Krompacher Kupferwerke A. G.	Krompachy.....	Copper.....	1941	Owned by subsidiary.
51. A. G. vormalig Skodawerke in Pilsen.	Pilsen, etc.....	Arms and machinery.	1939	Full control.
52. Omnipol A. G.....	Praha.....	Trading.....	1939	Full control through subsidiary.
53. Akciová společnost pro automobilový průmysl ("ASAP").	Pilsen, Mlada, Boleslav.	Arms and machinery.	1939	Full control by subsidiary.
54. Novak & Jahn A. G. fuer Maschinen und Brueckenbau.	Praha.....	Airplanes.....	1939	Majority control by subsidiaries.
55. "Avia" (A. G. fuer Flugzeugbau).	Sathlice.....	Arms and machinery.	1939	Majority control held by subsidiary.
56. Konstruktiva A. G. fuer Strassenbau.	Praha.....	Road construction.	1939	.
57. Ceskoslovenska Zbrojovka A. S. (Bruenn Waffenwerke A. G.).	Brno.....	Arms and machinery.	1939	Important minority holdings.
58. "Montania" banska a hutna v. o. spol.	Bratislava.....	Iron ore, iron, copper, and chemicals.	1939	Owned by subsidiary.
59. Erste Bruenner Maschinen-Fabriks-Gesellschaft.	Brno.....	Arms and machinery.	1939	Management and large holdings.
60. Bruenn-Koenigsfelder Maschinen-und Waggon-Fabriks, A. G.	....do.....	....do.....	1939	Majority stock held by subsidiary.
61. "Gefia" A. G. fuer Industrielle Anlagen.	Praha, Brno.....	....do.....	1939	Do.
62. Sudetenlaendische Bergbau A. G.	Bruex.....	Coal.....	1939	Full control.
63. Nordboehmische Kohlenwerksgesellschaft.	....do.....	....do.....	1939	Owned by subsidiary.
64. Brucher Kohlenwerke A. G.	Teplitz-Schoenau.....	....do.....	1940	Full control through subsidiary.
65. Bruexer Kohlenbergbau Gesellschaft.	Bruex.....	....do.....	1939	Owned by subsidiary.
66. Boehmische Handelsgesellschaft.	Praha.....	....do.....	1939	Do.
67. Vereinigte Britannia Kohlenwerke A. G.	Seestadt, etc.....	....do.....	1940	Full control.
68. Zieditz-Haberspirker Braun und Glanzkohlen-gewerkschaft.	Karlsbad.....	....do.....	1940	Controlling stock held by subsidiary.
69. Duxer Kohlen-gesellschaft auf Aktien.	Teplitz-Schoenau.....	....do.....	1940	Full control.
70. A. G. Grube "Minerva," Bruex.	Bruex.....	....do.....	1940	Full control by subsidiary.
71. A. G. Grube "Poseidon," Bruex.	....do.....	....do.....	1940	Do.
72. Wenzels Braunkohlenwerke. ¹	....do.....	....do.....	1940	Owned by subsidiary.
73. Dreieinigkeits Gewerkschaft. ¹	....do.....	....do.....	1940	Do.
74. Johan-Nepomuk Braunkohlengewerkschaft. ¹	....do.....	....do.....	1940	Do.
75. Mines of Berg Direktion Bruex. ¹	Bruex.....	....do.....	1939	Do.
76. Braunkohlen A. G.	Praha.....	....do.....	1940	
77. Westboehmischer Bergbau Aktien-Verein.	....do.....	Hard coal.....	1941	Large block of stock held by subsidiary.
78. Egerlaender Erzbergbau G. m. b. H.	Schlagenwald.....	Tin and wolfram ores.	1939	Founded by "H. G." and Krupp.

¹ Properties as distinguished from companies.

NOTE.—In the following, "holds" means "either owns or has considerable holdings in": No. 47 holds No. 49; 48 holds 50; 51 holds 52, 53, 54, 55, 56, 57, 85, 86, 108, 119; 57 holds 58, 104, 105, 106, 112, 113; 59 holds 60, 61, 111, 126; 62 holds 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77; 80 holds 114; 106 holds 107, 110.

APPENDIX A—Continued

Companies and properties controlled by A. G. Reichswerke "Hermann Goering"—Con.

Name of company or property	Location	Nature of enterprise	Approximate date of acquisition or founding	Control
CZECHOSLOVAKIA—continued				
79. Sudetenlaendische Treibstoffwerke A. G.	Bruex.....	Synthetic oil refinery.	1939	Founded by "H. G."
80. Poldihuette A. G.....	Kladno, and Komotau.	Arms, machinery, and coal.	1939	Management, and minority stock held.
81. Cechoslovakische Donauschiffahrts A. G.	Bratislava.....	Shipping.....	1939	
82. Podbrezova banska a hutni A. S.	Podbrezova.....	Iron ore and iron..	1939	Majority stock held.
83. Steinkohlen-Bergbau Orlau Lazy A. G.	Moravia-Silesia...	Hard coal.....	1940	Large minority stock held.
84. Handlovaer Koblenbergbau A. G.	Bratislava.....	Coal.....	1941	Controlling stock held by subsidiary.
POLAND				
85. Polnische Skoda Ges. m. b. H.	Warsaw.....	Trading.....	1939	Full control by subsidiary.
86. "Polnische Skodawerke" A. G.	.....do.....	Arms and machinery.	1939	Do.
87. State Arms Factories ¹⁰	Radom and Warsaw.	Arms and munitions.	1939	Owned by subsidiary.
88. Bergwerksverwaltung Oberschlesien G.m.b.H. der Reichswerke "H. G." ¹¹	Kattowitz.....	Holding company.	1940	Founded by "H. G."
89. Mines of Wspolnata Interesow S. A. ¹⁰	.....do.....	Coal and iron.....	1940	Owned by subsidiary.
90. Skarboferme, S. A.	Chorzow, etc.	Coal.....	1940	Do.
91. Rybnickie Gwarectwo Weglowe.	Pasow, Radlin, etc.	Hard coal.....	1940	Do.
92. Czernitzer Steinkohlenberg A. G.	.....do.....	.....do.....	1940	Do.
93. Mines at Oehrigen and Sosnitz. ¹⁰	Oehrigen and Sosnitz.	Coal.....	1940	Do.
94. Brzeszcze State Coal Mine. ¹⁰	Brzeszcze.....	Hard coal.....	1940	Do.
95. Hohenloherwerke ¹⁰	Weinowice.....	.....do.....	1940	Do.
96. Steinkohlen Gewerkschaft Charlotte. ¹⁰	Kattowitz.....	Coal.....	1942	Do.
97. Petschek-und Hohenlohe ¹⁰	Teschen.....	Coal and zinc.....	1940	Do.
98. Friedlander und Guttman. ¹⁰	.....do.....	.....do.....	1940	Do.
99. Zinc Mines: Neue Helene & Brzosowitz. ¹⁰	Beuthen and Tarnowitz.	Zinc.....	1940	Do.
100. Tow. Starakowickich Zakl.	Starachowice.....	Iron and steel.....	1940	Full control by subsidiary.
101. Stalowa Wola.....	Stalowa Wola.....	.....do.....	1940	Do.
102. Ostrowieckie Zakl. Iron & Steel Works.	Warsaw.....	.....do.....	1940	Do.
103. Spolka Gorniczo-Hutnicza Trinec & Karvinna.	Trinec and Karvinna.	.....do.....	1941	Half ownership.
ROUMANIA				
104. Uzinele de fier si Domeniile din Resita S. A. ¹²	Resita, Bucuresti.	Iron, steel, arms, and machinery.	1940	Management, and minority stock held.
105. "Astra" S. A. R. Prima Fabrica Romana de vagoane si motoare.	Arad.....	Arms and machinery.	1940.	Minority stock held by subsidiaries.
106. Uzinele metalurgice Copsa Mica si Cugir, S. A. R.	Bucuresti.....	.....do.....	1939	Do.
107. Industria Aeronautica Romana, S. A.	Brasov.....	.....do.....	1940	Do.
108. Uzinele Metalurgice in Ploesti S. A. R.	Ploesti.....	.....do.....	1939	Majority stock held by subsidiaries.
109. Malaza Konzern ¹³	Bucuresti.....	.....do.....	1941	Management and half stock held.

¹⁰ Properties as distinguished from companies.¹¹ No. 88 either owns or has considerable holdings in Nos. 14, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99.¹² No. 104 either owns or has considerable holdings in Nos. 105 and 106.¹³ No. 109 either owns or has considerable holdings in No. 105.

APPENDIX A—Continued

Companies and properties controlled by A. G. Reichswerke "Hermann Goering"—Con.

Name of company or property	Location	Nature of enterprise	Approximate date of acquisition or founding	Control
ROUMANIA—continued				
110. Santierele Navale din Galati of "S. R. D." S. A.	Galati.....	Shipbuilding.....	1940	
111. "Petrol Block"	Bucuresti.....	Petroleum.....	1939	Minority stock held by subsidiary.
112. Exploatarea, "Farola", S. A.	do.....	Rolled and drawn metals.	1939	Large stock holdings by subsidiary.
113. Prima Fabrica Metalurgica Romana S. A. ("Metrom").	Bucuresti, Brasov.	Arms and machinery.	1939	Large minority stock held by subsidiary.
114. Forja Poldi, I. A. R. s. a. r.	Bucuresti.....	do.....	1939	Minority stock held by subsidiary.
HUNGARY				
115. Schiffswerft ¹⁴	Budapest.....	Shipbuilding.....	1939	Owned by subsidiary.
116. Pécs-Baranyaer Steinkohlenbergbau A. G.	Pécs.....	Hard coal.....	1939	Majority stock held by subsidiary.
117. Fuenfkirchener Kohlenwerke der Erste Donau Dampfschiffahrtsgesellschaft. ¹⁴	Fuenfkirchen.....	do.....	1939	Owned by subsidiary.
118. Mohács Fuenfkirchener Eisenbahn. ¹⁴	Mohács.....	Railroad.....	1939	Do.
YUGOSLAVIA				
119. Yugo Skoda A. G.....	Beograd.....	Trading.....	1939	Owned by subsidiary.
120. Yugochrom A. G.....	Rabrovo, Trnovo, and Presovo.	Chromium ore.....	1940	Founded by "H. G." and Krupp.
121. Compagnie Francaise des Mines de Bor ¹⁴	Bor.....	Copper ore.....	1941	Minority stock held.
122. Drina Mining Co., Ltd.....	Ljubovje.....	Lead and zinc ore..	1941	Majority stock held by subsidiary.
BULGARIA				
123. "Dunav" Koeniglich Bulgarische Schifffahrts A. G.	Sofia.....	Shipping.....	1939	Owned by subsidiary.
NORWAY				
124. Dunderland Iron Ore Co., Ltd.	Nord Rana.....	Iron ore.....	1940	Management.
THE NETHERLANDS				
125. De Werkspoor.....	Amsterdam.....	Machinery and locomotives.	1942	Minority stock held by subsidiary.
126. N. V. Turbo A. G.....	do.....		1939	Owned by subsidiary.
FRANCE				
127. Union des Consommateurs de Produits Metalurgiques et Industriels.	Hagondange.....	Iron and steel.....	1941	Trusteeship.
128. Les Petits Fils de François Wendel et Cie.	H a y a n g e - M o - y e u v r e .	do.....	1941	Do.

¹⁴ Properties as distinguished from companies.¹⁵ No. 121 either owns or has considerable holdings in No. 122.

APPENDIX B.—Companies and properties allegedly controlled by A. G. Reichswerks "Hermann Goering" but for which evidence is not conclusive at this time

Country	Name of company or property	Location	Nature of enterprise
Germany	Grossdeutsche Schachtbau und Tiefbohr G. m. b. H.	Mulheim-Ruhr	Mining company.
Austria	Kaertnerische Eisen und Stahlwerke A. G.		Iron and steel.
	Vereinigte Wildstein Neudorfer Tonwerke A. G.	Eger	
Czechoslovakia	Ferdinands Nordbahn	Moravska-Ostrava.	Coal.
	Metallwerke F. A. Lange A. G.	Gruenthal	
	Optikotechna, spol. s. n. o.	Prerov	Optical goods.
	"Kablo" Aktienkabel und Drahtseilfabrik.	Kladno	Wire and cable.
	"Union" Portland-Zement-fabriks A. G.	Bratislava	Cement.
Rumania	Rumaentsch-Deutsche A. G. fuer Eisenindustrie und-handel.	Bucuresti	Managing company.
	Uzinele Metalurgice Unite Titan, Nadrag, Calan, S. A. R.	do.	Iron and steel.
	"Unio" S. A.		
	"Romloc" S. A.	Brasov	Railroad rolling stock.
	Interprinderile Metalurgice David Goldenberg, Fil. S. A.	Braila	
	"Vulcan" Noua societate a ateloerelor.	Bucuresti	Machinery.
	"Industria Fierului"	Ploesti	Repairing machinery.
	General Oil Wells.	do.	Oil wells.
Hungary	Magnesit-Industrie A. G.	Budapest	Magnesite.
	Stefan Roeck Maschinen-fabrik A. G.	do.	Machinery.
Greece	Greek lignite mine		
Yugoslavia	Yugoslavia Solvay Works, Ltd.	Lukavac and Tuzla.	Soda.
	Kroatische Fluss-schiffahrt A. G.	Agram	Shipping.
Bulgaria	Road building company		Road building.
	Compagnie Francaise des Mines de Louda Yana.		
	Steyr-Skoda	Sofia	Trading.
Sweden	Vitkovice Iron Mines.		Iron ore.
Belgium	Solvay Trust	Brussels	Soda and plate glass.
Baltic, Union of Soviet Socialist Republics and other eastern European territories.	Goering Werke im Osten.		War-time industries.
	Berg-und Huetttenwerks-Gesellschaft "Ost" m. b. H.		Mining and smelting.

Penetration of European industry.—Although the Goering Works had been originally founded for the purpose of filling a gap in Germany's wartime self-sufficiency, it soon expanded into many other fields (some only incidentally related to the production of steel), and took on all of the characteristics of a vertical trust. It acquired many companies, not all of which formed valuable supplements to an already existing organic structure. Rapid expansion was made possible by the succession of German conquests after 1938. The Goering concern turned from the exploitation of domestic ore deposits to the much more profitable task of taking over large parts of the heavy industries of the conquered nations.

Austria.—One month after the conquest of Austria the Goering concern established a branch at Linz on the Danube. Within a short time it had acquired control of the extensive properties of the Austrian state, and had taken over the Rothschild holdings.

In this manner it acquired a virtual monopoly on all Austrian heavy industry. Its loot included Steyr-Daimler-Puch A. G., the leading automobile manufacturer in Austria and an important armaments producer; Simmering-Graz-Pauker Werke A. G.,³ the leading automotive and machine-building combine in the country; Steirische Gus-

³ This property was sold to the Kloeckner combine in 1943. There are also reports that Steyr-Daimler-Puch has been sold to the public.

DRAWN IN THE CARTOGRAPHIC SECTION, D.C.R., NO. 600

stahlwerke A. G.;⁴ a producer of special steels; Veitscher Magnesite A. G., the most important magnesite mining company in Europe; and the Alpine Montangesellschaft A. G., which accounted for 90 percent of total Austrian steel production.

Since 1924, Vereinigte Stahlwerke had held 56 percent of the Alpine shares. In March 1939 the Goering concern bought up this holding which, added to the 30 percent minority it already held, gave it complete control of Alpine. In August 1939 Alpine was merged with the Goering subsidiary at Linz under the name of Alpine Montanaktiengesellschaft "Hermann Goering," Linz. Plans were made for exploiting the Erzberg (ore mountain), which Alpine owned, by building a new plant for steel production at Linz, and devoting Alpine's plant at Donawitz to special steels. While the Linz plant, with a projected capacity of 1,000,000 tons per annum, has already produced considerable quantities of coke and pig iron, the latest reports indicate that the converters and rolling mills are not yet in operation.

When Goering took over Alpine, the capital of the new amalgamated company was raised from 60,000,000 Austrian schillings to 160,000,000 reichsmarks, and was further increased to 180,000,000 marks in 1941. In 1924, Alpine Montan had issued \$5,000,000 worth of bonds in the United States, of which more than \$4,000,000 are still unpaid.

Czechoslovakia.—In Czechoslovakia, the Hermann Goering Works took over most of the heavy industry of the country. The most important lignite mines of northern Czechoslovakia, part of which had belonged to the Czech state, were either confiscated outright or purchased at a low figure under duress, and then amalgamated into the Sudetenlaendische Bergbau A. G. under the joint control of VIAG (Reich-owned holding company), and the Goering concern. Using these lignite mines as a raw-material base, Hermann Goering next set up the Sudetenlaendische Treibstoffwerke A. G. at Bruex, one of the largest synthetic oil plants in the entire Reich.⁵

The concern's richest hauls were in the fields of armament and heavy industry. Since 1920, 77 percent of the share capital of the Bruenn (Brno) Waffenwerke A. G.⁶ had belonged to the Czech state, and the rest to the Skoda Works. Skoda in turn was controlled by a French-Czech combine, in which Schneider-Creusot, through its Union Europeenne, held 45 percent of the share capital. After the Munich Pact, Schneider-Creusot sold his shares to the Czech Government, thus escaping the financial loss which followed the Nazi conquest of Czechoslovakia.⁷ Since the Czech state had majority holdings in both Skoda and Brno, it was an easy matter for the Goering Works to take over after the occupation of Bohemia-Moravia. As early as May 1939, members of the board of directors of the Goering group appeared on the board of the Skoda Works. When a protectorate was set up in Bohemia, the Quisling government of the protectorate took control of the state-owned companies from the defunct Czech state, and gave them to the Goering Works in trustee-

⁴ In 1943, the Goering combine increased the capital of Steirische Gusstahlwerke from 5 to 10 million marks.

⁵ Reports differ as to whether this plant has commenced operations or is still in the project stage.

⁶ The Czech name for this company is Zbrojovka.

⁷ A British loan was made available to the Czech Government so that Schneider could be paid.

ship. When the Goering concern was reorganized in December 1940, these newly acquired works were specifically designated as belonging to the combine. Another rich prize was the Vitkovice Works, a large vertically integrated concern employing more than 50,000 workers. The firm owned ore mines in Sweden and Slovakia and 5 blast furnaces, 2 steel works, and a large rolling mill.

The Allied Insurance Co., a British company owned by the Rothschilds, held full control of Vitkovice. The holdings were in the form of "Kuxe" because Vitkovice was incorporated as a mining company,⁸ with a total participation of 100 "Kuxe." Hence, although the Goering Works took over and operated Vitkovice they have not been able to acquire title, which to this date resides in the British holding company. In this case, Goering's possession was outright robbery, unmitigated by the slightest hint of German legalistic "correctness."

Early in 1939, the protectorate government passed a law requiring that at least three-quarters of the management of any company in the protectorate must be composed either of Germans or of citizens of the country. The attempts by this means to bring the British-owned Vitkovice completely into German hands have been interrupted by the war and its plants are now held in "trusteeship."

Rumania.—Rumania offers a striking example of German penetration of the economy of an ally with the aid of its own Government. The two most important companies in Rumanian heavy industry are the Resita Iron Works and N. Malaxa & Co., accounting between them for more than 90 percent of Rumanian steel production, 90 percent of coke production, and 100 percent of locomotive manufacture.

Resita, by far the more important of the two, had until 1936 been jointly owned by the Rumanian industrialists, Max and Edgar Ausnit, and the British Vickers combine. In that year, Ceskslovenska Zbrojovka (Bruenn Waffenwerke) took over the Vickers holdings, but the British firm retained some influence through the holdings of "Cepi" (Companie Europeenne des Participations Industrielles), which represented the Ausnit and Vickers interests. In 1938 these shareholders, together with the Malaxa Co., another important shareholder, concluded a syndicate agreement whereby all three shareholders deposited their shares with the Westminster Bank in London.

In November 1939 the Rumanian Government issued a decree invalidating the syndicate agreement. In order to enforce the dissolution, the shares deposited in London were declared invalid and the companies were compelled to issue duplicates. The decree purportedly was aimed at ending foreign influence in Rumanian heavy industry. With the elimination of Vickers after the outbreak of war, and the ousting of the Ausnits as non-Aryans, Bruenn Waffenwerke became majority holder of the new trust. By the summer of 1940, Albert Goering, a nephew of Hermann, and Guido Schmidt, the Austrian Quisling, had become members of the board of directors of Resita as representatives of the Goering concern.

Malaxa is better known for locomotive manufacture and metals fabrication than as a steel producer. The history of this company is largely the story of its founder and president, Nicolai Malaxa, who possessed great influence during King Carol's reign. Between 1936 and 1940 Malaxa attempted to achieve a virtual monopoly of Ru-

⁸ Under continental law, a mining company (which often also smelted and refined ore) was called a "Gewerkschaft" and had a special form of corporate organization. Its shares consist of either 100 or 1,000 shares called "Kuxe."

manian heavy industry by buying into the Resita Works. Although he managed to purchase considerable stock, he was not able to oust the majority shareholders in Resita, Max and Edgar Ausnit. In 1940 Max Ausnit was arrested by the Carol government, purportedly at the instigation of Nicolai Malaxa, and remained in custody until 1942, when there were rumors of his release by General Antonescu.

In 1940 Malaxa helped finance the abortive Iron Guard Revolution. After Antonescu came to power in January 1941, Malaxa tried unsuccessfully to ingratiate himself with the new regime. In February 1941 the Antonescu government confiscated all the Malaxa's holdings. The Rumanian Government nationalized the Malaxa concern and leased the works to the Rumaenisch-Deutsche Eisenindustrie und Handels. The Malaxa plants were actually managed by technicians from the Goering Works until late in 1943.

The Rumaenisch-Deutsche Eisenindustrie und Handels A. G., with the Goering concern and the Rumanian Government participating equally, had been founded in 1940. This joint ownership established Nazi control over Rumanian heavy industry inasmuch as the Rumanian Government does not have equal voice or bargaining power.

A decree passed late in 1942 compelled Resita to change its bylaws so that it held only registered shares (i. e., the duplicates issued for the shares deposited in London in 1938; see third paragraph under "Rumania", above). Furthermore, Resita was permitted to sell these registered shares only to "ethnic" Rumanians (Rumanian citizens of Rumanian nationality). As in all other Rumanian companies, at least 60 percent of share capital must be held by such "ethnics." In addition, a state commissioner was to supervise all activities of Resita. This decree is, in effect, a bill of attainder against one company and is actually called the Lex Resita.

Another casualty of Nazi penetration was the Ausnits' personal cartel. The sales organization for all of the Ausnit holdings in Rumanian heavy industry was the Socomet S. A. R., with headquarters at Bucharest. As a result of "Aryanization," this organization, which included the Resita Works and Titan-Nadrag, came to an end in April 1940, after an existence of more than 10 years. While Socomet had represented over 80 percent of Rumanian heavy industry at the time of its formation, this large percentage declined after other enterprises, notably Malaxa, gained in importance.

Within the past year certain events have obscured the patterns of control exercised by the Germans in Rumania. First, there were reports that the German representatives had withdrawn from the Rumaenisch-Deutsche Eisenindustrie and that Guido Schmidt of the Goering Works, had resigned from the board of directors of the Resita Works. Later in the year the Rumaenisch-Deutsche Eisenindustrie was actually dissolved. Even before its dissolution, the lease it held on the Malaxa concern was ordered canceled, as was the 1941 decree which had expropriated Nicolai Malaxa. At present it appears that the Malaxa combine will be operated by another mixed company in which the Rumanian Government and Nicolai Malaxa himself will each hold a half interest.

Poland.—In 1940 the Goering Works was awarded trusteeship of valuable Polish iron, steel, and coal companies by the Hauptreuehandstelle Ost, the agency set up to acquire Polish properties and

distribute them to German combines in trusteeship. The most important of the properties awarded are the steel mill at Stalowa Wola and the coal and ore properties owned by the Petschek and Friedlander interests in the Teschen area. A special holding company, Bergwerksverwaltung Oberschlesien G. m. b. H. der Reichswerke "Hermann Goering" was set up at Kattowitz in 1940 for the purpose of holding and operating Goering's mining interests in Poland.

Western Europe.—In France and the Low Countries the Goering Works acquired few holdings. The claims of the privately owned German steel companies to their pre-1919 holdings were recognized, and Goering's acquisitions consisted primarily of the mining property previously belonging to the de Wendel interests in Lorraine. This property, together with the important Hagandingen Works of the Thyssen concern, was taken over in trusteeship.

In Belgium, Rheinmetall-Borsig, a Goering subsidiary, took over the armament-making plants of John Cockerill, and Vereinigte Stahlwerke, the operation of the company's steel works and rolling mills.

Dominant personalities of the concern.—The leaders of the Goering combine represent a new order of industrialists; very few members of its staff or management have come from the long-established iron and steel companies, nor have they enjoyed outstanding reputations in other lines of business.

An examination of the membership of the board of trustees of the three operating-holding companies of the Goering Works reveals the community of interest between the rulers of the State and the rulers of heavy industry. On the board of the Mining & Steel Works Co. are the Undersecretary of the Prussian State Ministry, representatives of the Ministries of Economics and Finance, and one of the highest officials of the Speer Ministry. On the board of the Shipping Co. was the Prime Minister of Bavaria.⁹ How much Hermann Goering himself has to do with the firm is not readily ascertainable. However, Albert Goering, reported to be his nephew, has been active in the firm's operation in Czechoslovakia, and more especially, in Roumania. Paul Pleiger, general manager of the Mining & Steel Works Co., is chairman of the Reich Association for Coal. Since the Goering concern is the largest coal-mining company in the Reich, the importance of this connection is apparent. Prior to 1937, Pleiger was head of a medium-sized machine-tool concern. Paul Koerner is chairman of the holding company, and also of the Mining & Steel Works Co. Since February 1943, he has reported directly to Hermann Goering himself and is considered the latter's personal representative. Hellmuth Roenert, general director of the Armaments & Machinery Co. and director general of the holding company, is one of the most influential men in the entire Goering enterprise. Moreover, he was one of the few men who came to the Goering Works as a recognized business leader, having previously been an executive with Busch-Jaeger Luedenscheider Metallwerke A. G., with which he still retains his connections. William Voss, manager of the Armaments & Machinery Co., is chairman of the board of Skoda and of Rhein-

⁹ There have been reports in the German press that Siebert, who held the position, died recently.

metall-Borsig, and held a similar position in Steyer-Daimler-Puch until it was sold by the combine.

Conclusions.—It is doubtful whether the Hermann Goering Works as at present constituted, can be considered a “company” or a “combine” as these terms are currently understood. Neither Salzgitter nor Linz can be run at a profit; both require huge subsidies and can be justified only on grounds of economic autarchy. In peacetime they will not be able to compete with the better-situated Ruhr firms.

At present, the Goering concern mostly resembles a huge state-owned holding company for the properties of victims of Nazi looting. Traditional concepts of profit or loss have little bearing in a discussion of this combine, which does not even possess title to some of its most important holdings—holdings which are much greater than the mills built at Salzgitter and Linz. Since expansion of plant in occupied countries is paid for out of the occupation charges, it has been possible for the Goering combine greatly to increase, without German financing, the military potential of the expanded Reich. The Hermann Goering Works has become a gigantic smithy for forging the weapons of the Reich. Production has been organized, as in a vertical trust, from the ore through the final delivery of rifles, armor plate, and tanks. Operations of newly acquired coal mines are subordinated to the needs of the Hermann Goering steel works. Lignite mines serve plants producing synthetic gasoline. In sum, the “combine” is the personification of Nazi aggression and exploitation.

EXPANSION OF PRIVATELY OWNED GERMAN CONCERNS

While the Hermann Goering Works doubtless acquired more steel mills, coking plants, and coal mines than any other German company, the aggregate penetration on the part of the privately owned German steel combines was considerable. The chief areas of penetration, although by no means the only ones, of the private combines are Lorraine, Luxembourg, Poland, and Belgium. After the first three regions were annexed to the Reich, a systematic Germanization of industry took place. In most cases, German firms which had owned properties in these regions prior to 1919 were permitted to repossess them.

Poland.—Although the Goering Works took over several Polish coal and steel properties, other important holdings were taken over by private concerns. Ballestrem recovered its 52-percent interest in Oberschlesische Friedenshuette A. G., at Kattowitz, which it had been obliged to sell to the Polish Government in 1919. Ballestrem also acquired a majority holding in Ferrum A. G. at Kattowitz, which, in turn, controlled two machinery companies and had a minority holding in a locomotive-manufacturing concern.

The largest Polish concern, Wapolnota Interesow, which in peacetime accounted for about 34 percent of Polish production, has been divided between two private firms, Krupp A. G. and Roechlingsches Eisenwerk G. m. b. H. The Polish combine was a holding company set up to administer five German plants acquired after 1919, Huta Batory (Bismarckhuette), Huta Florian (Flavahuette), Huta Laura (Laurahuette), Huta Pilsudski (Koenigshuette), and Huta Silesia (Silesiahuette). The aggregate annual capacity of the five plants is estimated at 540,000 metric tons.

After the conquest of Poland the country was divided into two administrative areas. One area, consisting of Upper Silesia, the Warthegau, Pomorze, and Danzig, was incorporated into the Reich and a systematic Nazification of industry and trade followed. The other, called the Government General, is treated as an occupied area. In the annexed area, all plants were placed under the administration of the Haupttreuhandstelle Ost, which in turn gave them, either in trusteeship or outright, to individual German companies. Most of the former Polish iron and steel mills and coal properties are in the annexed area.

In the Government General, the steel plants are administered by a syndicate called the Eisenhuettengemeinschaft Ost G. m. b. H. (Iron Works Association East, Inc.) with headquarters at Cracow. This syndicate, founded in 1941, is sole sales agent for the products of the companies which it administers, and sells only to designated wholesalers and warehousemen. The syndicate is under the control of a board of trustees on which are represented the Economic Department of the Government General (the supervisors of the Reich armament program), and the Central Office for Government Orders.

There have been cases where the facilities of specific companies in the Government General were made available to private concerns through lease contracts. Thus, Vereinigte Oberschlesische Huettenerwerke A. G. leased the Vereinigte Maschinen-Kessel und Waggonfabriken in Cracow from its trustees.

Austria.—Although most of the iron and steel industry of Austria was absorbed by the Goering Works, private firms also participated in the penetration. In 1939, the Vereinigte Oberschlesische Huettenerwerke acquired the Payerbacher Eisengewerkschaft of Wiener-Neustadt. According to one report the Kapfenberg plant of Gebrueder Boehler, high-grade steel manufacturers, was taken over by Vereinigte Stahlwerke in 1940, but another report states that Boehler has been permitted to retain its independence and has even acquired an arms plant.

In 1943, Kloeckner acquired from the Goering Works three-quarters of the stock of Simmering-Graz-Pauker A. G., important manufacturer of machinery, boilers, and railroad cars. The company was added to the other iron and steel fabricating plants controlled by the Kloeckner subsidiary, Locckner-Deutz, A. G. Simmering had lost money under Goering management, and the German press notes that considerable additional capital will be required to put the firm on a solid foundation.

Mannesmann has taken over Tranzl A. G. of Vienna, a manufacturer of steel tubes.

Czechoslovakia.—In taking over the Bohemian Discount Bank, the Dresdner Bank acquired control of the famous Poldihuetten steel works, formerly under the financial control of the discount bank through its affiliate, the Zivnostenska Bank. It is not known as yet if this valuable property (Poldihuetten) has subsequently been turned over to a German steel company. Before the war, Mannesmann, together with the Zivnostenska Bank, had a substantial interest in the Prague Iron Co. The Zivnostenska Bank was permitted to retain formal independence after it has relinquished certain of its industrial holdings, exclusive of the Prague Iron Co., which increased its capital in 1939 and doubled it again in 1940. There have been reports of a recent merger of Poldihuetten and the Prague Iron Co., with the

Dresdner Bank, Zivnostenska, and Mannesmann pooling their interests.

The Netherlands.—In 1941, the Vereinigte Stahlwerke acquired the shares of both the Dutch Government and of the city of Amsterdam in Nederlandsche Hoogovens en Staalfabrieken at IJmuiden, thus acquiring a controlling interest. Prior to the Nazi conquest the Hoogovens had held 20,000,000 shares in Vereinigte Stahlwerke; while the Dutch continue to hold the shares, relationships between the two concerns have necessarily changed. Van Vlissingen, of Hoogovens, and also a member of the board of Vereinigte Stahlwerke for many years, is one of the foremost Dutch collaborationists.

Belgium.—Relatively few Belgian firms have been taken over by German combines, principally because the majority of Belgian mills are small and produce only Thomas steel.

For a number of years prior to the conquest of Belgium, Otto Wolff, Cologne, had had an informal sales agreement with Ougree-Marihayé, by far the most important Belgian steel producer. In 1940 the two companies, under the leadership of Wolff, formed an export firm called Wolff-Ougree A. G., with its main offices in Cologne. According to one source, Ougree, with Baron de Lannoy as president, collaborated with the Germans, but retained its corporate independence. Another report states that Ougree-Marihayé was taken over by Wolff, and assimilated into the German steel cartel. Ougree-Marihayé controlled half the open-hearth capacity and a third of the electric-steel capacity in Belgium.

Vereinigte Stahlwerke took over the Belgian Phoenix Works, one of the most important producers of galvanized sheets in Europe, and entered into an arrangement with John Cockerill, Belgium's other important open-hearth steel producer, whereby it obtained the use of that plant's steel-making facilities. Cockerill's armament works were placed under the jurisdiction of Rheinmetal-Borsig, part of the Hermann Goering Concern. A different source, while mentioning Borsig's participation in the armament division of John Cockerill, makes no mention of the Vereinigte Stahlwerke arrangements.

Because Germany itself had redundant Thomas-steel capacity, and because of the susceptibility of Belgium to air attack, the Germans, instead of expanding steel production after the conquest of the country, drastically reduced operations with a view to saving raw materials and releasing manpower.

In 1939 Belgium was able to process about 3,000,000 tons of domestically-produced steel. In 1942, this production declined to 1,000,000 tons because of a shortage of blast-furnace coke. The latest estimates (January 1943) indicate that the Belgian works were producing 112,000 tons of crude steel monthly, as compared to the 325,000-ton monthly average of 1937. It is not improbable that Germany is operating all of Belgium's limited open-hearth and electric-steel capacity, while neglecting the Thomas steel facilities.

In 1940, "Cosibel," the pre-war sales syndicate, was replaced by "Sybelac" (Syndicat Belge de l'Acier) a much more powerful organization. Not only sales, but also production, standardization, and raw-material supply are under the jurisdiction and control of Sybelac.

Luxembourg.—The iron and steel industry of Luxembourg was completely absorbed by German firms after the incorporation of the country into the Reich. All industry was placed under the control

of W. G. Koenigs, the Reich trustee, who was awarded Hadir, which had been formed in 1920 for the purpose of operating former German properties in Luxembourg and Lorraine, to Vereinigte Stahlwerke; the Hadir firm is currently known as Differdinger Stahlwerke.

The Otto Wolff combine was granted control over the Redingen plant of the Belgian firm of Ougree-Marihay, a logical consequence of its close association with the parent company in Belgium.

The most important steel combine in Luxembourg, ARBED, is still under the trusteeship of Koenigs. Important foreign holdings have been squeezed out and the Nazis now have full financial control of the company. Of a total of 250,000 shares, 54,747 were in German hands and Koenigs, in his capacity of alien property custodian, was trustee for a much larger number of Belgian- and French-held shares. At a shareholders' meeting held on January 13, 1943, Koenigs stated that he would waive his right of voting these shares so that the majority, now German, could "decide according to their own wishes." Because they alone voted, the German shareholders, although possessing only 20 percent of ARBED's share capital, acquired control of the firm. On April 18, 1943, another shareholders' meeting was held when the capital of the company was converted from francs into Reichsmarks. Capitalized at 300,000,000 reichsmarks, ARBED is now the third largest iron and steel company in Europe, ranking second only to Vereinigte Stahlwerke and the Goering Works. As yet, no board of directors has been selected.

A new company, the Luxembourg Iron & Steel Co., was set up as the exclusive sales agency for all ARBED products. Its 1943 capitalization was set at 1.5 million Reichsmarks.

All of the iron mines in Luxembourg have been combined and amalgamated into a unified association under German direction and control, in the interests of maximum production and smoother allocation of iron ore. This compulsory amalgamation, applying to foreign concessionaries in Luxembourg, Luxembourg companies under trusteeship, and German-owned mines, requires that adjacent properties must cooperate. The association named "Luetzellurg," has an advisory board and a chairman appointed by the chief of the civil administration. Koenigs, the Reich trustee, is president of the board of "Luetzellurg."

France.—There has been a notable difference between German penetration of the steel industry in Lorraine and in the rest of France. Lorraine was annexed to the Reich and all of its industry Germanized. German firms acquired valuable mills and mines, and in most cases pre-1919 holders of these properties were given special consideration. Except for the acquisition of the former Thyssen mining properties by the Goering Works, all Lorraine companies were taken over by privately owned German firms. Until March 1, 1941, the Lorraine steel works were administered by special delegates of the Reich. After that date, the works and mines were temporarily allotted to the so-called trusteeship of various German concerns. In this manner Roehlingsche Eisenwerk took over Hauts Fourneaux et Acieries de Thionville;¹⁰ Kloeckner acquired Société Metallurgique de Knutange;¹¹ Forges et Acieries du Nord et Lorraine¹² became the property of

¹⁰ This plant, again called the Karlsruette, belonged to the Roehling concern until 1919.

¹¹ Now called Kneuttinger Konzern.

¹² Now known as Ueckingen.

Neunkircher Eisenwerk; and Friedrich Flick was awarded Société Lorraine des Acieries de Rombas.¹³ Also according to a recent report, Eschweiler Bergwerks Verein, a German mining and metallurgical concern in which ARBED had long held a controlling interest, is now completely owned by ARBED.

In October 1943 it was reported that Roechling had organized his French holdings into three companies: Drahtindustrie G.m.b.H., Reichenhofen, Alsace, capitalized at 450,000 marks; Karlshuette G.m.b.H., Diedenhofen, capitalized at 3,000,000 marks; and Karlshuette Iron & Steel Works, Metz, capitalized at 3,000,000 marks.

Outside Lorraine, French steel companies have not been subject to direct capital penetration. The Germans attempted to exceed 1942 production, especially in open-hearth steel, but have had serious difficulties in meeting minimum coke requirements. The measure of their success can be gaged by the fact that in 1943 French monthly production (exclusive of Meurthe and Moselle) was only about one-third of the prewar monthly average.

SUPPLIES OF FERRO-ALLOYS IN ENEMY EUROPE IN 1943

The German policy of exploiting to the full the economic resources of occupied Europe has been particularly important in the case of ferro-alloys.

Possessing no alloying elements within its own borders, except vanadium (and even this is obtained chiefly from the iron ore of France, Belgium, and Luxembourg), Germany in 1943 depended on supplies of manganese from occupied U. S. S. R., molybdenum from Norway, nickel from Finland, and chrome from the Balkans. In addition, the few countries remaining neutral have been unable to resist entirely the pressure of German demands for ferro-alloys. Important supplies of chrome have been obtained from Turkey and tungsten from Spain and Portugal.

Even with these resources at its command, Germany has had to make existing supplies of ferro-alloys go as far as possible. Two factors have contributed to their most efficient utilization in war material: (1) The introduction of the so-called "substitute steels," and (2) the total mobilization of scrap throughout the entire area under German control.

SUBSTITUTE STEELS IN GERMANY

The United States and Great Britain responded to the shortage of certain ferro-alloys by introducing national emergency steels and war emergency engineering steels, respectively. Germany introduced substitute steels (Austausch-Stähle). The aim was the same—to economize in the use of those ferro-alloys of limited supply by shifting to others more readily available.

In order to close all avenues of waste, meticulous studies were made of steel compositions used, extensive tests were conducted, and interested industries were consulted. As a result, a relatively small number of the most appropriate steel types were selected, and the steel-makers were ordered not to demand for their products any physical properties in excess of the absolute minimum essential to safety.

¹³ Now called Rombacher Huetttenwerke.

As has been noted, in general the war emergency steels, although containing less alloy metals than the pre-war steels, are not inferior in quality or effectiveness. While leaner in alloy composition and offering a lower safety insurance, they are adequate for the purposes for which they are made. This holds true for Germany as well as for the United States.

Recently, Germany tightened the regulations on substitute steels. On June 10, 1943, the German Metal and Iron Board issued a ruling containing lists of materials to be used in each industry. These lists constitute actual specifications for the manufacture of various products; arbitrary changes in the specifications are forbidden. About 30 lists have been made public so far, and new lists continue to appear. They are compulsory not only for Germany but also for the occupied countries so that ferro-alloy practices throughout enemy Europe have been standardized.

SCRAP MOBILIZATION IN ENEMY EUROPE

The importance of scrap in steel making has already been described. (See Use of Scrap in Making Alloy Steel.) Without the ferro-alloy supplies provided by scrap, it would have been impossible to manufacture ammunition or other military steel products of the quality achieved by the belligerents on both sides.

However, it should be stressed that Germany is making more exhaustive use of scrap and is segregating it in a more systematic way than is either the United States or Great Britain. Total scrap mobilization has been effected in Germany, and every item that was not absolutely necessary for the functioning of a minimum civilian economy was withdrawn from private households and even factories. Scrap-collecting units for each block or street in every city have been responsible for a complete combing for every possible scrap item. The railways have set up a special department for salvage of waste material which is usually considered not worth collecting because of labor cost. Prisoners were put at the disposal of the railways for this purpose, and the results have been declared very satisfactory.

The concept of "scrap" was broadened when the Germans initiated looting campaigns in the conquered countries. Requisitioning and compulsory collections have been systematically carried out in all of the occupied territories. In addition, the Germans introduced battlefield collections. Each division of the German Army has one or more companies for salvaging scrap, particularly alloy-steel parts. The officers of these companies are trained to recognize parts containing important alloys which are shipped in separate boxes directly to specific mills. Aside from the regular salvage troops, the Army in general has been made scrap conscious, and each platoon has two or more men able to assist technically in salvage operations and scrap segregation. While it is true that little or no salvaging can be expected during retreat, stationary operations permit the salvaging of a high percentage of scrap.

The Germans began to economize on ferro-alloys long before the war—much earlier than did the United States—and they have made substantial recoveries of scrap both at home and in occupied territories. However, as they have been producing lean-alloy steel for years, the quality of domestic scrap available has continually declined. Thus

their need for virgin alloys is more urgent than is that of the United States, although the Germans claim that, as a result of their efforts in scrap salvage as well as their economy in the utilization of virgin ferro-alloys, they have been able, up to the present, to satisfy the pyramiding demands of the steel industry for ferro-alloys.

INDIVIDUAL FERRO-ALLOYS

Manganese.—Thanks to the rich manganese mines of Nikopol, German supplies of manganese, the indispensable ferro-alloy, were relatively ample in 1943. Before their withdrawal from Nikopol, the Russians reportedly destroyed the ground installations and flooded the pits of the mines. The stocks of ore which fell into German hands and were shipped to Germany in 1942 were not very large, about 165,000 tons, or 60,000 to 65,000 tons of contained manganese. The work of rehabilitating the mines started at once. According to an official Russian source, new pits were opened in November and December 1942, and the output of ore in the first 8 months of 1943 amounted to 500,000 tons, or 180,000 tons of contained manganese. In view of the importance of this metal to the German steel industry, the Germans probably spared no efforts to obtain as much manganese as possible from the Nikopol mines in the last 4 months of 1943. However, because of the difficulties arising from the proximity of the battle front, it is assumed that the Germans produced and shipped out of Nikopol in that period only about as much manganese as they did in any other 2 months of the year, making a total of about 625,000 tons of ore (225,000 tons of contained manganese) obtained during the entire year of 1943.

With the exception of Nikopol, there are under German control no manganese deposits which produce a high-grade ore, although many small mines supply Germany with quantities of low-grade ore. Such mines are found in Germany proper, in the Balkans, in Hungary in Czechoslovakia, and in Italy. The Czechoslovakian annual output amounts to approximately 100,000 tons of 17-percent manganese or about 14,000 to 15,000 tons of recoverable manganese. Even before the war, Hungarian production was in German hands, the Deutsche Bank holding the largest interest in the chief manganese deposit near Urkut. At the present time the Hungarian output may be close to 10,000 or 12,000 tons of contained manganese. Altogether, the mines in enemy Europe, outside of Germany proper, and excluding Nikopol, may have produced about 75,000 tons of manganese metal in 1943.

Also important to Germany as a source of manganese is the deposit of manganiferous iron carbonate ore in the district of Siegerland. Crude ore from this deposit contains 4 to 5 percent manganese, but roasting raises the manganese content to about 9 percent. The roasting process is, however, a costly one and involves large equipment. Germany is producing ferromanganese from this ore by first smelting the ore into spiegeleisen. Later, part of the spiegel is treated in a basic converter, and part in an acid converter. The two slags are mixed for a blast-furnace charge, the silica content of one being neutralized by the lime content of the other. The Germans claimed before the war that the ferromanganese produced was of good quality.

According to some reports, the annual production of manganese from this source can theoretically be stepped up to the almost incredible figure of 550,000 tons of high-grade manganese ore, or approximately 190,000 tons of contained manganese. However, competent metallurgists in the United States are inclined to discount the possibility that any important amount of manganese can be obtained from this source.

Chromium.—Most of Germany's supplies of chrome ore are obtained either from the Balkan areas or from Turkey. The Allatini Mines of Yugoslavia, with an annual output of about 16,000 tons (metal content) are the most important source. Of the chrome ore supplied to Germany in 1943, about two-thirds came from Yugoslavia, Greece, and Albania, and one-third from Turkey. The so-called second Clodius Trade Agreement between Germany and Turkey provided for Turkish delivery to Germany of 90,000 tons of chrome ore in 1943, contingent on German delivery to Turkey of compensative commodities. About 40,000 to 42,000 tons of chrome ore (48 percent metal content) were shipped from Turkey to Germany in 1943. In view of the fact that some ships may have been sunk, it is believed that the amount of contained chromium obtained by Germany from this source could not have been more than 12,000 tons. Including stocks on hand at the beginning of the year and small amounts from Bulgaria and Rumania, the total quantity of chromium available to Germany in 1943 is estimated at about 49,000 tons. (See table 10.)

Molybdenum is produced chiefly in Norway, the Knaben mines accounting for about 90 percent of the total Norwegian output. Their normal production ranged between 250 and 400 tons of metal a year. In March 1943, the Knaben mines were heavily bombed, and the production almost stopped for 2 months. In June and July the output was only about 10 to 12 tons a month. It may be assumed that in the second half of 1943, production again reached almost normal level, so that German molybdenum supplies from Norway may have amounted to 300 tons in 1943.

Late in that year, the mines were again subjected to intensive bombing, and the crushing, grinding, and classifying plant was badly damaged. Restoration was delayed, because Germany was unable to secure from Sweden all the necessary machinery.

Finland's new and only mine, Maetegvara, turned out about 30 tons of molybdenum in 1942. A 1943 program called for the production of about 200 tons. Rumania supplied about 100 tons of molybdenum in 1943.

Making some allowance for the production in the Balkans and assuming reserves from 1942 of about 200 tons, it is estimated that total supplies of molybdenum in enemy Europe in 1943 may have reached 850 to 900 tons.

Tungsten, vanadium, and cobalt.—Of the three alloying metals used mainly in the production of high-speed and tool steels, tungsten and vanadium were probably available in quantities sufficient to meet essential 1943 allocations, while the cobalt position was very tight. Tungsten is produced almost exclusively in the Iberian Peninsula, and the exports to Germany in 1943 amounted to 1,300 tons from Spain and 1,800 tons from Portugal. It has also been reported, but not verified, that Germany moved from Spain 500 to 600 tons of stored tungsten. Germany derives small additional supplies of tung-

sten, perhaps 200 tons a year, from domestic production. Whether Germany is obtaining further supplies from the Far East via blockade running is questionable. One indication of such a possibility is the fact that crews captured from ships and submarines sunk on this route testified that tungsten was a part of the cargo, though in small quantities, and that it always rated the highest priority. However, since no direct information is available on this point, supplies from this source have not been considered in the estimates of German supplies.

No vanadium ores are commercially mined within enemy Europe or, for that matter, on the European Continent, but Germany has developed a method of obtaining vanadium from minette iron ore as well as from vanadium-bearing ores in its own territory. This method, introduced in its final form by Von Seth, calls for an extra reblowing of molten pig iron in the acid Bessemer converter, which results in the isolation of slag with rich vanadium content. After this, a complicated chemical treatment completes the extraction of vanadium. From every 1,000,000 tons of minette ore treated this way, about 250 tons of vanadium can be produced. In other words, to obtain 1 ton of vanadium, over 4,000 tons of iron ore must be subjected to special treatment. As this process of vanadium separation introduces an additional step in steel making, it necessarily slows down the output of steel. Although the steel plants of enemy Europe have excess capacity, there are manpower and transportation limitations. It is, therefore, assumed that only about 5 percent of total steel production within the German-controlled area is subjected to the onerous process of vanadium extraction. Current annual supplies of vanadium, therefore, are probably no more than about 1,000 tons.

Cobalt supplies are extremely short, amounting to perhaps 250 or 300 tons in 1943. About half of this amount comes from Germany proper, the balance from Finland.

Supplies of alloying metals available in enemy Europe in 1943 are summarized in table 11.

THE IRON AND STEEL CARTELS

The German iron and steel industry is not only characterized by a high degree of concentration of ownership in a few vast combines; in the past further integration has been achieved through an elaborate system of cartels. During the Nazi regime, the cartels have been largely replaced by new public and semipublic agencies of control and coordination. Although the new administrative machinery places control more firmly in the hands of the Nazi regime, it has evolved out of the former cartel system and is, to a considerable extent, directed by the officials and staffed with the employees of the old cartels. A brief discussion of the cartels is, therefore, essential to a full explanation of the present system of administration.

The German iron and steel cartels, which had their origin about 1890, were organized on a product basis. Thus there was a pig-iron cartel, a steel-ingot cartel, a bar-iron cartel, a tube cartel, etc. Most of these product cartels were members of an industry-wide "peak cartel," the Stahlwerksverband. A number of product cartels were, however, formally independent of the Stahlwerksverband although they maintained close liaison with that organization and adjusted

their policies to conform to those of the peak association. The membership of each product cartel was composed of the individual operating companies producing the products over which the cartel claimed jurisdiction. The iron and steel combines, as such, were not members of the product cartels; but since each combine comprises a large number of operating companies producing a wide range of products, every large combine was represented—through its subsidiary companies—on most, if not all, of these cartels. All iron and steel combines, as well as the majority of the product cartels, maintained membership in the Stahlwerksverband. The number of votes of each member of a cartel was determined by its production quota which, in turn, was based upon its production capacity. The largest combines were, therefore, able to control cartel policy.

The cartels exercised complete control over German iron and steel production and distribution. They set prices for all steel products, administered the basing-point system, and set production quotas for all mills. Customers could not deal directly with the steel mills, but had to clear their orders through the cartel office. Discipline was maintained by means of fines, boycotts, and other measures.

The influence of the cartels, however, was not confined to German production and distribution. In 1926, an International Steel Cartel was organized by Germany, Belgium, France, Luxembourg, and the Saar. Later it was extended to include the Central European producers. Great Britain and the United States were not formal participants in the organization but their export policies were coordinated with that of International Steel Cartel. The steel cartel was largely patterned upon the German organization. Thus the membership of the central international cartel was composed of a number of international product cartels, each of which controlled the foreign trade in particular steel products. The Stahlwerksverband represented German interests in the International Steel Cartel, and the several German product cartels acted as that country's representatives on the corresponding international bodies. Because of its large steel capacity, its dependence upon foreign markets, and the effectiveness of its national organization, the German steel industry was not only very active in the formation of the international organization, but had also an inordinately strong voice in the formulation of its policies.

The International Steel Cartel and the several product cartels represented two-fifths of the world steel production and five-sixths of the total foreign trade in steel. They fixed prices and determined export quotas. In fact, the power of these cartels was so great that in areas under their domination, governmental trade barriers for steel were practically superseded by private economic agreements among cartel members. Export prices were well maintained even during the depression, and were even increased by reduced export quotas intended to create artificially short supplies.

The German steel cartels continued to operate for more than a decade under the Nazi regime. The number of product cartels was reduced by consolidation, however, and the remaining cartels were reorganized according to the "leadership principle," thereby placing them more firmly under the control of the Government authorities.

Even after the reorganization, the cartels were apparently unable or unwilling to rid themselves of their traditional policies of restricted

production, high prices, and controlled distribution. As the demands of rearmament placed increasing emphasis on the need for maximum production at low prices, it became apparent that the control of the iron and steel industry could not be entrusted to organizations, such as the cartels, which were motivated primarily by private interests. The powers of the cartels were, therefore, gradually reduced and their functions transferred to new public and semipublic agencies. Late in 1942 the cartels were formally dissolved.

It should be emphasized, however, that the new central organization does not represent a complete break with the cartel system of administration. Many of the new Nazi agencies are directed by officials who were formerly active in the cartels, and are staffed with personnel from the cartel offices. If, upon Germany's surrender, these agencies should disintegrate or be dissolved, it may be expected that the steel industry will make every effort to reconstitute the old cartels.

THE NEED FOR CONTROLS

It appears probable that, even assuming a considerable amount of destruction, the German iron and steel-producing capacity will be far greater than that required by any reasonable domestic demand during the early postsurrender period. It is also likely that, for some time, the military and industrial scrap made available by disarmament could largely free the industry from its dependence upon imported raw materials. The existence of ample capacity and easy supplies, however, emphasizes the need for close control over the iron and steel industry by the occupation authorities.

The German iron and steel industry constitutes the very foundation of Germany's military might, and directions from higher authority with respect to economic disarmament will have to take into account the security problems which the industry presents. Such considerations may demand the prohibition of production of certain types of steel, the reduction of capacity by the destruction of plant or the dismantling and removal of plant to United Nations countries for the purpose of restitution or reparations. Close control of the iron and steel industry is, of course, essential to the successful execution of any such program. Moreover, as any reconversion, or rehabilitation and reconstruction of the German economy depend to a considerable extent upon the production and allocation of iron and steel products, control of the industry constitutes a key to the control of all German economic development and affords a means by which that economy can be molded into a pattern for peaceful pursuits.

THE DEVELOPMENT OF THE IRON AND STEEL CARTELS

A. THE NATURE OF CARTEL ADMINISTRATION

Cartels administered the German iron and steel industry until the outbreak of war in 1939, and retained a vestige of control until formal dissolution in 1943. They are old established institutions which are likely to attempt to reestablish themselves after the collapse of Government controls following a German defeat.

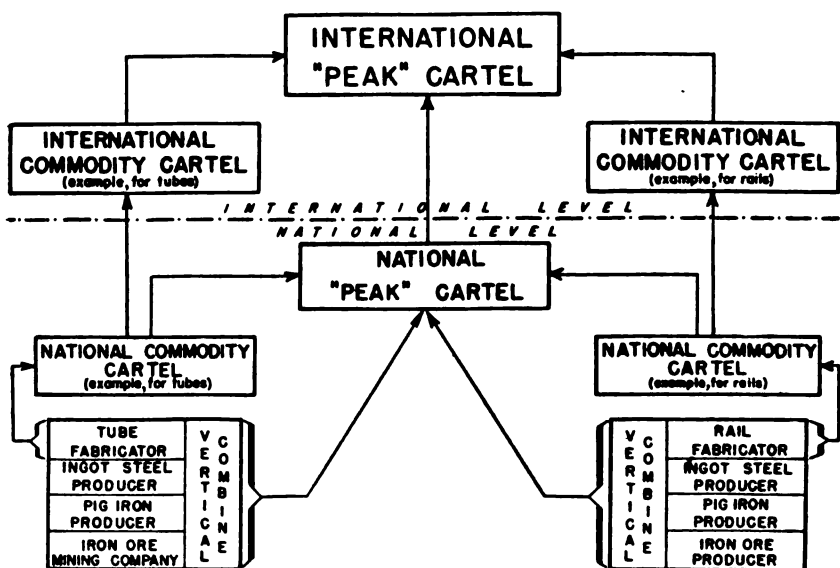
The cartels controls were very strict and discipline was maintained by means of fines, boycotts, and other disciplinary measures. The

cartels set prices for all steel products, administered the basing point system, and set production quotas for all German mills. Customers could not deal directly with the steel mill itself, but had to clear their orders through the cartel office. There was a cartel for each product and over these product cartels was a "peak" cartel, which coordinated their policies, and acted as lobbying and publicity agent for the industry. This organization was the Stahlwerksverband (steel works cartel).

The web of cartel controls extended beyond the national level into the international sphere. The Stahlwerksverband acted as the

CHART I

TYPICAL CARTEL STRUCTURE (STEEL)



1209-C APRIL 11, 1944

UNRESTRICTED

DRAWN IN THE CARTOGRAPHIC SECTION, P.E.A.

German national group in the international steel cartel, while each products cartel simultaneously represented Germany in the international syndicate for its particular product. For example, the Röhrenverband G. m. b. H. (steel tube cartel) represented Germany in the International Tube Convention.

Chart I gives a simplified picture of the structure of the relations between steel companies, steel combines, cartels for iron and steel products on the national level, and international steel cartels, and cartels for specific steel products. As indicated, each iron and steel combine is composed of a number of integrated companies manufacturing different steel products. Each company is a member of the national cartel for its particular product, so that a combine, through its constituent companies, may be represented in many cartels. Each of these national cartels for a specific product is a member of

the international cartel covering that particular product. The international product cartels (such as the International Tube Convention) maintain connections of varying strength with the international "peak" cartel, which, in the case of steel, is the International Steel Cartel.

On the national level, both the national cartels for specific products and the steel combines themselves are members of the national "peak" cartel; in the case of Germany, the Stahlwerksverband. The national peak cartel acts as the national group in the International Steel Cartel. While this description is oversimplified and is not applicable to an international cartel based upon patent agreements, it indicates the positions of company, combined, and cartel in the complicated structural organization of the steel industry.

B. THE DOMESTIC STEEL CARTELS

By 1930, 100 percent of steel-mill production was cartelized, the last few outsiders having been bought up by cartel members during the preceding years.

Because the number of votes in the cartel was determined by the quotas of the respective combines, the combines with the largest quotas were able to control cartel policy and thus the entire German steel industry. The extent of concentration in the industry is shown by the following table which gives the quotas of the Vereinigte Stahlwerke, the largest German steel combine in the various heavy industry syndicates for 1930 and 1937.

Cartel	Percent of total quotas		Cartel	Percent of total quotas	
	1930	1937		1930	1937
Pig-iron cartel.....	48.47	39.19	Rolled-wire cartel.....	38.75	27.68
Steel-ingot cartel.....	46.82	-----	Heavy-plate cartel.....	47.13	36.01
A—Products cartel.....	48.96	34.74	Tube cartel.....	50.20	45.53
Bar-iron cartel.....	41.94	24.48	Coal cartels.....	35.84	21.04
Flat-bar cartel.....	48.59	-----			

Until its dissolution in 1942, the Stahlwerksverband controlled the German steel market with the aid of the following commodity syndicates:

1. Rohstahlgemeinschaft (steel-ingot cartel).
2. A-Produkte Verband (a-products cartel—semimanufacturers, railway superstructure material, shapes).
3. Stabeisen-Verband (rod-iron cartel).
4. Grobblech-Verband (heavy-plate cartel).
5. Mittelblech-Verband (medium-plate cartel).
6. Universaleisen-Verband (universal iron cartel).
7. Bandeisen-Verband (cartel for strips, skelps, and hoops).
8. Feinblech-Verband (thin sheet cartel).
9. Verzinkerie-Verband (cartel for galvanized material).

In addition, the following cartels harmonized their policies with the Stahlwerksverband, although independent of that organization:

1. Deutsche Drehtwalzwerke A.G., Düsseldorf (rolled-wire cartel).
2. Deutsche Stahlgemeinschaft G.m.b.H., Essen (German steel forgings cartel).
3. Edelstahl-Verband, Düsseldorf (high-grade steel cartel).

4. Grossrohr-Verband, G.m.b.H., Düsseldorf (cartel for large tubes).
5. Radsatz-Gemeinschaft, Bochum (cartel for railway wheel sets).
6. Roheisen-Verband G.m.b.H., Essen (pig-iron cartel).
7. Spundwand-eisen-Vereinigung, Essen (steel-piling cartel).
8. Roehrenverband G.m.b.H., Düsseldorf (steel-tube cartel).

This listing is exclusive of two fields of the industry which account for a relatively small percentage of total German iron and steel production although they consist of a large number of enterprises. These are steel castings and gray iron castings. Since these industries generally manufacture to order, and do not make a standardized product, price fixing is difficult. In the steel castings field, the bulk of the 80 producers were organized in the Association of German Steel Castings Manufacturers, with headquarters at Düsseldorf. This association was chiefly a price cartel concentrating on the domestic market, since unlike the situation in other steel products, Germany exports only a negligible fraction of her foundry production.

The gray iron foundry industry is characterized by a large number of small enterprises, and the total cumulative production of the industry is small in relation to the number of producers. This industry was the least organized of any branch of iron and steel production. Only a small percentage of this industry was cartelized at all as late as 1936, in which year the Minister of Economics ordered the compulsory incorporation of all German iron foundries into a price-calculation cartel, which was to examine the existing competitive prices and adjust them to "proper" levels. The new compulsory cartel called Verein Deutscher Eisengiessereien, reported that in spite of this order only about 1,300 foundries representing but 35 percent of the industry had joined the cartel and that no agreement had yet been reached on price fixing.

C. GERMAN PARTICIPATION IN INTERNATIONAL STEEL CARTELS

From the time of the formation of the International Steel Cartel in 1926 until its dissolution because of the war, in 1939, the Stahlwerksverband represented Germany in this international body. In its first phase (1926-31) this international body attempted to set both production and export quotas for its member nations. These attempts did not work out very well, and it was necessary to reorganize the cartel in 1933 so that it controlled export quotas, translated into crude steel ton equivalents, only. The German national group was by far the most cohesive and disciplined of any of the national groups within the International Steel Cartel, giving it great advantages in negotiations. After the adoption of export controls by the Reichsbank in 1934, it can be truly said that the policy of the German national group in the International Steel Cartel was dictated by the Ministry of Economics and that the Stahlwerksverband fought the Government's battles in the economic sphere.

In addition to the International Steel Cartel, there existed concurrently various cartels controlling the export of specific steel products; for example, tubes and structural shapes. These cartels may be placed into three categories:

- (a) Those directly subordinated to the International Steel Cartel.

(b) Those maintaining close connections with the International Steel Cartel.

(c) Those maintaining very loose or no connections with the International Steel Cartel.

The following international commodity cartels were directly subordinated to the International Steel Cartel:

- (a) Semifinished products.
- (b) Structural shapes.
- (c) Merchant bars.
- (d) Thick plates ($\frac{1}{8}$ of an inch and up).
- (e) Medium plates ($\frac{1}{8}$ to $\frac{3}{8}$ of an inch).
- (f) Universal steel.

The constitutions of these cartels did not indicate their close relations with the International Steel Cartel: this could be inferred only from provisions for their dissolution in the event that the International Steel Cartel should disintegrate and for the participation of the International Steel Cartel in the settlement of disputes. Also, the management committee of the International Steel Cartel operated de facto as the management committees of these cartels.

In the second category, consisting of cartels whose policies were heavily influenced by the cartel committee of the International Steel Cartel, although they maintained separate business administrations were:

- (a) Wire-rod cartel.
- (b) Hot-rolled bands and strips cartel.
- (c) Cold-rolled bands and strips cartel.
- (d) Wide-flange beams.
- (e) Sheet pilings.

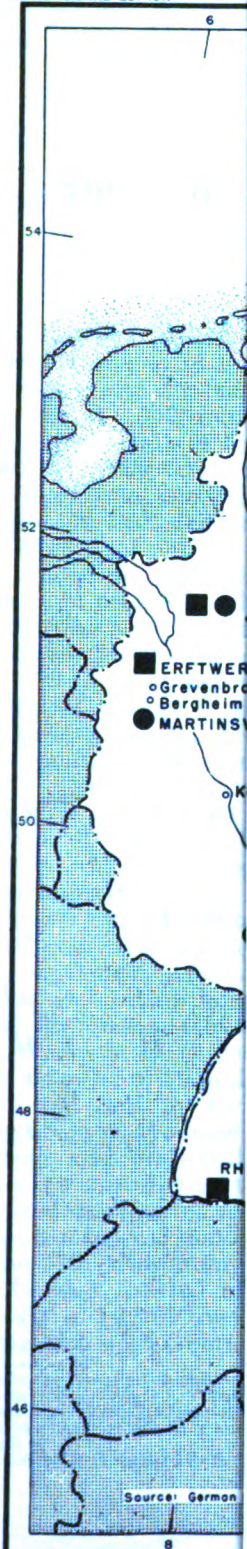
In the third category were cartels which while carefully maintaining their formal independence often collaborated with the International Steel Cartel in general policies. These were:

- (a) The International Black Sheets Comptoir.
- (b) The International Galvanized Sheets Comptoir.
- (c) The International Rail Makers Association (I. R. M. A.).
- (d) The International Tube Convention.
- (e) The International Wire Export Co. (I. W. E. C. O.).
- (f) The International Tinplate Association.
- (g) The International Scrap Purchasing Cartel.

During its brief life the International Steel Cartel drew into its orbit the great majority of the previously independent steel cartels for specific commodities and represented two-fifths of the world steel production and five-ninths of the total international trade in steel. Together with the specific commodity cartels it was able to fix prices and determine export quotas for this huge percentage of the world's steel trade, resulting in a system of regimented prices and export levels for the world's basic industry. The power of the cartel was so great that in areas subject to cartel domination governmental trade barriers for steel products were practically superseded by private economic agreements between cartel members. Export prices in steel have in general been well maintained. The general rule was for each cartel to adopt the prevailing open-market price at the time of its formation

and then to increase this price even further. Also, there have been numerous instances of cartels keeping steel prices artificially rigid by reducing global export quotas, in order to create an artificially short supply.

Germany was the initiator of the International Steel Cartel in 1925. In the ensuing period, the cartel collapsed several times, but it was always the Germans who kept pressing for resumption of negotiations. Since that country possessed the best domestic steel cartel system, the most efficient and largest steel mills, and the highest degree of governmental "cooperation" with the industry, it was easy for her to occupy a dominant position in the International Steel Cartel.



NO. 2081-M FEBRUARY 19, 1945

74241 O - 45 - pt. 3 (Face p. 2)





THE LIGHT METALS INDUSTRY IN GERMANY

DEVELOPMENT OF THE GERMAN ALUMINUM INDUSTRY

CAPACITY AND PRODUCTION

World War I-1933.—The outbreak of war in 1914 found Germany poorly equipped to meet her war needs of aluminum for direct military uses and for substitution. Only one reduction plant with a capacity of 1,000 tons a year was in operation. This was located on the German side of the Rhine in southern Baden, across the border from the Swiss town of Rheinfelden which gave the plant its name. The plant was, and still is, owned by the Swiss-incorporated company, Aluminum-Industrie A. G. Neuhausen (referred to hereafter as "AIAG").¹

To meet the emergency, Germany undertook the first of the two expansion programs which have made her one of the most important world producers of aluminum. During the war, five new reduction plants were built with a total annual capacity of 35,000 tons of metal, and a sixth plant was begun.

The Chemische Fabrik Griesheim Elektron² in association with the Metallbank und Metallurgische Gesellschaft A. G.³ undertook the construction of three of the plants, all of which were in operation in 1916. The first at Rummelsberg near Berlin, with a capacity of 4,000 tons annually, and the second at Horrem near Cologne, with a capacity of 3,000 tons, were built near existing thermal power plants. The third was advantageously located in Bitterfeld, an already established electrochemical center near enormous brown-coal deposits. Its original capacity of 4,000 tons has since been greatly expanded.

Although the production of these three works slightly exceeded their aggregate planned capacity, the supply of aluminum remained inadequate. Additional works were then designed and built with the aid of the German Government. In April 1917, the Vereinigte Aluminium Werke A. G. (hereafter referred to as "VAWAG") was founded with a capital of 50 million marks, half of it subscribed by the Government and half by Griesheim Elektron and Metallbank, who also brought into the new organization their plants at Rummelsberg, Horrem, and Bitterfeld. The "Lautawerk," which came into operation a few days before the armistice, had an annual capacity of 12,000 tons and was located near the town of Lauta in the district of Lausitz, where brown-coal deposits provided fuel for a thermal power plant.

The fifth aluminum reduction plant built during the war was the "Erftwerk," located at Grevenbroich, Niederrhein, with an annual capacity of 12,000 tons. This plant was built by the Government in cooperation with Gebrüder Giuliani G. m. b. H. (a producer of alumina)

¹ Known as Aluminum-Industrie A. G. Chippis after 1940 when the headquarters were moved from Neuhausen to Chippis. See Ch. VII for the history and organization of this and other firms mentioned later.

² Chemische Fabrik Griesheim Elektron was in 1917 brought into the combine of seven chemical and dye companies which was later to be known as I. G. Farbenindustrie A. G. (often referred to as "I. G. Farben" or simply "I. G.").

³ In 1928 this firm changed its name to Metallgesellschaft A. G. (frequently shortened to "Metall").

and the Rheinische-Westfälisches Electrizzitätswerk A. G. It too used steam power produced from brown coal.

The sixth aluminum project was not completed during the war. The Innwerk Bayerische Aluminium A. G. was founded in 1917 by the German Government in cooperation with the State of Bavaria, Allgemeine Elektrizitäts-Gesellschaft, Gebr. Giulini, and the Siemens Schukertwerke.⁴ The company undertook construction of a hydro-electric power plant at Mühldorf on the River Inn in Southern Bavaria, and of an aluminum plant, known as the Innwerk, at Töging nearby. The plant did not come into operation until 1925, when its rated annual capacity was 11,000 tons.

At the end of 1918, therefore, the total reduction capacity of the Reich was about 36,000 tons of aluminum annually. The closing and dismantling of the Rummelsburg plant at the end of the war, and the closing of the Horrem plant in 1920 reduced the total capacity to 29,000 tons. In 1925, production at the Innwerk brought the figure up to 40,000 tons, where it remained until 1933. During this interval, German military preparations were prevented by the Treaty of Versailles and, it should also be remembered, German production was restricted by the international aluminum cartel. (See Ch. VIII.)

The alumina required by these wartime projects was supplied by a new extraction plant built in conjunction with the Lautawerk, and three plants already in operation:

1. The Martinswerk on the Erft River at Bergheim near Köln, owned by Aluminium-Industrie A. G. Neuhausen (AIAG);
2. A plant at Goldschmieden near Breslau, owned by H. Bergius und Co., a subsidiary of AIAG;
3. A plant at Mundenheim near Ludwigshafen, owned by Gebr. Giulini.

The Goldschmieden plant was closed down in 1928, and its movable equipment and assets transferred to the Martinswerk, whose capacity has been considerably enlarged. The Mundenheim plant is also still operating.

Certain changes in ownership and administration of the reduction plants occurred after 1920. Griesheim Elektron and Metallbank retired from VAWAG, leaving the latter in exclusive possession of the Lautawerk, and themselves taking possession of the Bitterfeld plant. This plant is now operated by Aluminiumwerk G. m. b. H., joint subsidiary of I. G. Farbenindustrie A. G. and Metallgesellschaft A. G. VAWAG in 1925 bought out the participants in the Innwerk project for a consideration of 3,200,000⁵ reichsmarks and in 1932, took over the Erftwerk in the course of a merger for the purpose of simplification and efficiency.

1934-38.—When Hitler came to power, Germany undertook her second aluminum expansion program. Stimulated by the demands made by military preparations, Germany's aluminum reduction capacity was increased from 40,000 tons in 1933 to at least 174,000 tons in 1938, while annual production rose in the same period from 19,200 to 160,000 tons. (See table 2.) The increase in capacity was obtained by the expansion of existing plants and the erection by VAWAG of a new plant, the Lippewerk at Lünen, with a reported initial capacity of 25,000 tons a year.

⁴ Some authorities do not associate Siemens with this project.

⁵ Innwerk A. G. München retained a small interest in VAWAG. See ch. VII.

In 1938 Germany's alumina capacity was estimated at 430,000 tons from five plants: AIAG's plant at Bergheim, Giuliani's at Mundenheim, and three plants owned by VAWAG—the Nabwerk, the Lautawerk, and the Lippewerk. (See table 3, below.) All produced alumina from bauxite by the Bayer process.⁶ Their capacity was ample for the requirements of the reduction plants, which at that time were below 350,000 tons of alumina annually.⁷ In addition to this production by the Bayer process, the Lautawerk and the Lippewerk were reported to be producing alumina from clay as a raw material by means of a process called the "Goldschmidt Sulphite." The plants were said to have a capacity of 48,000 tons a year for this process, the product of which was reported to be chiefly used for the manufacture of silicon aluminum alloys, required as a deoxidizing agent in making iron and steel alloys. Small scale use of a "Seailles process" for low grade raw materials has also been reported. Domestic alumina production was supplemented by small imports of some 10,000 tons annually from Italy, and in 1938, 14,000 tons of alumina were exported to Norway.

World War II.—Since 1938, Germany proper's capacity for aluminum reduction has been increased by extensions to VAWAG's Lautawerk at Lausitz and Lippewerk at Lünen and to the AIAG plant at Rheinfelden, as well as by the building of a new I. G.-Metall unit of 10,000 tons capacity at Aken, near Dessau. The estimated capacity and production of the aluminum plants in Germany proper are given in table 2.

To this production Germany has been able to add since 1938 the aluminum production of Austria. In 1943 Austrian facilities increased the aluminum reduction capacity of Greater Germany by 90,000 tons to a total of 341,000 tons, and production by 57,000 tons to a total of 282,000 tons.

The reported shortage of electric power is probably the reason why production has not been up to capacity. The hydroelectric power which the Germans expected to develop in Austria apparently has failed to keep pace with the expansion of reduction capacity.

During the war, the alumina capacity of Germany proper is believed to have been raised to 600,000 tons annually by extensions to the Martinswerk and Lautawerk and to the Mundenheim plant. (See table 3.) An unconfirmed report states that extraction plants have also been built in connection with the Erftwerk and the Innwerk reduction plants.

Unless extraction plants have been added to the Erftwerk and the Innwerk, however, the extension of alumina capacity in Germany proper during the war has not progressed in proportion to the increasing demands of reduction capacity in Germany and Austria. The output of alumina is estimated to have risen as follows between 1940 and 1943:

Year:	Tons
1940	480, 000
1941	500, 000
1942	530, 000
1943	550, 000

⁶ See appendix A for a description of the Bayer process.

⁷ About 2 tons of alumina are required for the production of 1 ton of aluminum.

Actual alumina requirements for the estimated aluminum production of 282,000 tons in Greater Germany in 1943 would be about 570,000 tons, 20,000 tons above the estimated alumina output. Moreover, Germany has been supplying some 20,000 to 30,000 tons of alumina annually to the Norwegian aluminum plants and in addition would have had to allocate at least 60,000 tons of alumina for the production of abrasives, refractories, and chemicals.

The Germans obviously intended to meet the alumina requirements of the new reduction capacity in Europe from extraction plants under construction in Hungary and Yugoslavia. In the meantime, the deficiency was made good by imports from France, from which Germany took between 30,000 to 40,000 tons in 1941-42, and 60,000 to 70,000 tons in 1943.

RAW MATERIAL SUPPLIES

Bauxite.—Because of her lack of domestic bauxite deposits, Germany took steps as early as 1925 to ensure supplies from abroad (see table 10). In that year VAWAG obtained a major interest in the Bauxit-Trust A. G., a holding company established in Zurich in 1923 with a capital of 11,000,000 Swiss francs and controlled by German and Hungarian interests. VAWAG and Otavi Minen und Eisenbahn Gesellschaft were the German participants, and the Hungarian were Ungarische Allegemeine Kreditbank, Ungarische Allgemeine Kohlenbergbau A. G., Manfred Weiss A. G., and Salgotarjaner Steinkohlenbergbau A. G.

In addition to the ore supplied by the Bauxit Trust, AIAG delivered bauxite from its mining subsidiaries in France, Italy, Yugoslavia, Greece, and Rumania to its own extraction plant at Bergheim and to the VAWAG extraction plants. Gebr. Giulini G. m. b. H. secured bauxite concessions in Italy and Yugoslavia, thus ensuring the ore supply of their extraction plant at Mundenheim.

TABLE 10.—*Some German interests in the European bauxite industry, 1939*

	Company	Location of properties
Hungary.....	Bauxit-Trust A. G.; Aluminiumerz-Bergbau u. Industrie A. G....	Numerous mines in the region of Gant and Nyirad.
Roumania.....	Bauxit-Trust A. G.; Alumina S. A. R.....	
Yugoslavia.....	Bauxit-Trust A. G.; Kontinentalno Bauksito Rudokopno i Industrijsko d. d., Zagreb.	Concessions in the Jad valley, principally near Baratka.
	Gebr. Giulini: Dalmacija Bauksit d. s. o. j. Split.....	
	Adria Bauksit Rudarsko Industrijsko d. d., Zagreb.....	Numerous concessions in the regions of Drnis and Mostar.
	Aluminium Walzwerk Singen: ¹ Ugrovac Minen A. G.....	
Italy.....	Bauxit-Trust A. G.; S. A. per l'Escavo e l'Industria di Minerali d'Alluminio. Gebr. Giulini: Bauxiti Istriane Soc. a. g. l., Trieste.....	Mostar.
		Concessions in Istria.
		Do.

¹ Owned by Aluminium-Industrie A. G. Neuhausen. One source says the Ugrovac mine is owned directly by AIAG.

Source: MEW Econ. Survey, Sec. H, p. 72 and German Penetration of Corporate Holdings in Croatia (FEA report EIS-68b and Civil Affairs Guide).

Before the war, Hungary was Germany's most important source of bauxite, supplying 30 to 50 percent of Germany's annual requirements. Yugoslavia was next in importance. Germany took practically the entire bauxite exports of both countries and nearly all of Yugoslavia's output. After exploitation of Greek deposits began in 1935, Greece became an increasingly important supplier. Although no German bauxite or aluminum interests were operating in Greece, most of the Greek output went to the Reich.

After 1934, German bauxite imports were considerably in excess of annual requirements. The accumulated stock pile is estimated to have been 1.5 million tons at the outbreak of hostilities.

While as a result of the victories of 1940 and 1941, the Germans obtained control of most of the bauxite deposits of the continent, the unlimited and uninterrupted supplies they had hoped for were not forthcoming. Their plans called for increasing the total annual output to the following levels: France, from 1 to 1½ million tons; Hungary, 1 million tons; Greece, 1 million tons; and Yugoslavia, from 400,000 to 500,000 tons. Fulfillment of the plans was hindered, however, by transport difficulties and popular resistance movements. Consequently, imports were about the same as in pre-war years and fluctuated little from 1940 to 1943. As compared with the pre-war period, imports increased from France and Hungary but this increase was counterbalanced by a decline of shipments from Yugoslavia and Greece.

Because imports have probably not replaced existing stocks, the ore stock pile is believed to have declined from the pre-war figure of 1.5 million tons to less than 1 million tons by the beginning of 1944. These reserves must have been considerably depleted during 1944 when the liberation of France shut off one major source of supply and supplies from another major source were reduced by the liberation of part of Croatia, and the cutting of the main rail line to Yugoslavia. At the end of the year, the advance of Soviet forces shut off some of the important ore deposits of Hungary, now Germany's sole source of supply. If the Germans try to maintain the present rate of production in Germany and Austria, the stock pile may be well on the way to exhaustion by July 1945.

GERMAN PENETRATION OF THE EUROPEAN ALUMINUM INDUSTRY

The German Government, as has been noted earlier, was considering before the outbreak of World War II the development of an integrated aluminum industry in central and in eastern Europe where bauxite supplies are unlimited and water power is ample. Military occupation opened the way to the realization of this far-reaching scheme for which German combines supplied the capital, the technicians, and the management. Aside from a very large reduction plant in Austria, however, no developments were undertaken in these regions until German hopes of a short war had diminished. The first light metals ventures on the periphery of Europe occurred in Norway.

In order to ensure supplies of light metals for the German aircraft industry as well as to exploit the reduction facilities and water power of German-occupied France and Norway, a new concern, Nordische Aluminium A. G., was established in Berlin on November 6, 1940 by

the Junkers Flugzeug und Motorenwerke, Dürener Metallwerk A. G. and VAWAG. The capital of close to 20,000,000 reichsmark was underwritten by the Bank der Deutschen Luftfahrt, which was represented on the advisory committee along with representatives from the German Ministry of Finance, the Air Ministry, and the Reich Commissariat. Dr. H. Koppenberg, general manager of the Junkers Werke and a close friend of Goering, was made chairman of the board. In July 1941 the name of the new concern was changed to Hansa Leichtmetall A. G. and its principal activities became the following: (1) To allocate the supplies of bauxite from European areas, where they were not already held by the Bauxit Trust; (2) to allocate the finished metal exported from the occupied territories; and (3) to expand aluminum production in these territories.

In southeastern Europe, following its occupation by the Germans in 1941, VAWAG and the Bauxit Trust were the chief factors in light metals developments. Both already had bauxite interests in the region. The former was less interested in developing metal production in the area than in expanding the output of ore and erecting new facilities for the extraction of alumina, measures which would assure the requirements of their increased reduction capacity in Germany and Austria. This was a departure from the pre-war policy of the company under which the self-contained alumina-aluminum plants at Lauta and Lünen had been built. The new policy was probably adopted at this time as a means of saving transport. To finance these undertakings, VAWAG established two subsidiaries: Donautaler Alaunerde Industrie A. G. in Hungary, and Kroatische Aluminium A. G. in Yugoslavia. By 1942 Donautaler's capital had been increased by more than four times to 35,000,000 pengő, held one-third each by VAWAG, the Bauxit Trust, and the Hungarian Government. Directors and managers for both Donautaler and Kroatische Aluminium came from VAWAG and the Bauxit Trust, and Dr. Luther Westrick, chairman of VAWAG, became chairman of both companies.

I. G. Farbenindustrie is believed to be associated with a light metals development in Austria and another in Czechoslovakia. It has been rumored that this company, in cooperation with Hansa Leichtmetall, was planning to construct plants in Roumania and Yugoslavia, but the projects did not materialize. There is no evidence that Gebr. Giulini, another German concern with pre-war interests in southeastern Europe, have expanded their operations.

German plans and achievements in the light metals industry of German-dominated Europe are described in some detail below, in the order of occupation or Gleichschaltung of the producing country. The record of the Germans on the whole offers no convincing proof of their purported organizational genius. They have been able to loot properties, to take over existing facilities and to construct new ones, and to impress labor to work under their direction. But except where they have found collaborators in the financial and industrial leadership of national companies and in puppet governments, they have been unable to achieve any marked success. One reason for their failure may be their inability to mobilize the working people of Europe willingly to fulfill German orders.

AUSTRIA

Before the annexation, Austria's aluminum industry was unimportant. Up to 1935 metal production was less than 2,500 tons from two reduction plants located at Lend and Steeg. The plant at Lend was erected in 1897 by the Aluminium-Industrie A. G. Neuhausen, and is operated by a subsidiary, the Salzburger Aluminium G. m. b. H. While its original capacity was 4,000 tons per year, production never exceeded 2,500 tons before 1938 because of inadequate supplies of water power. The plant at Steeg, near Gmunden, was erected in 1916-17 by the Stern und Hafferl Elektrizitätswerke A. G., and is operated by the Oesterreichische Kraftwerke A. G. (Oeka). Its annual capacity in 1938 was 2,000 tons. The small quantities of alumina and cryolite required for production were imported, the former mainly from Yugoslavia, Italy, and France, and the latter from Denmark. Electrodes were produced at Steeg. Statistics of production, trade, and supplies for the preannexation Austrian industry are given in table 14.

TABLE 14.—*Austria: Supplies of aluminum and raw materials, 1934-38*

[In tons]

	Aluminum	Alumina	Cryolite
1934—Production	2,100		
Imports	544	4,993	236
Exports	2,687		30
1935—Production	2,400		
Imports	488	4,857	207
Exports	2,394		26
1936—Production	3,300		
Imports	560	6,855	436
Exports	2,394		8
1937—Production	4,400		
Imports	685	7,490	406
Exports	3,370		16
1938—Production	5,000		
Imports	125	11,242	518
Exports	910		1

Source: MEW Economic Survey, sec. H, p. 80.

Under German domination, Austrian reduction capacity was increased by 15 times, and aluminum output by over 11. This was accomplished by extensions to the plants at Lend and Steeg, and the erection of a new plant at Braunau-am-Inn which, with its planned capacity of 90,000 tons, will be the largest in Europe on completion.

CZECHOSLOVAKIA

A project on which information is conflicting is a plant believed to be situated at Engerau, between Bratislava and Kittsee, near the Hungarian frontier. The company concerned is the Leipziger Leichtmetallwerk Rackwitz, Bernhard Berghaus K. G. of Rackwitz, near Leipzig. This company, founded shortly before the outbreak of war with the probable backing of the Reich Air Ministry, is now one of the leading German producers of light alloys and semimanufactures, and is believed to be controlled by I. G. Farben. Reports in 1943 gave the planned capacity of the Engerau plant as 10,000 tons of aluminum

and 20,000 tons of alumina; later reports doubled these figures, while a report from a different source maintained that aluminum only was to be produced from alumina supplied from Almasfuzito. If the plant is to produce alumina, bauxite supplies could be brought up the Danube from Hungary, and power for both alumina and aluminum operations would be available from hydroelectric developments on the River Waag. Two new power stations, one at Ilava and the other at Dubnica, now reported to be in operation, could supply between them more than sufficient power for the needs of a 10,000-ton reduction works. In any event, the project at Engerau represents a new departure in the policy of the Berghaus company, which previously was concerned with metal fabrication, not metal production. Together with the project at Moosbierbaum, it may indicate that I. G. intended to compete with VAWAG in light metals production in southeastern Europe.

NORWAY

Before the war Norway, while it had no bauxite, had a considerable aluminum industry based on its water power resources. Six reduction plants, one of which also extracted alumina, were located along the coast where transportation costs were low. Their pre-war capacities are given in table 16.

TABLE 16.—Norway: Capacity of aluminum plants, 1939

Company	Location	Capacity
		Tons
A/s Norsk Aluminium Co.	Hoyanger, Sogn ¹	3, 300
Det Norske Nitrid A/s	Eydehavn, Aust-Agder	5, 000
Do	Tysedal, Hordaland	9, 000
A/s Haugvik Smeltewerk	Glomfjord, Nordland	8, 000
A/s Vigelands Brug	Vigeland, Aust-Agder	3, 500
A/s Stengfjorden Elektrochemiske Fabrik	Stangfjord, Sogn	1, 000
Total .....	.....	35, 800

¹ This plant also has a capacity of 22,000 tons for the extraction of alumina.

Source: Unpublished Foreign Economic Administration report prepared by the economic institution's staff.

As all of these companies were almost wholly owned and controlled by British, French, and Canadian interests,⁸ they clearly came under the provisions of an order of the Quisling government of August 17, 1940, which provided for the appointment of a German administrator for all Norwegian enterprises which directly or indirectly were under "enemy" control. The plants were accordingly put under the administration of a German organization known as Norsk Aluminium Kontor ("NAK"), and Dr. Koppenberg, chairman of the boards of the Flugzeug und Motoren Werke and Nordische Aluminium, was designated trustee and property administrator.

On May 2, 1941, Nordisk Lettmetall A/s was established in Oslo with a share capital of 45,000,000 kroner, held in equal amounts by I. G. Farbenindustrie, Norsk Hydro-Elektrisk Kvaelfstofaktielstab, and Hansa Leichtmetall, then still known as Nordische Aluminium. I. G. Farben already had a controlling interest in Norsk Hydro, which

⁸ The Canadian interest was that of Aluminium, Ltd., which is associated with the Aluminum Co. of America.

before the German invasion was in possession of most of the elements needed for the manufacture of aluminum—patented processes, water power, building sites, and skilled workers. The task of the newly organized Nordisk Lettmetal, in which Dr. Koppenberg assumed management of the work committee, was the enlargement and management of the facilities in the Heroya area formerly owned by Norsk Hydro.

A day after Nordisk Lettmetal was organized, Hansa Leichtmetall formed under Norwegian law a subsidiary stock company, A/s Nordag, with head offices in Oslo and a capital of 70,000,000 kroner. This company was charged with the task of putting into effect the German program for expanding the Norwegian aluminum industry.

FRANCE

Ninety percent of the pre-war French aluminum production was controlled directly or indirectly by Cie. de Produits Chimiques et Electrometallurgiques Alais Froges et Camargue (usually referred to as "AFC" or "Pechiney"). Its sole competitor was Ste. d'Electrochimie, d'Electrometallurgie et des Acieries Electriques d'Ugine (referred to as "Ugine"). AFC was not only a giant and self-contained producer of aluminum and magnesium but was also a large producer of aluminum products and the third largest French producer of chemicals. Through membership in the French chemical cartel organized in 1927, AFC had close connections with I. G. Farben.

AFC's activities were concentrated in four regions. Bauxite was obtained from the Mediterranean region where practically all of the French bauxite deposits are located, and here, because of the local availability of lignite for fuel, two of AFC's three large alumina plants were located. The abundant water power of the Alpine region made it the center of AFC's aluminum reduction operations, which for the same reason were carried on to a smaller extent in the Pyrenees. In the central plateau region, AFC obtained auxiliary minerals such as fluorspar and pyrites, a small amount of bauxite, and some water power.

Inasmuch as the French aluminum industry was concentrated in southern France, which was not occupied by the Germans until November 1942, German economic penetration was accomplished by less overt means than in Norway. No new companies were established but the Germans were able to dominate the industry by means of direct and indirect investments (the capitalization of AFC was tripled between 1940 and 1941), concentration of administrative and managerial responsibility in the hands of a group responsive to their wishes, and allocation of raw materials and products. As noted earlier, two of the tasks of Hansa Leichtmetall were to allocate bauxite from European deposits not already controlled by the Bauxit-Trust and to allocate the metal exported from occupied territories. In allotting the supplies of French bauxite, Hansa Leichtmetall cooperated with the Groupement de Repartition de la Bauxite, established in January 1941 at German instigation by a number of French concerns in addition to AFC for the purchase, transportation, import and export, allocation, sale, and use of bauxite. In the spring of 1941, the Bank der Deutschen Luftfahrt, which had underwritten the stock issue of Hansa Leichtmetall, founded the Aero Bank as its Paris sub-

subsidiary to help finance French producers of light metals. By the reorganization in September 1941 of all French electric power companies into three "fusion" groups, on each of which the Vichy government was represented by a commissioner, the Germans were able to dominate the production and transmission of power.

German expansion plans for the aluminum industry of France appear to have been rather successful. The ready market offered by the German aircraft plants was an incentive to increased production. The output of aluminum is estimated to have risen from a 1936-38 average of 35,000 tons to between 60,000 and 70,000 tons in 1943, of which the Germans took about 70 percent. Alumina production, which had averaged 110,000 tons before the war, must have risen sharply or it could not have met the demands made upon the extraction plants. These demands included the increased requirements of the French reduction plants, requisitions for German reduction plants which rose from 30,000-40,000 tons in 1941-42, to 60,000-70,000 tons in 1943, and German requisitions for reduction plants in Austria and Norway. Bauxite production also had to rise from the pre-war level of 675,000 tons annually in order to meet not only the steeply rising requirements of French alumina plants but also requisitions for German plants which in 1943 called for—but may not have received—as much as 60,000 tons per month.

HUNGARY

A small light-metals industry was in existence in Hungary before the war, in addition to considerable ore production. An alumina plant at Magyarovar with a capacity of 10,000 tons, owned by Bauxit-Industrie A. G. (a subsidiary of the Bauxit-Trust), supplied the reduction plant on the island of Csepel, which was owned by Manfred Weiss Stahl und Metallwerke A. G. of Budapest. The Ungarische Allgemeine Kohlenbergbau A. G. must have begun its aluminum plant at Felsögalla before the outbreak of hostilities since it commenced operations in 1940. Up to this point, the Hungarian industry appears to have been more or less independent of German control; Manfred Weiss, in fact, had no connection with the international aluminum cartel. German light-metals interests may have taken over these concerns during the last 4 years, and it is well known that they have instituted new developments with the collaboration of Hungarian interests.

YUGOSLAVIA

Pre-war German interests in the exploitation of Croatia's rich bauxite deposits are shown in table 10. If this region had not been the scene of Yugoslav Partisan activities, ore output after the invasion might well have been expanded to meet German plans. Instead production fell from 400,000 tons in 1938 to 70,000 tons in 1941, and by 1943 had reached only half the pre-war figure. The only new company appears to be the Rudnica A. G. of Dubrovnik, established with the open participation of the Reichswerke "Hermann Goering" A. G. to operate bauxite mines in Herzegovina.

Before the war Gebr. Giuliani G. m. b. H. owned an alumina plant at Moste, Slovenia, with a reported capacity of 10,000 tons. It supplied the oxide reduced at the Fabrika Aluminijuma A. D. in

Sibenik until 1940 when an alumina plant was also brought into operation by Fabrika. This company, established in 1938 by a group of Yugoslav industrialists, some of whom were Jews, was put under the administration of a German commissioner after the occupation, presumably on the basis of a German-Italian agreement since it was located in an area under Italian administration. The plant had a capacity of 2,000 tons when built and was enlarged to 3,250 tons in 1940. By 1943 it may have had a capacity of 5,000 tons but would be unlikely to produce at this level because its source of power, a hydroelectric station at the Krka falls, would be affected by seasonal water shortages.

DEVELOPMENT OF THE GERMAN MAGNESIUM INDUSTRY

CAPACITY AND PRODUCTION

The modern magnesium industry dates from 1896, when electrolytic reduction of fused magnesium salts began at Bitterfeld. Chemische Fabrik Griesheim Elektron controlled the basic patents for the manufacture of magnesium, which they began to produce commercially in 1912. Just as the First World War supplied the initial impetus for the development of the aluminum industry in Germany, it stimulated the production of magnesium, chiefly for the reason that magnesium could be used as a substitute for copper and aluminum, which were in short supply. Griesheim Elektron brought its patents and know-how into the great chemical combine, I. G. Farbenindustrie A. G., which by these means and subsequent research and development was able to control world production of the metal until the advent of World War II.^{9 10} For many years, moreover, the world outside of Germany ignored the commercial possibilities of magnesium. Not only did I. G. put its mammoth economic resources behind the development of magnesium, but in addition the Hitler government aggressively promoted its production because it is the only nonferrous metal that can be produced in virtually unlimited quantities from domestic raw materials.

Magnesium-bearing raw materials are plentiful and widespread but facilities for production of the metal are concentrated in electrochemical plants where equipment is costly and specialized. The raw materials used in Germany are believed to be dolomite, which occurs widely; carnallite; and magnesite, which must be imported.¹¹ European sources of crude magnesite are Austria, Yugoslavia, Greece, and Italy. In 1939 European magnesite shipments were reported to be double those of 1938, and in 1940 had by October reached the volume of the 1939 shipments. I. G.'s subsidiary, the Alpenlandisch Bergbaugesellschaft m. b. H. of Mayrhofen, Austria, owns a mine in the nearby Zillerthal, a short distance east of Innsbruck. This mine was reported to have shipped 20,000 tons of magnesite in 1939.

For many years magnesium was produced in Germany solely at I. G.'s Bitterfeld works. Crowded conditions there led them in the middle thirties to build another plant in Aken, to which an aluminum reduction works was added after the war began. It is believed that

⁹ The world's basic magnesium patents are listed in the hearings before the Committee on Patents, U. S. Senate, 77th Cong., pt. 2, pp. 1012-1026.

¹⁰ See section on Control of World Magnesium Production by I. G. Farbenindustrie A. G.

¹¹ See also section below, German Penetration of Occupied Territories.

they now have two magnesium reduction plants in Stassfurt. In addition, they built in 1937 a separate plant for the production of magnesium oxide at Teutschenthal, near a large carnallite mine. Magnesium chloride solution is piped from the mine to the plant where magnesium hydrate is precipitated with calcined dolomite, and then calcined to produce magnesium oxide or magnesite.

I. G.'s aluminum and magnesium operations are independent of each other as well as largely independent of I. G.'s other manifold activities. The electrolytic equipment for the reduction of aluminum cannot be used for the reduction of magnesium, and vice versa. It is the presence of large resources of thermal electric power and technical experts which was chiefly responsible for bringing the two operations together at Bitterfeld and Aken. I. G. Farben maintains at Bitterfeld the largest laboratory in Germany devoted exclusively to research in the light metals.

Not until 1938 did I. G. Farben have any competitor in the magnesium field in Germany. At that time, Wintershall A. G., the giant potash concern, began producing magnesium by an old Farben electrolysis process, the patent of which had expired. Metallgesellschaft A. G., according to rumor, agreed to stay out of the field.¹² Wintershall used its plant at Heringen-a-Werra as the site of its magnesium production, and specially selected carnallite as the raw material. Possibly in preparation for this activity Siemens in 1936 built a 15,000-ampere rectifier of 400 volts at the Wintershall mine at Heringen (Gewerkschaft Wintershall).

In the absence of any published information (including trade statistics) on the magnesium industry in Germany, capacity and production can only be estimated. Annual capacity just before the war is believed to have been some 20,000 tons. At the end of 1943, five plants were believed to have been in operation with a total annual capacity of 31,500 tons. The increase in capacity may have been effected by extensions to an existing plant at Stassfurt and erection there of a second plant.

Annual production is estimated to have risen as follows:

Year:	Tons
1937-----	12, 000
1938-----	14, 000
1939-----	16, 000
1940-----	20, 000
1941-43 (annually)-----	25, 000-30, 000

The possibilities for the application of magnesium and its alloys are far from being exhausted and there is no doubt that many new uses will be devised in the future. Nevertheless it is likely that the cessation of hostilities will, as in the aluminum industry, find Germany with capacity far in excess of peacetime requirements.

GERMAN PENETRATION OF OCCUPIED TERRITORIES

Since there were few known magnesium developments outside of Germany prior to the war, it is not surprising that information is lacking concerning German penetration of magnesium production in

¹² There is an unconfirmed report that Aluminium-Industrie A. G. Neuhausen (AIAG) was producing magnesium in 1938. The location of the plant was not stated. Another report mentions among wartime projects of this company the expenditure of Sfr. 640,231 for a new installation at their Chippis (Switzerland) plant for the manufacture of magnesium.

occupied areas. It is justifiable, however, to assume that, wherever in Europe I. G. Farben patents and techniques were utilized before the war, I. G. took over the facilities upon occupation. The combine had no known magnesium interests on the Continent until the annexation of Austria.

After this event, I. G. acquired through forced sale the rich magnesite deposits, the pilot plant, and the patents of Oesterreichische Magnesit A. G. of Radentheim, Austria. The Austrian company was the second largest magnesite producer before the war, accounting for about 30 percent of the refractory magnesite produced on the Continent. The acquisition of these deposits is said to have been responsible for I. G.'s shifting to a very large extent from dolomite to magnesite as the basic raw material used at its plants in Bitterfeld and Aken. Up to August 1939 when an explosion occurred, the pilot plant at Radentheim produced 1 to 1½ tons of magnesium a day by direct thermal reduction. It is strongly believed that I. G. has since built a metal reduction plant there.

It is not unlikely, in view of I. G.'s participation in Hansa Leichtmetall A. G. and its pre-war connections with Alais Forges et Camargue, that I. G. was able to dominate the magnesium industry of France during the occupation. France had hitherto been the second largest European producer with an output of 1,500 tons in 1938 and 2,500 in 1939. AFC and Ugine were the principal producers, pooling for sales purposes into the Société Generale du Magnesium. Two plants, each with a capacity of 1,000 tons, were operated by Ste. Generale, one at Saint-Auban, Basse-Alpes, and the other at Jarrie, Isere.

ORGANIZATION OF THE GERMAN LIGHT METALS INDUSTRY

ALUMINIUM-INDUSTRIE A. G. CHIPPIS ("AIAG")¹³

This company, known as the nursery of the European aluminum industry, has during both World Wars found itself in an equivocal position. Incorporated in Switzerland and insisting on its neutral personality, AIAG has nevertheless owned plants in countries at war with one another. During the First World War, its assets in France, consisting of bauxite mines and an alumina plant, were sequestered by the French Government, and during the present conflict, it was placed on the Statutory List for a few months in 1941.

In the eighties, the firm of J. G. Neher Sons, proprietor of an iron foundry near Neuhausen since 1810, was in search of an industry which would exploit the water power available from the adjacent falls of the Rhine. The manufacture of aluminum appeared to be an electrometallurgical process of considerable promise and one which both met the firm's needs and would make use of its experience. After experiments with the electrolytic reduction of aluminum from cryolite proved unsuccessful in 1886, the firm was ready to welcome proposals in May 1887 to try out the new patents of Paul Heroult, the French inventor of a process similar to the one developed in the

¹³ This producer is described at some length for the following reasons: While it has neutral status, it is an important producer of alumina and aluminum in an enemy country and thus is subject, insofar as its production in Germany is concerned, to United Nations control following the military defeat or surrender of Germany; (2) it is not well known in the United States whose representatives will be dealing with the special problem it represents on various levels of occupation authority; and (3) it has held a balance of power position in the international aluminum cartel during the Second World War.

United States by Charles Hall. These experiments were so successful that a new company, the Schweizerische Metallurgische Gesellschaft, was founded a few months later to take over the rights of all the Heroult patents for all countries, except France.¹⁴ Toward the end of 1888, production was at the rate of 2 tons per day of aluminum-bronze, and the company was seeking new capital. On November 12, 1888, the Aluminium-Industrie A. G. Neuhausen was incorporated by the Swiss company with the assistance of the Allgemeine Elektrizitäts Gesellschaft ("AEG") of Berlin; its share capital was 10,000,000 Swiss francs, of which 3,000,000 Swiss francs were paid up. Dr. Martin Kiliani, who had been experimenting with aluminum reduction for AEG, was made managing director of the Neuhausen works where production of pure aluminum was initiated in 1889. Like the Pittsburgh Reduction Co. (predecessor of the Aluminum Co. of America, referred to as Alcoa), AIAG had difficulty in finding a market for its new product, but between 1890 and 1900 uses for aluminum were developed to such an extent that the company constructed a second plant at Rheinfelden in Germany in 1896 and a third at Lend in Austria in 1897. AIAG's largest works are at Chippis in Canton Wallis, where water power is furnished by the upper Rhone. Construction of these was begun in 1907.

On its fiftieth anniversary in 1938, AIAG had a paid-in capital of 60,000,000 Swiss francs and fixed assets of 159,189,000 Swiss francs. Its interests were scattered throughout Europe, and extended even to China, as follows:

AIAG INTERESTS, 1938¹⁵

(NOTE.—The symbol (D) following a company name indicates that it is a "daughter" company, owned 100 percent by AIAG unless a smaller percentage is stated; the symbol (DD) indicates a subsidiary of AIAG and a daughter company. The percentages for less than 100 percent participation are only approximate.)

Bauxite.—Ugrovac Minen, Zagreb (D); Bauxita S. A. Bucharest (D); Ste. des Bauxites de France, Marseille (D).

Alumina extraction plants.—Martinswerk G. m. b. H., Bergheim-Köln (D); Chemische Fabrik Goldschmeiden, Breslau (D) and Filiale Halle-Trotha (DD), both in Germany; Ste. Francaise pour l'Industrie de l'Aluminium (SFIA), Marseille (D); Sta. Industrie Minerarie ed. Elettrochimie, Bussi, Italy (D).

Aluminum reduction plants.—Aluminium-Hütte, Neuhausen (D) and Aluminium-Hütte, Chippis (D), both in Switzerland; Aluminum G. m. b. H., Rheinfelden, Germany (D); Salzburger Aluminium G. m. b. H., Lend, Austria (D); Soc. Alluminio Espanol, Sabinango, Spain (D, approximately a 20 percent interest);¹⁶ South Wales Co., Rheola, Wales (D, 50 percent).¹⁷

Power plants.—Kraftwerk Neuhausen (DD); Kraftwerk Chippis (DD); Kraftwerk Rhenfelden (DD); Kraftwerk Kitzloch (DD) and Kraftwerk Klamstein

¹⁴ Source: Geschichte der Aluminium-Industrie A. G. Neuhausen, 1888-1938, Chippis, published by the Directorium, 1942. 2 v. This is a Festschrift celebrating the company's fiftieth anniversary.

¹⁵ Aluminium Francaise is also a part owner.

¹⁶ The British Aluminium Co., Ltd., founded in 1894, acquired from AIAG rights to the Heroult patents for Great Britain and her colonies.

¹⁷ The remaining 50 percent is owned by the British Aluminium Co., Ltd., and Aluminium, Ltd., of Toronto. (One source says that each participant owns a third interest.) AIAG's interest in the project has been attributed to the fact that they could produce on the British quota at the Rheola plant. The South Wales Co. was founded in 1937 with a capital of £300,000, and AIAG was charged with constructing and operating the Rheola works. When more capital was needed, AIAG appears to have contributed willingly and to have induced the other participants to make further advances. These considerations were a strong argument for lifting the blacklisting of AIAG, which had been made effective in July 1941 primarily because of AIAG's position in the cartel. At that time, moreover, AIAG was believed to be willing to purchase in Switzerland plant to the value of \$150,000, needed for the completion of the Rheola works whose output was essential to Britain's war effort. Representations were also made concerning the pro-Ally sympathies of the AIAG directors. The company was removed from the Statutory List in October 1941.

(DD), both furnishing power to the reduction plant at Lend; Kraftwerk Navizence (DD); Kraftwerk Borgne (DD); Illsee-Turtmann A. G. Oberems ("ITAG") (DD).

Fabricating plants.—Aluminium Walzwerk Chippis ("LWW") (DD); R. V. Neher, A. G. Kreuzlingen (D) and its subsidiary, Walzwerk Neuhausen (DD); Aluminium-Warenfabrik Gontenschwill A. G. (D, approximately 20 percent)—all of Switzerland. Breisgau Walzwerk Singen, Germany (D); Aluminium Walzwerk Singen and its subsidiaries: Aluminium Giesserei Villingen (D); Kluge & Winter, Hamburg (D, approximately 20 percent); "TANTAL" Verarbeitungswerk, Warsaw (D, 50 percent); and "ENOKA" Verarbeitungswerk, Warsaw (D, approximately 40 percent). Also Star Aluminium Works, Wolverhampton, England (D); Nederlandsch-Indische Aluminium Verwerkings Industrie Mij. ("NIAVI"), The Hague (D, approximately 33 percent); Coquillard Froges, France (D, approximately 20 percent); Aluminium Belge, Liege (D, approximately 40 percent); S. A. Lavorazione Leghe Leggere ("LLL"), Italy (D, approximately 50 percent); Chinese Aluminium Rolling Mills, Char (D, approximately 20 percent) together with the Werk Shanghai (DD, approximately 20 percent)—both in China.

Sales offices.—Lasa Kreuzlingen (D, approximately 80 percent), joint subsidiary of R. V. Neher A. G. and Al.-Warenfabrik Gontenschwill A. G.; Allega, Zurich (D); Anglo-Swiss Aluminium Co., Ltd., Sheffield, England (D).

Other interests.—Wohn-kolonie, Bergheim (D); Forschungs-anstalt, Neuhausen (D); Stuvag, Neuhausen (D, approximately 50 percent); Sta. Esercizio Impianti Portuali Abruzzesi ("SEIPA"), Milan (D, approximately 50 percent), subsidiary of Sta. Industrie Minerarie ed. Elettrochimie, Bussi; Sta. Alluminio Veneto Anonima ("SAVA"), Venice (D). SAVA in turn controls a complex: Tonerdefabrik, Marghera (DD), an alumina plant; Aluminium-Hütte, Porto Marghera (DD), a reduction plant, together with "SMIRREL," Venice (D, approximately 80 percent); Sta. Idroelettrica ("SIC"), Venice (D, approximately 50 percent); a sales office, "Alluminio S. A." Verkaufsbureau ("ASA"), Milan (D, approximately 50 percent); and a shipping company, Sta. Abruzzesi di Navigazione Anonima ("SANA"), Venice (D, approximately 50 percent).

Details of the shareholdings in AIAG have long been unavailable because there is no published register and the bearer-shares are apparently handled free on the stock exchange. Although the notion that the shares are widely dispersed in the hands of private Swiss individuals has been sedulously cultivated, speculation as to the corporation's ownership has not been quieted. The far-flung and multifarious activities of AIAG, as listed above, suggest that private Swiss capital alone could hardly provide sufficient financing. Official United Nations sources have recently indicated that the shares in AIAG are held approximately as follows:

Company:	Percent of holding
British Aluminium Co., Ltd.....	15. 5
Aluminium, Ltd.....	28. 5
Alais Froges et Camargue } ¹	21. 0
Ste. de l'Electrochimie Ugine }.....	
Vereinigte Aluminium Werke A. G. }.....	20. 0
Aluminiumwerk G. m. b. H. }.....	
Swiss interests.....	15. 5
Total.....	100. 0

¹ It is not known whether the French companies participate in AIAG as two separate entities, or through their combined sales company, Aluminium Francais.

The "Swiss interests" listed above are identified as those which have long been active in the company; whether they are vested in the Swiss management or in an undisclosed holding company is not known. The significant factor is that the foreign ownership is held by the same British, Canadian, French, and German corporations—and in

practically the same proportions—which participate in the Alliance Aluminium Compagnie.¹⁸

After the collapse of France, the combined participation of the British and Canadian interests, amounting to 43.5 percent, was offset by the German and German-dominated French participation of 41 percent. Consequently, the Swiss interests, domiciled in a neutral country surrounded by Germany and German-dominated areas, held the balance of power in AIAG from June 1940 until the liberation of France, and during that time could direct company policy by voting either with the Allied or with the enemy interests. During this same period AIAG, as the Swiss participant in the cartel, occupied the identical ambivalent position between the British and Canadian participants on the one hand, and the German and German-dominated French participants on the other.

Swiss law requires that in a company incorporated in Switzerland the majority of the board of directors be Swiss nationals. According to the 1943 edition of the Swiss Federal Register, the present administration comprises the following individuals, all of whom have Swiss addresses:

ALUMINIUM-INDUSTRIE A. G.

(Chippis, Canton Wallis, Switzerland)

Council of administration:

Alfred Hofmann-Schmid, president.
Gottfried Keller, vice president.

Directors:

Arnold Bloch.
Emile Kaufmann.
Anton Bettscaart.
Werner Kurz.
Fritz Schnorf.

Directors of departments:

Rudolf Hartmyer.
Max Hintermann.
Hans Scherer.
Heinrich Wanner.

Director of Laboratories and Research:

Dr. Alfred von Zeerleder, at Neuhausen.

Prokurators:¹⁹

Willy Corti.
Henri Froidevaux.
Albert Gubler.
Kaspar Guler.
Erhart Herrmann.
Alexander Hürzler.
Hans Hurter.
Robert Niederer.
Max Preiswerk.
Jules Riby.
Walter Heinrich Ruegg.
Emile Sulser.
Werner Sulzer.
Paul Toschanz.
Jakob Weber.
Georg Thoma.

The company has expanded its investments during the war, presumably in order to accommodate increased orders.

In general, aluminum production has not been maintained at maximum during the war at the company's reduction plants in Switzerland, owing to a shortage of electric power. Late in December 1944 the Neue Zürliche Zeitung reported large-scale unemployment at the reduction plants because of their inability to obtain alumina. With the exception of plants manufacturing aluminum foil and other products for which the use of aluminum has been restricted or prohibited, the fabricating plants have worked at full capacity throughout the war, and have increased their deliveries. Reported deliveries to Germany from the Chippis works in January 1943 are given in table 20; deliveries reported may not include all deliveries. It will be noted that the recipients in many cases are aircraft plants.

The growth of production and capacity at AIAG's aluminum plant at Rheinfelden and alumina plant at Bergheim is discussed in

¹⁸ This is the name of the international aluminum cartel.

¹⁹ Officials authorized to sign on behalf of the firm.

chapter II. The company's fabricating subsidiary in Germany, Aluminum Walzwerk Singen, was the most important producer of aluminum foil before the war, consuming in 1937 approximately 2,000 tons of metal per month, which was obtained from the Rheinfelden plant. A year earlier, a foundry had been built at Singen to produce 99, 99.5, and 99.8 percent pure aluminum and four trade-marked alloys—Avional (hard aluminum alloy), Anticorodal (copper-free alloy), Aluman (corrosive-resistant alloy), and Peraluman (salt- and sea-water-resistant alloy in sheets, ribbons, tubes, sticks, wire, and bars). Later the Singen plant was again expanded to produce aircraft components of aluminum and aluminum alloys.

AIAG at one time owned another foil plant at Teningen which also received metal from Rheinfelden. The Teningen factory was sold about 20 years ago to Emil Tscheulin and is now known as Aluminiumwerk Tscheulin G. m. b. H.

GEBRÜDER GIULINI G. M. B. H.

This firm was founded by two brothers, both Italian citizens. Since the death of one, it has been carried on by his brother and his son. The uncle has never renounced his Italian citizenship and lives in Lugano, in the Italian-speaking part of Switzerland. He has been known for many years as a shrewd businessman who drives hard bargains and who prefers to follow a lone course. Consequently he kept out of the cartel until the advent of Hitler and the promise of a profitable contract made it expedient for him to accept an engagement with the Alliance Aluminum Compagnie. He does not have the extensive incorporate connections which characterize the careers of most of the light metals producers, and he has never sought the aid of such banks as the Deutsche and the Dresdner. He has, however, had a very close association with the private banking firm of Delbrück Schickler & Co., in which Metallgesellschaft has an interest. Carl Joerger, one of the partners of Delbrück Schickler, is comanager of Gebr. Giuliani, along with the Giuliani nephew who married Joerger's daughter. The nephew is a German citizen, who is reported to have remained deaf to VAWAG offers to participate in the Giuliani firm.

Information is unavailable concerning the capitalization of the firm and the extent to which Delbrück Schickler has invested therein. The physical properties of the firm include bauxite deposits, alumina plants in Yugoslavia and Germany, and a reduction plant, Usine d'Aluminium Martigny S. A., on the upper Rhone in Switzerland. Although the latter had an annual capacity of 5,000 tons, its production before the war was nowhere near that figure. The most important Giuliani property is the alumina extraction plant at Mundenheim near Ludwigshafen.

I. G. FARBENINDUSTRIE A. G. ("I. G.")

Light metals production is a relatively minor activity in the sum total of I. G.'s vast operations. No other industrial organization in Germany or in the world compares with I. G. in its wide range of interests, and no other single concern contributes so heavily to the war-making power of the state in which it is incorporated. It controls practically two-thirds of Germany's highly developed chemical

industry, with its participation ranging from slight through majority interest to absolute monopoly. Its principal activities are the following:

Chemicals and related lines: Inorganic, organic, and intermediate organic chemicals; coal tar, mineral, and bacteriological dyes; nitrates and nitrogenous fertilizer; solvents and emollients; adhesives and glue; synthetic perfumes and oil extracts; chrome and synthetic tanning agents.

Gases: Compressed and rare gases; poison gas; smoke-screen gas.

Explosives, powder, and fuzes.

Photographic materials: Chemicals and fixatives, film ("Agfa"), and paper.

Pharmaceuticals: Sera and vaccines; veterinary products.

Artificial fibers and plastics: Continuous-filament rayon and rayon staple (Zellwolle); polyvinyl chloride fibers; viscose sponges; artificial sausage casings; cellophane.

Light and heavy metals and their alloys.

"Autarchic" lines of manufacture for increasing Germany's independence of foreign raw material sources: Synthetic rubber, motor fuels, lubricants, technical fats, plastics, lacquers, and metal alloys.

Brown coal, bituminous coal, iron, and steel.

The two aluminum plants, together with the magnesium plant at Bitterfeld, comprise but a small part of all the I. G. works in this locality. I. G.'s light-metals production has been concentrated here since 1917, when the Chemische Fabrik Griesheim Elektron brought its participation in three aluminum plants and its magnesium patents into the Interessengemeinschaft der Deutschen Teerfabriken. The original participants in this combine were six chemical and dye producers, who have since been joined by many others. Public announcement of the combine was delayed until 1925, when it became known as the Interessengemeinschaft Farbenindustrie A. G.

I. G. owns 50 percent of the capital of the Aluminiumwerk G. m. b. H., which operates the aluminum plants at Bitterfeld and Aken and itself produces magnesium. It has never produced alumina but has instead purchased its requirements from Gebr. Giulini and Aluminium-Industrie A. G. (AIAG). It has been said that these firms, by keeping the price of alumina sufficiently low, prevented I. G. from entering the extraction field.

Like other German stock corporations and the other light metal producers discussed below, I. G. has an Aufsichtsrat (supervisory board or board of directors) and a Vorstand (board of managers). The Aufsichtsrat is elected by the stockholders, its members usually being the holders of the largest blocks of stock or their representatives. The Aufsichtsrat selects the board of managers, who in the past were often technical employees who had worked their way up through the company. Both the Vorstand and Aufsichtsrat are concerned with policy making and general administrative matters. The full responsibility for all ordinary operations is borne by the Geschäftsführer (business manager or managers of the plant), who ask for authorization from the Vorstand or Aufsichtsrat only in the case of unusual expenditures and matters involving long-term policy.

I. G. FARBENINDUSTRIE A. G.

(Grüneburgplatz, Frankfurt-am-Main)

Vorstand, 1940:

Hermann Schmitz.
Fritz Gajewski.
Heinrich Horlein.
August von Knieriem.
Fritz ter Meer.
Christian Schneider.
Georg von Schnitzler.
Otto Ambros.
Max Brüggemann.
Ernst Bürgin.
Heinrich Bütetfisch.
Bernhard Buhl.
Max Ilgner.

Paul Haefliger.
Constantin Jacobi.
Friedrich Jähne.
Hans Kühne.
Carl Ludwig Lautenschläger.
Wilhelm Rudolf Mann.
Heinrich Oster.
Wilhem Otto.
Hermann Waibel.
Hans Walther.
Otto Scharf.
Eduard Weber-Andrae.
Carl Wurster.

Aufsichtsrat, 1940:

Carl Krauch.
Wilhelm Ferdinand Kalle.
Wilhelm Gaus.
Hermann J. Abs.
Axel Aubert.
Richard Bayer.
Waldemar von Böttinger.
Walter von Brüning.
Lothar Brunck.
Carl Ludwig Duisberg.

Karl Krekeler.
Paul Müller.
Karl Pfeiffer.
Gustav Pistor.
Graf Rudiger Schimmelpenninck.
Friedrich Schmidt-Ott.
Leopold von Schrenck-Notzing.
Erwin Selck.
Johannes Hess.
Jakob Hasslacher.

Aluminiumwerk G. m. b. H., Bitterfeld, 1939:

Directors.²⁰

Albert Meyer-Küster.
Heinrich Reuleaux.

Works manager: Richard Schall.

Chief chemist: Dr. Fuldner.

Chemist: Dr. Ing. Eduard Altenburg.

Head of research laboratory: Dr. R. Suchy.

Research staff:

H. Seliger.
Dr. Ing. H. G. Petri.
G. Siebel.
H. Vosskühler.

Manager, light metals department: Dr. A. Beck.

Manager, light metals fabricating department: Dr. Schütz.

Foundry manager: Mr. P. van Spitaler.

Engineer: Dr. E. Ritter.

Aluminiumwerk G. m. b. H., Aken, 1939:

Research staff: W. Mannheim, H. Bothmann.

That I. G.'s operations have expanded during the war is evident from the growth of capitalization and assets:

	1939	1942
Stock capital.....	RM720, 000, 000	RM1, 165, 000, 000
Total assets.....	1, 623, 609, 229	2, 332, 801, 080

Aside from the fabrication which I. G. carries on directly in its own plants, it is believed to control at least two fabricating companies, the Leipziger Leichtmetall Werke A. G. at Rachwitz and Mahle K. G., with plants at Bad Cannstadt, Felsbach, and Berlin. Up to the outbreak of war, the former produced practically all the magnesium sheet manufactured in Germany, and the latter was the only German source for magnesium die castings.

²⁰ See those listed for Metallgesellschaft A. G., below.

METALLGESELLSCHAFT A. G. ("METALL")

Metallgesellschaft, another industrial giant, is the largest nonferrous metal concern in Germany; and, because of its connections in Great Britain and Switzerland, is the world's most powerful single concern in this field. It represents the outgrowth of a metal business founded by Philip Abram Cohn in Frankfurt-am-Main early in the nineteenth or late in the eighteenth century. Early in the 1860's a relative of Cohn's named Moses, founded a metal firm in London under the name of Henry R. Merton & Co., Ltd., which has since worked closely with Metall. Together with Aron Hirsch & Sohn and Beer Sondheim & Co., Metall and Merton controlled before the First World War the zinc and lead industries of the world, with the exception of the United States, and exerted a powerful influence over the world price of copper. Metall's operations now include production and trading in antimony, aluminum, cadmium, copper, lead, tin, zinc, composite metals, and alloys. It has also acquired extensive interests in the chemical field, in oil, and in synthetic rubber.

Metall has a 50-percent interest in Aluminum G. m. b. H. of Bitterfeld and Aken and is the exclusive sales agent for the aluminum produced by this private concern and the Government-owned VAWAG. One of the conditions of sale of Metall's interest in VAWAG to the Government was that it should continue to handle VAWAG's sales.

The officers of the company are as follows:

METALLGESELLSCHAFT A. G.

(Bockenheimer Anlage 45, Frankfurt-am-Main)

Vorstand 1940:

Wilhelm Avieny.
Rudolf Kissel.
Franz Traudes.
Rudolf Euler.
Kurt Heide.
Ludolf Plass.

Deputy members:

Wolf von Eichorn.
Julius Fuchs.
Fritz Hrdina.
Georg Müller.
Friedrich August Oetken.

Aufsichtsrat 1940:

Carl Lüer.
Felix Warlimont.
Hermann J. Abs.
Hans Schneider.
Erich Tgahrt.
Walter Gardner (Amalgamated
Metal Corporation, London).
Franz Koenigs (Amsterdam).

Capt. Oliver Lyttelton (Amalgamated Metal Corporation, London).
Karl Rasche.
Carl Schaefer.
Hermann Schmitz.
Bernhard Unholtz.
Hans Weltzien.
Ludger Westrick.

Geschäftsführer, Aluminiumwerk G. m. b. H.:

Albert Meyer-Küster.
Heinrich Reuleaux.

Richard Schall.

The share capital in 1940 was 42,000,000 reichsmarks, and assets were valued at approximately 150,000,000 reichsmarks. Since then both capital and assets must have greatly increased due to war profits and war booty. The principal shareholders are: I. G. Farben, directly and indirectly through the Deutsche Gold-und Silber Scheideanstalt ("Degussa"), the British Metal Corporation of London, and the Schweizerische Gesellschaft für Metallwerke of Basel. In the last company Metallgesellschaft, in turns, holds shares valued at 25,000,000 Swiss francs.

Of Metall's 50 or more subsidiaries and affiliates, mention is made below only of those trading in the light metals and producing or fabricating light metals alloys.

Aluminium-Verkaufs-Gesellschaft, Berlin. This company is capitalized at 50,000 reichsmarks, of which Metall owns 40 percent and VAWAG, 60 percent. Geschäftsführer are Kurt Beyer, of Berlin, and Julius Fuchs.

Honsel Werke A. G., Meschede. While Metall does not list this company as an affiliate, it is associated with Metall by several experts, one of whom would rate Rautenbach, Schmidt, and Honsel Werke in that order as the most important firms in the casting field.

Norddeutsche Leichtmetall-und Kolbenwerke G. m. b. H., Hamburg and Altona. This firm is capitalized at 500,000 reichsmarks and is wholly owned by Metall. Geschäftsführer are Wilhelm Bröhmer; August Christian, of Heilbronn; Ernst Hofer and Lothar Stahl, both of Altona.

Karl Schmidt G. m. b. H., Neckarsulm and Hamburg. This company, capitalized at 1,000,000 reichsmarks, is owned 100 percent by Metall. The largest pre-war item of its aluminum foundry was rough piston castings which were sent on for further finishing to Mahle K. G. (See under I. G. Farben, above.) Today it is probably the largest producer of corrosion-resistant aluminum castings for the Navy, since it was the only firm to manufacture this item in 1936. Geschäftsführer are Wilhelm Bröhmer; August Christian, of Heilbronn; Otto Schliebner, of Neckarsulm; and Lothar Stahl, of Altona.

Silumin Gesellschaft m. b. H., Frankfurt-a-Main. Metall and VAWAG each own a 50-percent participation in this firm, which is capitalized at 50,000 reichsmarks. Geschäftsführer are Theodor Dirksen and Carl Freiherr von Göler zu Ravensburg.

Vereinigte Deutsche Metallwerke A. G. ("VDM"), Frankfurt-a-Main-Heddernheim, Altona-Bahrenfeld, and Borstel. Metall has the majority holding (50.24 percent) in this company, which is capitalized at 31,000,000 reichsmarks, and Metall board members are prominent on its boards. The plant at Heddernheim is Germany's prime-producer of wrought aluminum, while the plants at Altona and Borstel make aircraft wheels and magnesium castings, respectively.

Vorstand, 1940: Bernhard Unholtz, Franz Horster, Walter Raymond, Rudolf Berg, Hugo Barbeck, Hermann von Forster, Werner Heckmann, Karl Krauskopf, Heinrich Philippi, Erich Plesse, Karl Dornemann, Emil Schulte.

Aufsichtsrat, 1940: Rudolf Kissel, Ludger Westrick, Wilhelm Avieny, Josef Abs, Fritz Eulenstein, Hans Harney, Wilhelm Hedemann, Kurt Heide, Emil Merwitz, Ludolf Plass, Adolf Schaeffer, Walther von Selve, Otto Strack, Franz Traudes, Fritz Werner.

Vereinigte Leichtmetallwerke G. m. b. H., Hannover-Linden, Bonn, and Laatzen. Of this company's share capital of 6,000,000 reichsmarks, Metall owns a minority share (exact amount unknown); and VAWAG, 37.5 percent. Together with Dürener Metallwerke A. G., it produced 80 percent of all the duralumin produced in Germany in 1936. Geschäftsführer are Fritz Liese, of Hannover; Otto Reul-eaux; Josef Schulte and Henrich Procker, deputy, both of Hannover.

VEREINIGTE ALUMINIUM WERKE A. G. ("VAWAG")

In 1943 this concern is believed to have accounted for slightly over 70 percent of the aluminum production of Germany proper and 76 percent of the production of Greater Germany. Since its founding during World War I, its ownership and its properties have gone through many changes, some of which are described in chapter II. Until 1928 its principal shareholders were reported to be the Government, Allgemeine Elektrizitäts Gesellschaft, Siemens, and Gebr. Giulini. Of its present share capital of 40,000,000 reichsmarks, Innwerk A. G., München, owns 17,000 reichsmarks,²¹ and the remaining 39,983,000 reichsmarks are in the hands of the Vereinigte Industrie-Unternehmungen A. G. ("VIAG"). The latter is a Government-owned superholding company which, among its various assets, owns the stock of important holding companies and operating enterprises in banking, electricity, coal mining, munitions and armaments, and metals. The share capital of VIAG (230,000,000 reichsmarks in 1940) is unified, but there is no sort of unified administration exercised over its conglomeration of enterprises.

The members of the supervisory and management boards of Reich-owned companies are appointed. In the past, they were often civil servants who represented the public treasury or state financial institutions and performed their board duties without relinquishing their regular positions in the Government. Under the Nazis, the board members represent that community of interests between Wehrmacht, Party, and big business which is so unique a characteristic of the Third Reich.

VEREINIGTE ALUMINIUM WERKE A. G.

(Friedrichstrasse 169, W8, Berlin)

Vorstand:

Ludger Westrick.
Wilhelm Hübsch.
Wilhelm Fulda.
Friedrich Mette.
Theodor Menzen.
Adolph Pistor.
Heinrich Philippi.
Gustav Römer.
Gerhard Rüter.

Aufsichtsrat:

Ernst Trendelenburg.
Otto Naubahr.
Wilhelm Avieny.
Herman Forkel.
Erich Heller.
Erich Heller.
Arthur Koepchen.
August Menge.
Hans Posse.
Hans von Raumer.
Karl Schirner.
Konrad Sterner.
Franz Urbig.
Max Wessig.

VAWAG's assets today must be much larger than the 1939 figure of 131,190,030 reichsmarks because of the wartime investments made by the company in aluminum and alumina plants in Austria, Hungary, and Yugoslavia. Before the war it had a substantial participation in the Bauxit-Trust A. G. of Zürich, which was capitalized at 11,000,000 Swiss francs; its participation may now have increased as a result of "coordination" of the Hungarian interests originally participating in the Trust. VAWAG once had a large interest in the Società Italiana.

²¹ VIAG, in turn, owns 90 percent of the share capital of Innwerk A. G.

del Alluminio, which it founded in cooperation with Montecatini and licensed to use VAWAG's "Haglund process."

Together with Metallgesellschaft, VAWAG participates in the following light-metals subsidiaries: Aluminium-Verkaufs-Gesellschaft (60 percent); Silumin Gesellschaft m. b. H. (50 percent); Vereinigte Deutsche Metallwerke A. G. (25.09 percent), and Vereinigte Leichtmetallwerke G. m. b. H. (37.5 percent).²²

Rheinische Blattmetall A. G., of Grevenbroich, the home of the Erftwerk, was founded in 1922, and is VAWAG's only wholly owned subsidiary. It is capitalized at 600,000 reichsmarks and in 1939 its executives were as follows:

Vorstand: Wilhelm Gräser; Deputies: Otto Jöckel and Herbert Rubach, the latter of Grevenbroich.

Aufsichtsrat: Ludger Westrick, Adolph Pistor, and Gerhard Rüter.

VAWAG also has a third interest in the Aluminium-Zentrale G. m. b. H. of Berlin, capitalized at 21,000 reichsmarks.

WINTERSHALL A. G.

Even under the Weimar Republic, this combine accounted for about 50 percent of all the potash produced in Germany. Under the Nazis, it strengthened its position by incorporating a competitor, the Burbach combine, and by reaching out into oil production, oil refining, coal and brown-coal mining, and then into the production of synthetic gasoline. Its holdings are so diversified and its financial backing so powerful that it is able to engage in new and untried processes, such as coal hydrogenation, when the risks involved are extremely heavy. Its magnesium production activities represent but a small part of its total operations.

The principal stockholder of the combine is Gewerkschaft Wintershall, which is controlled by the Rosterg family and the Gunther Quandt combine.

WINTERSHALL A. G.

(Hohenzollernstrasse 139, Kassel)

Vorstand 1940:

August Rosterg.
Gustav Römer.
Curt Beil.
Otto Werthmann.

Deputy members:

Heinz Rosterg
Hans Schmalfeld.
Willy Krieger.

Aufsichtsrat 1940:

Heinrich Schmidt I.
Günther Quandt.
Otto Bollman.²³
Carl Brüggemann.
Arnold Cremer.
Max Esser.
Ernest Hagemeier.²³

Carl Harter.

Gustav Hilgenberg.

Max Koswig.

Maria Marckhoff.²³

Deputy members:

Carl Moskopp.
Karl Müller.
August Peters.
Clemens Plassman.
Herbert Quandt.
Hugo Ratzmann.
Oswald Rösler.²³
Wilhelm Schmidt.
Theodor Seifer.
August Strube.
Wilhelm von Waldthausen.

²² Details of these subsidiaries are given above, under "Metallgesellschaft."

²³ Reported to have been dropped from the board of directors in accordance with a wartime decree limiting the size of such boards.

Wintershall has probably profited from the war to a greater degree than is evident from available statistics.

	1939	1942
Stock capital	RM 125,000,000	RM 150,000,000
Total assets	RM 297,915,516	.....

The combine appears to have no fabricating subsidiaries but instead engages directly in the production of light-metals alloys and fabricated shapes. The presence of members of the Quandt family on the boards of both Wintershall and Dürener Metallwerke A. G. (see below) may indicate an association between the two which does not appear on corporate balance sheets.

OTHER FABRICATING COMPANIES

Four important fabricating companies, having no apparent connection with the light-metals producers, turn out light-metals alloys and various fabricated shapes.

Dürener Metallwerke A. G., Berlin-Borsigwalde: This is an old firm, founded in 1900. It is capitalized at 4,000,000 reichsmarks, 53 percent of which is owned by the Deutsche Waffen-und Munitionsfabriken A. G. of Berlin. The latter, in turn, is controlled by the Quandt combine, Gunthur Quandt being called the "munitions king." In 1940 the officers of Dürener were as follows:

Vorstand: Karl Hermann Werning, of Berlin; Heinz Mossdorf; Matthias Wilhelm Nollen.

Aufsichtsrat: Gunther Quandt; Paul Rhode; Paul Hamel; Heinrich Koppenberg; Emil Georg von Stauss; Herbert Quandt.

Felten & Guillaume Carlswerk A. G., Köln-Mülheim: This is a wire and cable concern which has widened its sphere of production into several neighboring fields of light-metals work. It is capitalized at 64,500,000 reichsmarks, the majority shareholder being the Arbed-Konzern (steel and iron) of Luxembourg. It is more closely associated with steel and electrical concerns than with light-metals producers. The chairman of its Aufsichtsrat is Kurt Freiherr von Schröder, one of the most powerful figures in Nazi financial and industrial circles.

Rudolf Rautenbach Leichtmetallgiesserei G. m. b. H., Solingen and Wernigerode: Little information is available about this company which before the war turned out one-fourth of the light alloy castings produced in Germany. The plant at Wernigerode was built in 1934 with Government money, primarily for the production of aircraft-engine castings. It supplies the Junkers plants which also purchase from Vereinigte Deutsche Metallwerke A. G.

Südmittel A. G. (vorm. Süddeutsche Metallwarenfabrik K. G.), Mussbach: This is one of the oldest aluminum-working firms in Germany, having been in operation since 1888. For many years it specialized in the manufacture of kitchen and table utensils, although its normal capacity of 500 tons a year was converted to production for army use during the First World War. The son of the founder was squeezed out after 1933, and the majority stockholder now is the

Week Konzern. Südmetall is capitalized at 1,200,000 reichsmarks. Its directors are as follows:

Vorstand: Adolf Josen, August Weis.

Aufsichtsrat: Senator Paul Rott, Ed. Pape, Eugen Graf von Quadt zu Mykradt und isny, Dr. Maria Plum.

INTERNATIONAL ORGANIZATION OF THE LIGHT METALS INDUSTRY

THE INTERNATIONAL ALUMINUM CARTEL

Early agreements.—As is the case with every commodity produced by a patented process, the rights to which are rigidly held by an entity having full appreciation of their value, aluminum lent itself to restriction of production by international agreement and licensing. In the early days of the industry, every producer in Europe outside of France was beholden to the Aluminium-Industrie A. G. Neuhausen ("AIAG") as licensor of the Heroult patents. The French producers, later organized into Cie. de Produits Chimiques et Electrometallurgiques Alais Froges et Camargue ("AFC"), used the old Deville process until they were licensed in the 1890's to use the Hall patents by the Pittsburgh Reduction Co. In 1896 the latter made an agreement with AIAG which set the pattern for every subsequent aluminum cartel.

The first actual cartel was formed in 1901 and, after renewal in 1905, lasted until 1908 when the rapid growth of independent companies, notably in France, no longer permitted binding cartel restrictions. The Aluminum Co. of America ("Alcoa"), successor to the Pittsburgh Reduction Co., was not a signatory, but organized, 2 days prior to the signing, the wholly owned Northern Aluminum Co., which was a signatory. The agreement reserved to the several members their respective markets, which were called "closed." The United States market was closed to European producers (nominally it was reserved to Northern), and the rest of the world, which then included Germany, was an "open" market in which sales had to be made at prices fixed by agreement. After the dissolution of this first cartel, AIAG and Northern agreed to reserve to themselves their respective home markets and share other markets on a stipulated basis. Because of its limited domestic market, AIAG at this time dominated the European export trade although its metal production was less than that of the French group.

The second international cartel (1912-15) followed the general pattern of the first with the added feature that members were prohibited from dealing with nonmembers. Gebr. Giulini was not a signatory. The agreement was suspended on January 23, 1915.

After the First World War ended, the cartel was not immediately revived. A new factor, however, had entered the picture: Germany had become a major European producer. Gentlemen's agreements between the European producers, negotiated in 1923 and renewed in 1926 and 1928, provided for (1) control of sales of members on the basis of quota allocations; (2) application of these quotas to domestic and export sales; (3) application of quotas both to ingot and alloy production; (4) quarterly accounting; and (5) fixing of a standard price.

Alliance Aluminum Compagnie ("AAC")¹: Under this name, the third and still current cartel was incorporated in Basel, Switzerland, in October 1941, with a capital of 35,000,000 Swiss francs. One thousand four hundred class A shares were issued and subscribed to by members on the basis of 1 share for each 100 metric tons of annual capacity; 1,200 additional shares were authorized for distribution to new members or old members if additional productive capacity was approved by the cartel. The share capital is distributed as follows:

	Percent	Shares
British Aluminum Co., Ltd.	15	210
Aluminum Ltd., Toronto	28.57	400
Aluminium Francais	21.36	299
Vereinigte Aluminium Werke A. G.	19.64	275
Aluminiumwerk G. m. b. H., Bitterfeld		
Aluminium-Industrie A. G. Chippis	15.43	214
Total	100.00	1,409

¹ On May 31, 1928, Alcoa caused the founding in Canada of Aluminum, Ltd. ("Alted") and transferred thereto all of Alcoa's foreign properties except its interests in 4 companies and certain mining rights. Alcoa then distributed pro rata to its stockholders the 490,875 shares of Alted stock in its treasury. Alted did not act as an independent until 3 years later, after the stockholder list of both corporations had undergone inconsequential revision by time and events. Alted is thus considered in the public mind as the alter ego of Alcoa, although its separate identity has been established by court decision. While Alcoa is not a member of Alliance, possibly because of the restrictions of the Webb-Pomerene Act, it is not unreasonable to assume that Alliance was greatly influenced by Alcoa at least until war broke out in 1939.

² Joint sales agent of AFC and Ugine.

³ AIAG's interest is not held directly, but is exercised through its holding company, Aluminum Werke A. G. of Schaffhausen, which it controls as to 80 percent.

Alliance is administered by a board of directors and a board of governors. The function of the first, as stated by the cartel, is to formulate resolutions and bylaws for submission to the general assembly; to determine capital changes and financial policy; to consider such corporate problems as it deems important; and to approve or disapprove the decisions of the board of governors. The duties of the latter are those delegated to it by the board of directors. It will be noticed, however, that the majority of the members of the board of directors are Swiss nationals, as required by Swiss law, while members of the board of governors are powerful figures in the companies they represent. It is likely that events have forced the board of directors to take leadership of the cartel in the present conflict in areas apparently reserved formerly to the board of governors.

ALLIANCE ALUMINIUM COMPAGNIE (BASEL, SWITZERLAND)

BOARD OF DIRECTORS, 1939¹

Office	Name	Business connection
Chairman	Louis Marlio	Managing director, Alais Froges et Camargue (now in the United States).
Vice chairman	Dr. Rudolf Bindscheder	Managing director, Schweizerische Kreditanstalt, Zurich.
Do	Robert W. Cooper	Chairman of board, British Aluminum Co., Ltd.
Member	Arnold Bloch	Board member, Aluminium-Industrie A. G.
Do	Andre Henry-Couannier (French subject).	Vice chairman of board, Aluminium, Ltd.
Do	Dr. Maurice Lugeon (eminent mineralogist).	Professor, University of Lausanne.
Do	Karl Schlirner	Board member, Vereinigte Aluminium Werke A. G.
Do	Dr. Max Staehelin	Chairman of board, Schweiz Bankverein.
Do	Gerhard Steck	Board member, Aluminium-Industrie A. G.
Do	H. Haeblerlin	Former Swiss Federal Councillor.

¹ Source: Confidential memorandum from the United States Embassy in London.

² The influence of the German group in AAC upon the shaping of cartel policy has been of sufficient importance, it is felt to warrant considerable discussion of the cartel in this report. For the same reason, the role of the cartel will necessarily be a matter for consideration by the United Nations authority empowered to deal with the German aluminum industry.

ALLIANCE ALUMINIUM COMPAGNIE (BASEL SWITZERLAND)—Continued
BOARD OF GOVERNORS¹

Name	Concern represented	Term
Mr. Marlio.....	L'Aluminium Français.....	Oct. 21, 1931-present.
Mr. Bouchayer.....	do.....	Do.
Mr. Vanderporten.....	Vereinigte Aluminium Werke A. G.....	Oct. 21, 1931-Sept. 18, 1933.
Mr. Schrauer.....	do.....	Sept. 18, 1933-present.
Mr. Rauch.....	do.....	Oct. 21, 1931-Aug. 25, 1933.
Mr. Westrick.....	do.....	Aug. 25, 1933-present.
Mr. A. Merton ²	Aluminiumwerk, G. m. b. H.....	Oct. 21, 1931-May 26, 1936.
Mr. R. Merton ³	do.....	May 26, 1936-present.
Mr. Bloch.....	Aluminium-Industrie A. G.....	Oct. 21, 1931-present.
Mr. Cooper.....	British Aluminium Co., Ltd.....	Do.
Mr. Morrison.....	do.....	Do.
Mr. E. K. Davis ⁴	Aluminium Ltd.....	Do.
Mr. Henry Conannier.....	do.....	Do.
Mr. Braasch ⁵	do.....	Do.

MANAGEMENT

Mr. Ludwig Braasch ⁶	Resident managing officer, Basel.....	Oct. 21, 1931-present.
Mr. George Hodson ⁶	Resident assistant manager, Basel.....	Do.

¹ Source: U. S. Circuit Court of Appeals, Second Circuit, *United States of America v. Aluminum Company of America* (vol. 3, pp. 933-936). Date of list is not available.

² Of the British affiliate of Metallgesellschaft A. G.

³ President of Alted and brother of A. V. Davis, president of Alcoa.

⁴ Long-time employees of Alted, Braasch and Hodson constituted, at least until 1939, the entire executive staff of Alliance. It has been reported that in 1939 Braasch and Hodson were instructed to continue to deal, as managers of Alliance, with the enemy countries, i. e., with the Germans.

The tonnage production quota of each national group was 100 times the number of shares held, i. e., British, 21,000 tons; Canadian, 40,000 tons; French, 29,900 tons; German, 27,500 tons; and Swiss, 21,600 tons.²⁵ The only national production which remained outside the cartel quotas was that of the United States, the Union of Soviet Socialist Republics, and Japan.²⁶ Norwegian production came within the quotas of the national groups which owned most of the Norwegian facilities, and part of Italy's production was contained in the quota assigned to the Swiss group. Production in excess of quota was subject to forfeiture without compensation to Alliance. The quotas were policed by the international accounting firm of Price, Waterhouse & Co., whose representatives were permitted to enter all the plants of cartel members to check on actual production.

Besides restricting production, AAC fixed from time to time a minimum price below which members were not supposed to sell ingot or fabricated aluminum. These prices were maintained by the following device. AAC was constituted as a dealer in aluminum metal with transactions limited solely to cartel members. At the outset, AAC removed from the market, by purchase at £55 per ton, all accumulated stocks of members in excess of 40 tons per Alliance share. Periodically thereafter AAC was authorized to fix an official "buying price," at which members were entitled to transfer to Alliance whatever part of their production, within current quota limits, they had been unable to market at a higher price. There was thus no incentive for members to sell in the open market at less than the current AAC "buying price."

²⁵ The Swiss appear to have been dissatisfied with their quota.

²⁶ Japanese production was negligible in 1931, when the cartel was formed.

The foundation agreement setting up AAC did not make the specific distinction between home markets and foreign markets which had characterized earlier agreements. Prices everywhere were to be uniformly regulated by Alliance. Also unlike some previous agreements, the United States market was not expressly excepted but members of the cartel appear to have observed an unwritten agreement to keep out.

Gebr. Giulini, who was not a signatory of earlier agreements, was brought under cartel control by a contract executed in February 1934. In return for an AAC undertaking that its members would purchase 12 percent of their alumina requirements from Giulini, the latter undertook (1) not to furnish technical assistance to any noncartel member engaging in the production of alumina and aluminum; (2) not to supply alumina to Giulini affiliates beyond stipulated limits; and (3) not to sell alumina to any producer not affiliated with the cartel without AAC's consent. In addition, Giulini agreed to observe minimum selling prices fixed by AAC. Three months later, the German group, consisting of VAWAG and Aluminiumwerk, assumed all obligations contracted by AAC with Giulini. All of the alumina capacity of Giulini thus became available, with cartel consent, to satisfy the requirements of Germany's reduction plants, then being rapidly increased in size under the military program of the Hitler government.

When this new reduction capacity came into operation, the German group sought quota concessions from the cartel, instead of resigning their membership and producing unrestrictedly. It was to their interest to have production quotas remain in effect in those countries which were prospective victims or potential opponents. The other national groups in Alliance eventually gave in to German demands in consideration of VAWAG's undertaking that none of its enlarged output would be exported. This was hardly a quid pro quo inasmuch as German military preparations were consuming so much aluminum that civilian consumption was being restricted.

Effective as of January 1, 1936, a new cartel agreement replaced the foundation agreement of 1931. Whereas production in excess of quota had previously been subject to forfeiture, a graduated royalty tax payable to AAC was now imposed on members who produced in excess of the running rate approved by AAC, and a graduated tax was imposed on accumulated stocks. However, the ensuing worldwide boom in the armament industry made minimum price conventions superfluous, and the insistent demands of governments for expansion of aluminum supplies and productive capacity made impolitic continued restrictions on output on an international scale. Since 1938, therefore, the essential functions of AAC have been in abeyance.

With the fall of France in 1940, the German and German-dominated groups in the Alliance controlled 574 shares to 610 controlled by the British and Canadian groups. AIAG, itself controlled by the cartel participants, was left with the balance of power. In 1941 the Alliance had gold to the value of \$1,120,000 on deposit in the Royal Bank of Canada, and assets valued at 7,000,000 Swiss francs in the United States. In May the directors, with the exception of the Canadian representative, voted to transfer immediately to Switzerland 2,000,000 of the assets on deposit in the United States.

(Hitherto the AIAG shares had voted with the British and Canadian against transfer proposals made by the Germans.)²⁷ As a result, the credits of the Alliance were blocked in the United States although not until after the transfer had taken place, Alliance was placed on the Statutory List, and AIAG was temporarily blacklisted. A recent statement of the cartel is given in Table 21.

CONTROL OF WORLD MAGNESIUM PRODUCTION BY I. G. FARBENINDUSTRIE

Since I. G. Farben controlled the most important patents for the production and fabrication of magnesium, there was no need for an international cartel. I. G. alone dominated the field, accounting for about 68 percent of world production, and 90 percent of Germany's. Every country in the world, with the exception of the United States, was dependent upon I. G. for its major requirements of magnesium until 1936, when I. G. began to license national producers to use I. G. patents. It is believed that there was an understanding between I. G. and these producers by which tonnage quotas were assigned somewhat as they were assigned for aluminum production among the members of AAC. The agreement between I. G. and Alcoa in 1931, relative to magnesium production in the United States, contained the condition that I. G. retained sole and exclusive right to limit the quantity of magnesium produced under the agreement.²⁸

The price level of magnesium was maintained in the European market by controlling production and the market for magnesium scrap. All foundries licensed to cast magnesium alloy were obligated to return to I. G. Farbenindustrie all scrap metal they could not utilize, and not to buy scrap metal from any other source but to forward the offers to I. G.

²⁷ Dr. Staehelin, representing the British Aluminum Co., Ltd., said that he voted for the transfer in order to prevent the Germans from transferring the whole amount.

²⁸ The text of the agreement is given in Hearings Before the Committee on Patents, U. S. Senate, 77th Cong., Pt. 2, pp. 1036-1052. Testimony as to magnesium transactions between Alcoa and the Dow Chemical Co. is given on pp. 933-1112, *passim*.

THE BELGIAN ECONOMY AND ITS CONTRIBUTIONS TO ENEMY EUROPE

MANPOWER

In Belgium, as in other occupied countries, the aim of German economic policy has been to exploit all available productive forces in the interest of the German war economy. In order to maintain and extend war production, Germany required ever-increasing supplies of labor and raw materials. A very valuable—if not the most valuable—productive factor that Belgium could supply was labor.

BEFORE THE WAR

According to the census of 1930, the total population of Belgium was 8,092,004 (4,007,418 males and 4,084,586 females), of whom 3,750,285 (46.35 percent) were gainfully employed.¹ The distribution by economic status or by occupational groups is shown in table 1.

TABLE 1.—Belgium: Distribution by occupations of gainfully employed, 1930

Occupation	Males	Females	Total	Percent
Agriculture and forestry.....	494,507	140,525	635,032	16.9
Fishing.....	2,565	7	2,572	.1
Industry.....	1,210,390	359,518	1,570,108	41.9
Mines and quarries.....	215,299	6,393	221,692	5.9
Transport and communications.....	244,292	11,813	256,105	6.8
Commerce, banking, insurance (including hotels).....	315,299	228,458	543,757	14.5
Liberal professions.....	73,698	66,638	140,336	3.7
Public administration.....	143,084	25,577	168,661	4.5
Domestic and personal services.....	38,021	145,775	183,796	4.9
Other and unspecified occupations.....	20,600	7,626	28,226	.8
Total.....	2,757,955	992,330	3,750,285	100.0

Source: *Annuaire Statistique de la Belgique et du Congo Belge, 1938.*

It is apparent from the table that reserves of industrial labor were relatively large in Belgium. Of the total gainfully employed, 2,047,905 persons (54.6 percent) were normally engaged in industry, mining, and transportation. Metal workers constituted the largest single industrial labor group (343,905), followed by textile workers (269,286), construction workers (230,122), clothing industry (157,634), wood and furniture (152,210), food (113,593), leather (63,022), chemicals (60,713), and glass (31,317). All other industrial workers totaled 148,306. Immediately before the invasion, about 160,000 unemployed were registered.

¹ Belgium is the most densely populated country on the European Continent. At the end of 1939 the population was 8,396,000 in an area of 11,778 square miles. After the invasion in May 1940, Germany annexed the cantons of Eupen, Malmédy, and St. Vith, which had some 70,000 inhabitants. The population figures were also affected by the displacement and deportation of a substantial number of persons. By the end of 1942, as a result of these changes, the total population was about 8,230,000.

Before the war, Belgian labor enjoyed an advanced policy of social security, state protection, and labor organization. Of the 3,750,285 workers of both sexes employed in 1930, about 900,000 were members of Socialist, Christian, or Liberal Syndicates. Although labor matters were under the control of the Ministry of Labor and Social Welfare, collective bargaining, wages and hours legislation, unemployment insurance, and mutual aid societies were the focal points of the activities of the trade unions. Prior to the invasion, the 8-hour day and 48-hour week were guaranteed by law for most industries, but wages were low in comparison with those of Great Britain, Sweden, Germany, and particularly the United States.

AFTER THE GERMAN OCCUPATION

After the invasion the various Belgian trade unions were dissolved, and a Belgian collaborationist, Henri de Man, organized, under the supervision of the Germans, a single, official labor union called Union des Travailleurs Manuels et Intellectuels (U. T. M. I.). It is reported that about 200,000 workers joined the new organization.

May 1940 to March 1942: "Voluntary" recruitment.—At first, the Germans used indirect methods of pressing Belgian workers into production for German benefit. Unemployed persons² were deprived of relief benefits, industrial production was curtailed and appeals were made to register voluntarily for work in Germany, where labor conditions were represented as excellent and wages as attractive. As a consequence, weekly convoys of 1,500 to 2,000 workers were organized and sent to the Reich. The weekly average later fell to 500 or 600 as a result of unfavorable reports regarding food, earnings, and treatment in Germany. In December 1940 the recruitment was even stopped completely for a while. Nevertheless, by the end of 1940, 70,000 Belgians were reported to be working in Germany. On April 1, 1941, their number had increased to 87,000. By the end of September 1941 (3 months after the invasion of Russia), 121,500 Belgian workers were employed in the Reich. A substantial rise came in the beginning of 1942, and in March of that year the Germans announced that 250,000 Belgian civilians were working in Germany.

The method of "voluntary" recruitment, however, was unsatisfactory to the Germans. Therefore, they decided to tighten their control over Belgian labor. The transfer of workers to Germany remained the most important factor in this policy.

March 1942: Ordinance on "procurement of labor."—The first step in the German program was the publication on March 6, 1942, by the military commander for Belgium and northern France, of an ordinance on "The procurement of labor necessary for works of special importance." For all practical purposes this ordinance introduced compulsory labor service over and above the needs of the authorities of occupation, and was designed to organize Belgian manpower within the framework of a general economic plan. The principal points of this decree were: (1) The inhabitants of Belgium were compelled to execute certain kinds of work within the territory of the military commander; (2) private and public enterprises and

² In June 1940 it was reported that about 600,000 workers were unemployed, of whom 160,000 were already registered. About 440,000 refugees who returned to Belgium after capitulation made up the total.

administrations were ordered to surrender a portion of their personnel for the purpose of this ordinance; (3) when persons were called for compulsory labor service their previous contract of employment was ended; (4) employment could not be ended without previous authorization; (5) an authorization was required for the placement of workers; (6) the execution of this ordinance was placed in the hands of the German military authorities and the Offices de Travail (Belgian Labor Offices), thus forcing the Belgian Labor Offices to cooperate with the German authorities. Later, various public notices and decrees supplemented the general terms of the ordinance. These obliged the chiefs of private enterprises to send to the Labor Office a list of their employees, enforced reduction and concentration of industrial activity, ordered selection of workers for compulsory labor service, etc.

The Germans made a point of calming the fears and anxiety aroused by this ordinance by making certain promises and by stressing that the measures decreed would not affect the system of voluntary recruitment for work in Germany. The promises were not kept.

October 1942: Compulsory labor service.—In October 1942, the military commander for Belgium and Northern France issued a new decree supplementing the ordinance of March 6, 1942, whereby the German military administration was given new and broader powers for conscription of workers for service in Germany. At that time the reserves of Belgian skilled labor were already almost exhausted and conscription for work abroad was meeting with increasing difficulties.

Under this new order a minimum working period of 8 hours a day and 48 hours a week was introduced, and all male Belgians between the ages of 18 and 50, inclusive, and all unmarried women between the ages of 21 and 35, inclusive, were liable for conscription for work either in Belgium or in German-dominated territories. The order also outlines further measures for the nationalization of industry and government services, and stipulated that labor books would be introduced in order to ensure a more "equitable" distribution of the country's labor resources. Part-time and independent workers were required to report to the labor offices.

The new decree modified to a great extent the ordinance of March 6, 1942, because it applied to employment of all kinds and consequently placed the entire activity of the Belgian Labor Offices under the orders of the Feldkommendaturen and Oberfeldkommendaturen. The decree provoked fresh tension in Belgium. Belgian labor authorities made vigorous protests, and some of the top officials resigned. Numerous strikes broke out, especially in the coal and metal industries in the Liege and Hainaut districts, and sabotage was intensified. On December 10, 1942, the military administration, in the face of increasing difficulties, issued a new ordinance regarding "the protection of labor peace," which introduced severe punishments, including the death penalty. This ordinance applied not only to the working class but to all professions and to the holders of public office, such as those in the administrative and judicial fields.

The objectives of the various German ordinances were clear: (1) the Germans were anxious to remove as many Belgians as possible, especially young men; (2) they desired to break the resistance of the workers by taking them from their homes and by putting them under the strict military discipline of the authorities of occupation, an action

that was possible because Belgium is subject to military as opposed to civil administration; (3) they hoped to ruin Belgium's economy by stripping it of its last remaining asset, manpower. These objectives dictated the course that was pursued.

Allocation of labor.—After the publication of the compulsory labor law of October 1942, the allocation of Belgian labor for work abroad was begun. In January 1943 Belgians already employed in France numbered 35,000. As of the same date about 300,000 Belgian civilians were working in Germany.

As far as allocation of labor within Belgium is concerned, the Germans tried to adhere as far as possible to the following priorities: (1) fortifications, (2) coal mines, (3) armament factories and other establishments producing war materials, (4) transportation, (5) agriculture, and (6) all other activities.

In view of the great importance of coal mining for the Reich's war industry, the Germans have been pursuing an active policy of recruitment for such work. Prisoners of war from the East are sent to the Belgian coal mining districts. According to a Belgian source, the Germans have also decided to stop the deportation of Belgian coal miners to the Reich. This exemption, however, does not extend to surface workers between the ages of 18 and 30 who are not indispensable for special jobs or particularly hard work. Instead of being deported they will have to work under ground.

Methods of recruitment for Germany.—Since October 1942, the utilization of Belgian labor for work both inside and outside Belgium has been systematically proceeding on a more intensive scale than in any other western European country. Methods of mobilization, in fact, differ little from those employed in the eastern European territories under German control. Each town or rural district must supply its quota of workers, and frequently persons are mobilized indiscriminately, regardless of their qualifications. Officially, the recruiting centers in Belgium are the German Werbestellen and the Belgian Labor Office. The latter, however, generally sends all persons seeking employment to the Werbestellen. Moreover, the Germans themselves regularly inspect Belgian factories—a great number of which have been closed—and select the workers they want sent to the Reich.

In general, nearly all Belgian factories have been compelled to release from 10 to 25 percent—and in many instances as many as 50 percent—of their employees for work in Germany. This has meant that Belgian industry has had to engage old and unskilled workers, whereas the young and more productive men have been deported. A number of these workers, especially those from the Liege and Hainaut areas, are sent to the Junkers school at Herstal or to other readaptation centers in Belgium and, after a short period of apprenticeship, are transferred to Germany.

Exemptions from deportation are few. It is reported that in agriculture, for example, only those who work on their own farms during the crop season are not compelled to go to the Reich. Certain categories of workmen employed in the food producing industry may also be exempt. Some family reasons are also taken into account for those wishing to avoid compulsory labor service. Persons born in 1922, 1923, and 1924, however, are obliged to go to Germany.

Those who try to escape from forced labor and deportation to Germany are deprived of their ration cards and threatened with

reprisals against their families. In addition, large scale round-ups are organized by the German military police. Belgian patriots are attempting to frustrate the labor mobilization either by raiding the labor offices and stealing the lists of names or by hiding workers and those who return illegally from the Reich. In general, however, these efforts have not prevented the Germans from successfully continuing labor conscription.

Salaries paid in Germany.—The salaries which Belgian workers in Germany receive vary from 0.65 to one Reichsmark per hour according to qualifications, plus a separation indemnity for the married. Allowances are given to the families of workers in Germany. The amounts are deducted from the wages. Recently, subsidiary grants have been introduced which need not be repaid. The amount of the grants is reported to be 300 francs per month for a wife and 100 francs for each child. Belgian workers in Germany are also allowed to transfer their wages to Belgium through the clearing system. Maintenance and housing allowances amount to about 18 Reichsmarks per week. The salaries actually paid, however, are much lower; deductions are sometimes as high as 25 percent of the gross income, and are not mentioned by the Werbestellen at the time of recruitment. On the other hand, workers are often out of work in Germany, and consequently receive reduced wages.

Number of Belgians in Germany.—By April 1, 1943, it was reported that Belgian civilian workers, both volunteers and draftees, in Germany totaled about 430,000, consisting chiefly of engineering, metal, transport, textile and clothing workers, and miners who were deported in 1942. This total did not include students, several thousand girls and women working as nurses and administrative assistants, Flemings enlisted in the various auxiliary services in the Wehrmacht, or members of the Walloon Legion on the eastern front. An official German report published in May 1943, stated that the number of Belgian civilians working in Germany was 472,590. In addition, 86,800 Belgians consisting entirely of Walloons (the Flemish prisoners were released in 1941 as a political gesture) were held in Germany as prisoners of war. Since the beginning of April, however, large new contingents of workers have been sent to Germany. Adding to these, some 20,000 prisoners of war who are being transferred to the status of civilian workmen in Germany, plus a number of agricultural laborers who were deported to Germany because they were not fully employed on their own farms at home, it is estimated that by the end of October 1943, the number of Belgians living and working in Germany amounted to approximately 550,000, while about 40,000 Belgians were employed in France on fortifications, and about 20,000 in other German-dominated countries.

Workers in Belgium on German account.—In Belgium itself the entire economic life, including industry, agriculture, and commerce, has been affected by the various German ordinances regarding utilization of labor. All hoarding of labor is forbidden. Concentration of Belgian industry has been followed by a drastic comb-out in order that the workers recruited from the metallurgical industry for work in Germany may be replaced, and that larger numbers may be made available for coal mining and for factories engaged in war production.

This change of employment has caused much hardship to the members of the professions who have been transferred to industry in Belgium and Germany. Besides the question of general adaptation to the new occupation, there are other problems concerning wages, pensions, clothing, food, etc.

The textile industry has suffered the greatest curtailment and has lost approximately 65 percent of its workers. About 30 percent of the workers of the food industry, and a large number of trade, insurance, and banking employees have been drafted for compulsory labor service. Moreover, all replaceable men aged 21 to 25 are being removed from agriculture. According to a decree of March 1943, all male and female students of the Belgian universities have been ordered to do 6 months' manual work either in Belgium or in Germany. It is also reported that a number of Flemish boys between 14 and 16 years of age will be trained for 2 years under German instruction and supervision in Belgium and will then be sent to work in factories in the Reich.

All in all, it is estimated that at the present approximately 1,825,000 persons are working for German account in Belgium. This number is over 60 percent of the 3,000,000 gainfully employed still living in the country, a figure that takes into account displaced persons, i. e., workers in Germany, France, and other countries, war prisoners and civilian deportees, and other war fugitives.

The living conditions of Belgian workers in Belgium are difficult. Wages have been increased by only eight percent since May 1940, whereas prices of the principal foods have increased out of all proportion. For example, certain prices have increased as follows: Bread, 40 percent; potatoes, 90 percent; milk, 57 percent; meat, 75 to 116 percent; butter, 87 percent; margarine, 188 percent; eggs, 150 percent; and sugar, 94 percent. When food is available, the workers, of course, enjoy better food allocation than other consumers under the present rationing system, but the country in general has had to face one of the poorest food situations on the continent.

Belgium's manpower contribution to enemy Europe.—Various reports have stated that the Germans were seeking about 700,000 to 800,000 Belgians for work in the Reich. So far, the Nazis have succeeded in satisfying their demand by 80 percent (see table 2), and it can be reasonably assumed that the Germans will reach their goal by the end of 1943 or in the first months of 1944.

The Germans have recently asked for 150,000 more workers for Germany. Consequently, persons born in 1920 and 1921 are to be mobilized in order to supply these 150,000 workers.

TABLE 2.—*Belgium: Manpower contribution to enemy Europe*

Workers in Germany:	
Employed prisoners of war.....	20, 000
Civilian workers.....	530, 000
Prisoners of war.....	66, 800
Total.....	616, 800
Workers abroad (but not in Germany):	
Civilian workers in France.....	40, 000
Other countries (excluding Holland).....	20, 000
Total.....	60, 000

TABLE 2.—*Belgium: Manpower contribution to enemy Europe—Continued*

On German account at home:	
In agriculture	300, 000
In industry, transport	1, 500, 000
Todt organization (coastal defenses)	25, 000
Total	1, 825, 000
Grand total	2, 501, 800

Source: Confidential.

AFTER THE GERMAN INVASION

The coal mines were the first Belgian industry to resume work after the German occupation.

Average monthly production of coal in Belgium before the war was about 2,500,000 metric tons. By April 1940 (1 month before the invasion) output had reached almost 3,000,000 tons. After a drastic reduction during the period May to September 1940, production increased again and reached the pre-war level. During 1941, however, production decreased sharply once more, and the maximum monthly output was about 2,060,000 tons. At the same time the number of miners dropped from more than 125,000 to about 120,000.

It was believed at the time that this decrease in production was caused by the departure of Belgium and foreign workers to the mines of the Ruhr, by the departure of miners to other industries, and by a decrease in the output per miner because of malnutrition and other factors. In an effort to make the work more attractive, the Germans enacted a series of exceptional measures in favor of the miners, including the granting of supplementary rations of food, an increase in salaries, and the creation of a variety of other premiums. Moreover, other industries were prohibited from enticing the miners away, and an equalization office was created to assist coal mines in financial difficulties.³ These measures, however, have not produced the hoped-for results, and sabotage and slow-downs have aggravated the situation. In 1942, the Nazis decided to introduce additional regulations in order to increase production. Some of the measures were (1) introduction of "dominal" work (2 Sundays out of 4); (2) transfer of surface workers below 30 years of age to underground work; (3) importation of Ukrainian miners; (4) use of eastern European prisoners of war in the coal mines; (5) exemption of miners from deportation to Germany; and (6) obligatory or persuasive transfer of miners from some districts of the southern basin to the rich northern basin which produces an excellent coal, particularly suitable for coking. Recently, a purely Flemish company, Kolendelving, has been organized to promote the coal industry in Flanders, i. e., in the northern basin. Some results were obtained by these measures, and the Belgian mines produced about 25,000,000 tons in 1942. However, in spite of all the efforts of the occupying authorities, the Belgian coal mines are working about 15 to 20 percent below normal capacity, and the actual maximum monthly output is about 2,100,000 metric tons, although the German program calls for a monthly production of 2,300,000

³ Since April 1943, new regulations have been in force regarding the coal market. All producers of coal and briquettes continue to belong to the Comptoir Belge des Charbons (Cobechar). The Cobechar represents the Belgian producers, and is, in principle, the sole seller of coal. It maintains close contacts with the equalization office. In spite of all subsidies from public funds, the Belgian mines continue to operate with losses.

metric tons, or over 27,000,000 metric tons per year. It is not believed that the Germans can obtain an immediate increase in production. The drop in output is due to the continuous shortage of mine props, cables, and oil in the mines, to transport difficulties, to sabotage and slow-downs, to the deterioration of the equipment, and to the general state of the mines which need to be rehabilitated.

The index of average daily coal production in Belgium fell from 100 in 1941 (87,950 tons) to 89.17 in 1942 (79,637 tons) and 84.64 (74,441 tons) during the period January to April 1943. Collieries where production still continues to fall will be closed down.

However, Belgium constitutes a large potential source of coal for enemy Europe's needs. At present, Belgium's production is about 25,000,000 tons per year or approximately 8 percent of enemy Europe's coal supplies of 340,000,000 tons, excluding brown coal.

DISTRIBUTION

The importance of Belgian coal to enemy Europe is illustrated by the story of its distribution:

1. It is believed that out of the actual monthly production of about 2,100,000 metric tons of coal, 700,000 tons are exported to Germany (including the Grand Duchy of Luxembourg and Alsace-Lorraine).

2. About 500,000 tons go to the coke plants in Belgium.

3. About 500,000 tons are distributed among railways and industries in Belgium.

4. About 400,000 tons go to the civilian population which is strictly rationed. It is reported that there was a severe coal shortage during the last two winters, partly as a result of transport difficulties but chiefly because important deliveries of household coal were made to Germany and to German-occupied countries.

COAL CONTRIBUTION TO ENEMY EUROPE

It is reasonable to assume that about 1,700,000 tons of coal per month (out of 2,100,000 tons produced) represent Belgium's contribution of coal to the German war effort, while the remaining 400,000 tons are put to civilian uses in the economy of enemy Europe. The relation of direct war use to essential civilian use is probably about the same as for Germany. Belgian coal contribution to enemy Europe is equal to that of Germany itself.

SINCE THE GERMAN OCCUPATION

It is estimated that the output of coke in Belgium in 1943 amounted to 80 percent of the pre-war figure, or about 4 to 4.5 million metric tons.

The decrease in production is due to the cessation of all imports of coking coal, to large exports of coking coal to enemy areas outside of Belgium, and to the decline in Belgian coal output in spite of Germany's effort to increase production in the northern basin. The Germans are apparently allotting about 6,000,000 metric tons of Belgian coking coal yearly to the Belgian coking plants which is the equivalent of approximately 4 to 4.5 million metric tons of coke.

Belgium's present production of coke is about 6 percent of enemy Europe's total output of about 75,000,000 metric tons per year. The

uses of Belgium's coke are such that virtually the entire output constitutes a contribution to Germany's war effort. It is estimated that out of a total yearly production of about 4 to 4.5 million metric tons, about 2,000,000 metric tons go to Belgian blast furnaces;⁴ about 1.8 to 2,000,000 metric tons are exported to German-occupied areas, namely Luxembourg and France,⁵ and about 500,000 metric tons are used by various Belgian industries and as household coke. In spite of the shortage of coke in Belgium, coke deliveries to the blast furnaces are expected to increase in the near future as it appears that Germany is planning an increase in Belgian iron and steel production.

AFTER THE GERMAN OCCUPATION

Since the German occupation, all Belgian public utilities—gas, electricity, and water—have been further consolidated. The entire electric supply system is subordinated to German needs and is under strict German supervision.

It is reported, however, that the power plants often operate at a reduced rate. The coal supply on which practically all Belgian plants depend is said to be insufficient as a result of large coal exports to Germany. Moreover, several important power stations, especially those at Schelle, Zeebrugge, Langerbrugge, and Sweveghem, suffered damages during Allied air attacks. Frequent sabotage has, apparently, also caused a decline in output of power. Furthermore, it has been reported that the Belgian electric companies have received orders to replace their copper high-tension wires by galvanized iron and steel. Although technically this conversion did not meet with insurmountable difficulties, it may involve a certain increase in transmission losses.

Nevertheless, Belgium's indirect contribution in electric power to the German war potential is important. The Belgian plants were ordered in 1941 to supply Germany with 400,000,000 kilowatt-hours of electricity per year. This would save Germany a substantial amount of coal. Moreover, to transmit electricity rather than coal from Belgium to the Reich would also assist to a certain extent in preventing further congestion on the transport system. To permit the export of this power the Germans constructed a substation at Jupille, near Bressoux, from which a current of 220 kilovolts is transmitted to Brauweiler, near Cologne. Although this line was sabotaged in 1941, service was resumed by January 1942. The recently completed southern portion of a projected transmission line from Schelle to Guy-lez-Pieton, connecting the isolated Brabant network to the rest of the national grid, is also contributing to German demands. In addition, it has been reported that a high-tension power line was under construction south of Brussels for the Rheinisch-Westfälisches Elektrizitätswerk (RWE), connecting the Brussels group of stations to the plants in the industrial area of Liege and the south. It has also been stated that another high-tension line was being built from Charleroi southward to Convin and beyond. In general, the southern network, besides supplying the heavily industrialized part of Belgium, is conveniently located for the transmission of electric power either to Germany, via Bressoux, or to northern France.

⁴ It is reported that during January, February, June, and July 1943, the average coke consumption of the Belgian blast furnaces was 160,000 tons, compared with about 120,000 in 1942.

⁵ The average monthly export of coke from Belgium to the Luxembourg blast furnaces was 80,000 tons during the first 6 months of 1943 as compared with 110,000 tons in 1942.

On the other hand, recent reports state that Germany, in a strenuous effort to exploit the industrial area of Liege, is supplying some power to Belgium. During the period from May 26, 1943, to June 17, 1943 (both dates inclusive), the Belgian power plants transmitted 3,180,000 kilowatt-hours to Germany, whereas German plants supplied Belgium with 5,045,000 kilowatt-hours during the same period. This type of transmission, which takes place at night and on Sundays, does not constitute a serious drain on German power supplies, and undoubtedly Germany is gaining some advantage from the arrangement.

GERMAN CONTROL OF INDUSTRY

The Germans have taken over complete control of the iron and steel industry. They exercise this control indirectly through a corporation⁶ organized on Nazi lines which regulates prices, output, and requirements, and directly⁷ by German supervisors and the merging of Belgian and German firms.

Various reports also indicate that the Belgian iron and steel industry has been concentrated and rationalized by the Germans. In pursuance of this policy, as an example, the two blast furnaces of the Thy-le-Chateau works were extinguished on March 18, 1943. In the future this firm will merely reroll the products of La Providence works, which will relight two furnaces. This process of rationalization has been carried on for more than a year. In July 1942, the Esperance-Long-doz works had to extinguish two of their furnaces, whereas the John Cockerill and Ougree works were each ordered to relight one of theirs.

Moreover, suspecting that their orders were being sabotaged by the Belgians, the Germans have installed their own experts to supervise the workers, and armed guards now patrol the workshops.

CHANGE IN PROCESS OF MANUFACTURE

Immediately after the country was invaded, the Germans began to change the process of manufacture of iron and steel from basic Bessemer to open hearth. All open-hearth plants were operated at full capacity whereas production of basic Bessemer plants was reduced. This change may be explained by the fact that Germany has been taking away all of the coke and coal that could possibly be obtained. Moreover, as long as scrap is available, it is to the Germans' advantage to produce open-hearth steel. Furthermore, byproduct gas is more readily available than coke and is used in its place. It is also true that open-hearth steel is of better quality than Bessemer, especially for armaments.

TREND OF PRODUCTION

In October 1942, the Germans announced plans for a substantial increase in steel production, the goal for the last quarter of 1942 being 60 percent of capacity, which would be equivalent to about 200,000

⁶ Moreover, in 1940, Cosibel, the prewar sales syndicate, was replaced by the Syndicate Belge de l'Acier (Sibelac), a much more powerful organization controlling not only sales but also production, standardization, and raw material supplies. It was recently reported that Sibelac had decided to raise the home-market price of manufactured iron and steel products, whereas the export prices will remain unchanged.

⁷ Ougree-Marhay, the largest metallurgical concern in Belgium, has been amalgamated with the German enterprise of Otto Wolff of Cologne with whom the former had an informal sales arrangement prior to the war. The second most important open-hearth producer, John Cockerill, was forced to divide its productive capacity between Vereinigte Stahlwerk which obtained the use of its steel-making facilities, and Rheinmetall Borsig which is running the plant's armament production.

tons a month. However, production in October 1942 was 131,500 tons and in November only 124,900 tons.

Several reasons may be advanced as to why production of iron and steel in Belgium during 1943 may have exceeded that of 1942.

1. German pressure to deport workers from the metallurgical industry has recently been relaxed. In fact, many firms that have released steel workers to Germany have now been declared exempt from any further recruitment obligation.

2. Latest reports indicate that the Germans have gradually been increasing coke allotments to Belgian firms. On an average, it takes nearly 1 ton of coke to produce 1 ton of pig iron. The Germans, heretofore, have not supplied Belgian firms with the quantities of coke commensurate with their productive capacities.

3. The Lorraine iron ore which was normally imported by Belgium, and which is of richer iron content than that of the Luxembourg deposits, is at present allocated more freely by the Germans.

4. As a result of the growing weight of air raids in the Ruhr, the Germans are attempting to increase production of iron and steel in Belgium.

BELGIAN CONSUMPTION

Since the German occupation, Belgium's requirements in iron and steel have been largely disregarded in order to cover German demands. In September 1941, for example, only 30,000 tons of steel were available for Belgian orders as compared with normal pre-war requirements of 80,000 tons per month. By the third quarter of 1942 this figure had been reduced to 22,400 tons per month. It is stated, moreover, that in allocating the reduced quota, orders can be taken only when extremely urgent and if an old order is canceled. Allocations of iron and steel for inland waterways, armaments, and fortifications receive priority.

CONTRIBUTIONS TO ENEMY EUROPE

As indicated above, German policy until the middle of 1942 was to deprive Belgium of coke, thereby causing a gradual decline in the production of iron and steel. This is evidenced by the following production estimates which are based upon various reports of average monthly production figures:

	Pig iron	Crude steel
1940.....	2,450,000	2,500,000
1941.....	1,484,000	1,681,000
1942.....	1,400,000	1,500,000

The drive to increase Belgian iron and steel output was announced in October 1942. Since then, there has been a marked upward trend in production.

It is conservatively estimated that the present annual production rate is approximately 1,800,000 tons of pig iron and 2,000,000 tons of crude steel. Thus Belgium's present production is equal to about 5 percent of total European enemy supplies of pig iron (29,500,000 tons) and to about 6 percent of the supplies of crude steel (38,000,000 tons).

It may be concluded that whether pig iron and crude steel are exported to Germany or German-dominated countries, or consumed in part by domestic metal industries which operate on German account, virtually the entire Belgian iron and steel industry works for enemy Europe.

ARMAMENTS SINCE MAY 1940

Soon after the invasion of Belgium the Germans began to take an active interest in the armament industry of the country. The Belgian armament works were forced to adopt the German policy of concentration, and are now completely under German domination. The factories either have been taken over by German armament concerns or are under strict German supervision and control.

As there were no important facilities for the manufacture of heavy equipment, the Germans directed their efforts toward small arms and component parts and repairs. However, because of the nature of Belgian industry, the Germans were able to convert numerous general engineering and industrial plants to the manufacture of implements of war, such as electric batteries, air compressors, heavy cables, cocks for submarines, etc. In addition, some factories are used for the manufacture and repair of motor vehicles, mainly trucks, and for the repair of aircraft and aeroengines. The Germans also found in Belgium important facilities for the manufacture of special films and other photographic products which are used by the Luftwaffe. Belgium's chemical and explosives industry contributes significantly to the German war effort.

In general, the Belgian armament industry is at present working at capacity, although it is reported that raw material and steel supply shortages, slow-downs, and sabotage occur occasionally.

Arms and ammunition.—The principal Belgian firms working for the Germans and producing all types of arms and ammunition are listed in appendix C. This list is not exhaustive. In many cases, the manufacture of implements of war constitutes a part of the activities of the large steel plants and of smaller manufacturing plants whose production is reserved for the Wehrmacht.

Mechanized equipment.—Prior to the war, the Belgian motor-vehicle industry confined its operations, in general, to the assembly of vehicles, parts for which were imported chiefly from the United States. Belgium also assembled its army transport vehicles from imported parts. Some light tanks, however, were made domestically under a Vickers license.

After the invasion, the Germans developed the manufacturing facilities considerably, and it has been reported that Belgian plants are now producing motor vehicles, especially trucks, in great numbers. In addition, the Germans are making the maximum use of the repair facilities available in Belgium.

The three main firms engaged in these activities are discussed below.

1. The Ford establishment, at Hoboken, Antwerp, is the most important of the Belgian motor-vehicle producers. In November 1940 the plant began to manufacture parts for, and to assemble, 3- and 5-ton German Army trucks.

It was reported at the time that parts of an army truck of the same model would be produced in the Ford plants in Belgium, France,

Holland, and Germany. Each of these plants would divide the production of such parts in order to obtain a highly integrated over-all production. An elaborate machine-tool department is reported to have been established at the Antwerp plant equipped with machines procured from the Ford plants in France, probably Poissy, and Cologne, as well as from local Belgian sources. Additional parts were to be obtained locally by the Antwerp plant for use in truck-assembly work. Moreover, while previously the plant received the main components from the Matford plant at Poissy, at present it has developed its manufacturing resources to such an extent that it supplies components to the Ford plant at Amsterdam, Holland. Certain parts continue to be received from the Ford Werke at Cologne, and the Fabrique Nationale at Herstal, Belgium.

The Ford plant is, according to various reports, producing about 500 trucks per month. In addition, it is an important repair center, and handles from 150 to 300 trucks monthly.

2. The General Motors plant at Eeckeren, Antwerp, is much larger than the Ford plant. It is utilized mainly by the latter for the production of trucks and for storage.

The General Motors plant is also a major repair center for trucks and motor vehicle engines, which can be repaired at the rate of 40 per day.

3. Before the war, the Fabrique Nationale d'Armes de Guerre (F. N.), at Herstal, near Liege, produced passenger cars and motorcycles. At present, it is believed to be manufacturing Renault trucks, but its main activity in the motor-vehicles line consists of manufacturing parts for the Ford plant at Antwerp. The factory is also a leading producer of small arms.

In addition to these three major motor-vehicle manufacturers, it is reported that Latil at Haren-Vilvorde, Usines Doyen at Haren, Imperia at Liege, Ateliers de Construction de Familleureux at Familleureux, near Manage, and a number of small plants throughout the country are repairing trucks and other mechanized equipment for the Germans. Some Belgian factories are engaged in transforming requisitioned passenger automobiles into light armored cars.

Aircraft.—Belgium's aircraft production has always been small. Under German occupation, however, a few specialized factories and a number of converted general plants are doing some assembly work, but the majority of the plants are engaged in repair work and the manufacture of spare parts. The plants are under the control and strict surveillance of the military authorities, and their activities are considered of first importance to the Luftwaffe.

The following plants are reported to be the principal repair centers for the German Air Force:

1. Erla Maschinenfabrik, at Mortsels, Antwerp, is probably the largest repair depot in Belgium for single-engine fighter planes, and for reconditioning engines. Airframe components may also be produced there. Output was 100 repairs per month up to the raid of April 1943, when output was reported to have fallen to 6 per month.

2. Erla Maschinenfabrik, at Evere, Brussels, is housed in a converted textile plant and repairs Me. 110's and 210's, Do. 217's, He. 111's, and Ju. 88's. The plant consists of several workshops, and a report of August 1943 states that 4,000 to 10,000 workers are employed there. An air raid on September 7, 1943, did considerable damage to the workshop.

3. Erla, at Malines, in early 1943 was repairing He. and Me. 110 wings.

4. Erla, at Berchem St. Agathe, is a new plant formed in early 1942 by the amalgamation of LACAB and SABCA. It makes landing-gears and tail units, and employs about 250 workers.

5. Fairey-Aviation, at Gosselies, near Charleroi, repairs He. 111's and Ju. 88's. Photo reconnaissance in September 1942, however, showed little activity.

6. Daimler-Benz, at Mortsel (Antwerp), is located beside the Erla works. The plant is reported to have been damaged in an air raid.

7. Soc. An. des Glaces de Courcelles, at Courcelles, formerly manufactured plate glass but has been taken over by the Luftwaffe and reequipped with new machinery for aircraft repair work. Estimates of personnel vary from 300 to 3,000.

8. Usines Doyen, at Haren, Brussels, repairs engines. According to reports in late 1942, 1,500 to 2,000 workers are employed in 2 shifts and their rate of output is 2 aircraft engines per day.

9. Unconfirmed reports state that the following are also engaged in engine repairs: Bennert et Bivort, at Jumet; Societe Renard, at Evere, Brussels; Peignage de Laine, at Hoboken, Antwerp; Latil, at Haren, Brussels; and NAFMEC, at Brussels, which was reported in March 1942 to be the principal Jumo engine-repair depot.

The two following factories are reported, without confirmation, to be aircraft assembly plants:

10. Stampe and Vertongen, at Deurene, Antwerp, which used to build trainer planes, with Renard, Armstrong-Siddeley, Hispano-Suiza, and Gypsy engines.

11. Ancienne Compagnie SABCA, at Neder-Over-Heembeek, which in May 1943 was reported to be making complete airframes.

Photographic materials for military and general use.—An important contribution to the German war effort is made by the Belgian photographic industry which manufactures photographic plates, paper, and films (largely from domestically produced paper), glass plastics, and gelatin. In 1939 the value of Belgian photographic materials was about \$5,000,000, which was approximately 5 percent of the total value of Belgian chemical production.

The photographic materials plants in Belgium are: Photo-Produits Gevaert S. A., at Vieux-Dieu, near Antwerp; the Gevaert factory, at Westerloo, which makes nitrocellulose and other plastics for the film industry; Union Chimique, at Evere, near Brussels; Societe Industrielle de la Cellulose (Sidac) at Ghent, which make films; and Etablissements des Produits Photo-Chimiques, S. A. at Courtrai, which produces photographic plates.

The Gevaert Co. is one of the largest photographic equipment manufacturers in the world, and dominates the business in Belgium. Employing approximately 3,000 to 3,500 workers, the Gevaert Vieux-Dieu plant produced in 1939, its peak year, the following materials:

Sensitized photographic paper	..... square feet	64, 450, 400
Plates	..... do	2, 259, 264
X-ray film	..... do	2, 151, 680
Graphic film	..... do	1, 344, 800
Cut film	..... do	644, 504
Aero film	..... do	46, 261
Moving picture 35-millimeter film	..... linear feet	98, 400, 000
Roll film	..... spools	12, 000, 000

At the outbreak of World War I, Gevaert had branches not only in Europe, but also in South America. The company's expansion continued after the war and in 1939 its products were being manufactured in its subsidiary plant in the United States and under license in Germany (Voigtlander-Gevaert G. m. b. H., Berlin); France (S. A. Industrie Photographique, Paris); and Spain (Industria Fotoquímica Nacional S. A., Barcelona).

After May 1940 the Vieux-Dieu plant continued its operations, its products going to the Luftwaffe.

The importance of the Gevaert Film Works to the Luftwaffe can be judged by the following facts: (1) It is the largest photographic film plant in Europe outside Germany; (2) its plant for the production of baryta-coated photographic paper—is the largest in Europe; (3) in addition to the Vieux-Dieu factory it has a plant at Westerloo which produces nitrocellulose, the principal constituent of film base and an important ingredient in explosives; (4) since the German occupation, the plant has been working at capacity and its profit is at a higher rate than at any previous time in its history (it has been reported that in 1941 the company made a profit of 40,000,000 Belgian francs); (5) the management of the plant is cooperating wholeheartedly with the Germans, and no sabotage or slow-downs have occurred to date; (6) the plant has never complained of a shortage of raw materials.

In April 1943 the factory was bombed by the Allied Air Force. Partial destruction resulted, and, according to the manager of the plant, the manufacture of film could not be resumed for 3 months.

Explosives.—Besides being a large producer of explosives for industrial use (quarrying, mining, tunneling, and road and railway building), Belgium after 1940 became an important manufacturer of military explosives as well.

Of the 27 explosive plants in Belgium, 9 made nitrocellulose powder, 2 (both completed in 1939), made TNT, 3 made dynamite, 10 made safety explosives, 4 made cheddites, 7 made detonators and safety fuses, 4 made black powder, and 2 made other high explosives. Before the German occupation, Belgium exported a large part of its output of black powder, safety explosives, detonators and safety fuses, and imported TNT and smokeless powder.

Since the occupation, the Germans have managed to keep the manufacture of military explosives at a fairly high level, although no specific data are available as to the quantities produced. It is reported that dynamite output is rising constantly as a result of the fact that German glycerin, the only kind available today, is at present allocated to Belgium in greater quantities than in 1942.

AFTER THE OCCUPATION

Supply.—When Belgium capitulated, the Germans found in the country over 3,500 main-line locomotives (3,377 in service and 215 inactive in reserve) and about 500 engines in use on the light railways. After the occupation was completed, the German military authorities transferred the newest and most powerful locomotives to Germany, reducing drastically the Belgian pre-war stock. It is re-

ported that by October 1942 the Germans had removed to the Reich 1,072 locomotives, of which 1,002 were on "hire" and 70 were booty. These 70 locomotives were shedded in the cantons of Eupen-Malmedy-Moresnet and were confiscated by the Germans when they annexed that territory.

In addition, about 100 locomotives were either destroyed during the military operations of May 1940, or have been lost or scrapped, making a total reduction of 1,172 engines. Apparently no further requisitions have occurred since October 1942. According to official reports of the Société Nationale des Chemins de Fer, the number of locomotives as of January 1943 was 2,152 available for use and 290 awaiting repair, or a total available of 2,442.

The removal of the best engines to Germany made the locomotive position in Belgium very difficult. The Belgian railways were obliged to put back into service every locomotive capable of running, and the workshops were ordered to speed repairs.⁸ Their task is complicated, however, by continuous shortages of materials and replacement parts. Moreover, lubricating oil of good quality is not available. The shortage of motive power in Belgium is acute, and there is no indication that the situation can be improved. Sabotage and air raids further aggravate the situation. As a result of the difficulties arising from the shortage of locomotives, the average monthly traffic on the Belgian railways fell from 3,613,930 tons in 1941 to 3,186,773 tons in 1942 and to 2,539,069 in January 1943.

Production.—The program for the production of new locomotives for German account began in the second quarter of 1941,⁹ when the principal Belgian builders received orders for 200 units of the class "50's." Although the order was placed about April, actual production probably did not begin until September. From the very beginning, because of slow-downs and lack of materials, the Germans experienced great difficulties in maintaining production in the Belgian locomotive industry. It is believed, therefore, that deliveries did not start until the beginning of 1942.

But in spite of the fact that the first order of 200 locomotives was not completed within the scheduled period, a further order for 250 engines was placed by the Germans in October 1942. The order did not specify the type, but it has been stated several times that the engines would be class "52's."

At that time the German orders were distributed as shown in the list on the next page.

Thus, by the end of 1942 the Belgian locomotive works had orders on hand for 450 engines for German account, a number of which may already have been delivered.

⁸ The percentage of locomotives undergoing or awaiting repair dropped from 20.9 in May 1941, to 12.3 in May 1942, and to 9 in September 1942 (figures of the Société Nationale des Chemins de Fer Belges). The total staff engaged primarily on locomotive repair work in Belgian railway shops amounted to 7,379 in June 1943, compared with 3,602 in May 1940. Completed repairs frequently show signs of poor workmanship. Also, machines and hand tools available in the shops are said to be inadequate, and locomotives are often sent out from repair depots with defects unremedied. According to reports, all Belgian workshops have been notified that a fine will be imposed for such instances of faulty workmanship.

⁹ The first German order for locomotives were placed in Belgium prior to the German program of April 1942, which called for 7,500 engines per year.

Distribution of German locomotive orders to Belgian firms

Firm	German orders
S. A. John Cockerill.....	First order for 42 locomotives class "50's". Second order (October 1942) for 50 locomotives of unspecified type.
S. A. Usines Metallurgiques du Hainaut.	First order for 24 locomotives class "50's". Second order (October 1942) for 50 locomotives of unspecified type.
S. A. Ateliers Metallurgiques de Nivelles.	First order for 38 locomotives class "50's". Second order (October 1942) for 50 locomotives of unspecified type.
Societe Anglo-Franco-Belge de Matériel de Chemins de Fer.	First order for 26 locomotives class "50's". Second order (October 1942) for 50 locomotives of unspecified type.
S. A. des Ateliers de Construction de la Meuse.	First order for 26 locomotives class "50's".
Societe des Forges, Usines et Fonderies de Haine St. Pierre.	First order for 28 locomotives class "50's". Second order (October 1942) for 50 locomotives of unspecified type.
S. A. Energie	First order for 16 locomotives class "50's".

The Germans have taken several measures to speed up locomotive production, such as larger allocations of materials, higher priority in utilization of manpower, etc., and at the present time the Belgian locomotive industry is fully occupied.

By the end of 1943, in view of the capacity of their works, the Belgian locomotive manufacturers should be able to produce between 400 and 450 locomotives—complete engines or equivalent parts¹⁰—a quantity somewhat less than 10 percent of the total output of enemy Europe.

ROLLING STOCK: PRE-WAR POSITION

Supply.—In 1939 Belgian rolling stock in service consisted of 115,373 freight cars, 7,010 passenger cars, and 2,899 other types, classified as follows:

Freight cars:

Open 4-wheeled, 10- to 20-ton freight cars	63, 982
Open bogie, 30- to 40-ton freight cars (Of the open freight cars 10,788 are low-sided or flat)	4, 008
Covered 4-wheeled, 10- to 20-ton freight cars	30, 714
Brake cars, also used to load freight, and service cars	5, 662
Others	158

Total of freight cars belonging to the Belgian railways (Societe Nationale des Chemins de Fer Belges)

104, 524

Privately owned freight cars

4, 226

Freight cars operated by the Nord Belge

4, 998

Freight cars of the Mechlin-Terneuzen Railway

1, 429

Freight cars of the Chimay Railway

196

Total of freight cars

115, 373

Passenger cars:

Passenger cars belonging to the Belgian railways (Societe Nationale des Chemins de Fer Belges)

6, 928

Passenger cars operated by the Mechlin-Terneuzen Railway

68

Passenger cars of the Chimay Railways

14

AFTER THE OCCUPATION

Supply.—At the time of the invasion in 1940, according to a reliable source, the number of freight cars available to the Belgian railways was 111,378. After the occupation of the country was completed, the

¹⁰ It has been reported that the Belgian locomotive manufacturers have been supplying locomotive and rolling stock parts to German firms, such as Krupp, Borsig, and Krauss-Maffel.

Germans transferred the best freight cars to the Reich. According to a census taken in October 1942, the Nazis by that time had removed 45,639 freight cars, of which 27,500 were "requisitioned" and 18,139 were "detained." In addition, 5,965 freight cars were in France and 4,400 in other countries, making a total of 56,004 Belgian freight cars abroad. To this number should be added about 3,500 cars destroyed or lost during the military operations. Thus, in 1943, assuming that no further German requisitions have been made since October 1942,¹¹ a little more than 50,000 Belgian freight cars remained within the country. (In addition, a number of foreign freight cars were in Belgium. In October 1942, for example, there were 11,334 German cars, 6,285 French cars, and 802 from other countries.) This number is not adequate for the needs of the Belgian railways.¹² In order to maintain essential traffic, 5,340 freight cars of small tonnage and old design were put back into service. This, however, did not improve the situation to any great extent. Moreover, the general condition of the cars is reported to be very poor,¹³ and repairs are far behind schedule.¹⁴

Production.—It is reported that in the early months of 1940, the Belgian rolling-stock manufacturers had on hand orders for 9,200 freight cars, 6,000 of which were coal cars for delivery to France. Between June 1940, after Belgium had been occupied, and the end of 1942, the Germans placed orders for 8,395 freight cars, of which 5,000 were coal cars and 3,395 tank cars. It has been reported that the majority of these orders were placed with Societe Anglo-Franco-Belge, at La Croyere; S. A. Baume et Marpent, at Haine Saint Pierre; Ateliers Metallurgiques de Nivelles, at Nivelles; Ateliers de Constructions de Famillereux, at Familleureux; Ateliers de la Dyle, at Louvain; Compagnie Centrale de Construction, at Haine Saint Perre; La Bourgeoise et Nicaise et Delcuve, at La Louviere and Saint-Michel-Lez-Bruges; and Ateliers de Trazegnies, at Trazegnies.

Including orders on hand before the invasion and new German orders, the Belgian builders have probably produced for the Germans at least 17,500 freight cars, of which about 11,500 were coal cars and 5,000 were tank cars. Even with the present reduced capacity of 45,000 cars per year the Belgian plants could easily carry out the German orders.

In addition to complete cars, it is reported that the Belgian manufacturers have received orders for about 5,000 wheel sets from the German railways. In general, the manufacture of wheel sets is one of the most important contributions of the Belgian rolling-stock manufacturers to the German war effort.

¹¹ Early in 1943 the Germans approached the Belgian National Railways to institute a "common user" arrangement (or formal pool) for the German, French, and Belgian freight cars. The Belgians refused since it was evident that this pool would permit the Germans to secure a firmer control over the remaining Belgian cars.

¹² Due to the shortage of freight cars, a recent decree provided for compulsory loading and unloading on Sundays. The time allowed has been reduced from 8 hours to 4 hours per car. Belgian cars engaged in internal traffic are also to be overloaded by 10 percent.

¹³ It is reported that in May 1943, 42,741 freight cars were marked for repairs. This means that although all these freight cars need not necessarily be sent into the workshops but can be dealt with by the fitters on the spot, nearly every Belgian freight car now in the country requires some sort of repair once a month. The following figures of the number of defective cars reported by 100 freight cars loaded show the present condition of the rolling stock. 1935-36, 7.20 per 100; 1939, 8.30; 1941, 12.80; 1942, 14.50; January to May 1943, 15.80.

¹⁴ Up to the end of October 1942, major repairs were 10 percent and light repairs were 30 percent behind schedule. In an effort to remedy this situation the Germans, in May 1943, introduced a 60-hour week in the workshops. An unconfirmed report states also that one of the main Belgian repair shops, at Salzinnes, has been dismantled and sent to Germany.

SINCE THE OCCUPATION

Principally because of the lack of raw materials, the chemical industry is at present working at a reduced rate. It has been reorganized on German lines. According to reports, it is divided into 10 special groups: (1) Coal chemistry; (2) nitrogen industry; (3) distillation industry and organic chemistry; (4) oils and fats; (5) rubber; (6) glue and gelatins; (7) dyes and lacquers; (8) explosives; (9) compressed gases; and (10) pharmaceutical products.

It was stated at the time of the reorganization that this grouping would simplify and facilitate the supply of raw materials and improve regulation of the market, especially as far as foreign trade is concerned. The close ties which existed between the German and Belgian chemical industries before the war, were further strengthened by the German Chemical Trust under the pressure of military conquest. In at least one case, that of Solvay & Co., these ties took the form of a partial corporate penetration. Also, the tendency of the Union Chimique Belge is pro-German, and in some of its subsidiaries and closely related industries, German penetration is very marked. However, the leaders of the Union Chimique Belge, in spite of their pro-totalitarian leanings, are apparently adopting a watchful attitude in the light of present events in Europe.

All the long-term economic agreements, clearing agreements, and so-called free export agreements that Belgium has made with other European countries include chemical products. Under the German occupation, the Belgian chemical industry manages to export its products though under close German surveillance.

In addition to exporting its products to German-occupied countries, the Belgian chemical industry contributes directly to Germany in the fields of explosives (see armaments) and synthetic fibers (see textiles).

THE TEXTILE INDUSTRY OF FRANCE

CHARACTERISTICS OF FRENCH TEXTILE INDUSTRY BEFORE THE WAR DEPENDENCE ON IMPORTED RAW MATERIALS

The French textile industries depended on imports for more than 90 percent of their raw materials.

Sources of major raw materials for the French textile industries

[Percent]

	France	French colonies	Outside the Empire
Cotton.....	0	2	98
Wool.....	7	3	90
Silk.....	4	6	90
Jute.....	0	0	100

Cotton.—No cotton was grown in France and very little in the French colonies. When the war began, some results were beginning to appear from a long-term program to increase colonial production for the purpose of freeing the cotton-textile industry from some of its dependence on foreign raw material markets, where it sometimes found itself at a disadvantage because of the changing value of the franc in international exchange. The United States was always the major source of raw cotton, but the proportion of imports from this country declined considerably in the 1930's. In 1938 total imports of raw cotton (some of which may have been used outside the textile industry) were 277,800 metric tons.

Sources of raw cotton imports, 1938

	Metric tons		Metric tons
United States.....	143, 500	Brazil.....	28, 000
Egypt.....	43, 400	French colonies.....	10, 500
India.....	38, 000	Miscellaneous.....	14, 400

Wool.—In the pre-war period (1929-39), France produced annually about 16,000 to 18,000 metric tons of wool. Production had been declining steadily during the preceding 50 years.

In 1938 about 172,800 metric tons of greasy or backwashed wool and 3,100 metric tons of clean wool were imported; also, nearly 10,000 metric tons of wool waste, ravellings, rabbit, and other spinnable animal hairs. In addition, France imported some 55,000 metric tons of woolskins, to be dehaired largely at Mazamet in the southwestern department of Tarn. Some French woolskins were also dehaired at this center, which in 1935 turned out 6,000 metric tons of scoured, 24,000 of backwashed, and 10,700 of greasy wool. Part of this production was exported, chiefly to England. Most of the

imported wool and woolskins came from Australia, Argentina, and South Africa.

Silk.—The production of raw silk in France declined fairly steadily after 1868, and in 1938 reached an all-time low of 599 metric tons, in spite of governmental efforts to encourage production by subsidies and other means.

Imports did not rise, however, in proportion to the decline in domestic production. In 1938 only 242 metric tons of silk in the cocoon were imported (more than half from Syria) 1,700 of silk noils and waste, and 2,463 of reeled silk (largely from China and Japan).

Flax.—Despite governmental subsidies and other measures to encourage the cultivation of flax, French production was declining in the 10 years preceding the outbreak of war. In 1929 the country produced 39,500 metric tons of tow; in 1938, only 23,800. The principal reason for this decline was that flax production brought only small profits. Seed had to be imported, usually from Turkey; also a great deal of imported fertilizer was required because the crop makes heavy demands on the soil—so heavy that it was customary to plant flax only once in 6 to 8 years on the same plot. The approximate yields from 100 kilos of raw flax were generally as follows:

	Kilograms
Seed (sold for oil, with yield at best of 25 percent)	10
Capsules (used as fodder)	10
Fine tow	10
Short tow	4
"Wood" (used as fuel)	46
Refuse	20

In 1938, the domestic production was supplemented by imports of nearly 39,000 tons of stripped flax and tow. More than half the stripped flax and three-fourths of the tow came from Belgium, but to a considerable extent this tow was from French flax that had been sent to Belgium for retting and scutching. About a quarter of the stripped flax and tow came from the Soviet Union.

Hemp, jute, and other hard fibers.—French production of hemp declined steadily between 1890 and 1918 and thereafter leveled off at about 4,000 to 5,000 metric tons a year. In 1938 when 4,200 metric tons were produced, three-fourths of it in the Department of Sarthe, 11,277 metric tons of hemp and hemp tow were imported, a third of it from British India and the rest from eastern and southern Europe.

No jute was produced in France. Practically all of the 81,800 metric tons of jute and jute tow imported came from British India. Nearly 53,000 metric tons of other hard vegetable fibers used for textile manufacturing were also imported.

Wood pulp and cotton linters for rayon.—French forests provided little if any wood pulp for the manufacture of rayon, though there was hope that improved methods of removing resin might eventually enable use of domestic pine. About 9,600 metric tons of cotton linters were imported, principally for manufacture of acetate rayon. The viscose-rayon industry depended on wood pulp for cellulose; it is estimated that in 1939, about 30,000 metric tons of pure cellulose pulp were imported for this purpose.

Lubricants and chemicals.—Nearly all lubricants for the textile as well as other industries were imported. Also, a considerable part of the fats and oils for soaps came from abroad.

Domestic deposits of potash were ample in Alsace, and there was an abundance of limestone and salt for the manufacture of the soda ash and caustic soda needed for soap making. Pyrites, used in the manufacture of sulfuric acid, were imported from Spain. Sulfur, which was needed in the rayon and other textile industries, was imported, mostly from the United States and Italy.

No reliable estimates are available as to the amounts of chemicals and lubricants used by the French textile industries, since practices varied widely from plant to plant and from year to year.

BULK OF PRODUCTION IN 6 PERCENT OF THE PLANTS

According to the census of 1931, there were 29,349 textile-manufacturing and 82,767 textile-transforming establishments in France. The census found 920,460 people in the former and 892,543 in the latter. But most of the establishments were small, many of them being home workshops.

Number and size of textile establishments, 1931

Employees	Manufacturing establishments	Transforming establishments	Employees	Manufacturing establishments	Transforming establishments
Number of wage earners..	6,446	12,452	201 to 500	669	90
1 to 5 employees.....	13,218	48,879	501 to 1,000	198	13
6 to 10.....	2,292	5,172	More than 1,000	84	9
11 to 50.....	4,342	5,245			
51 to 100.....	1,200	626	Total.....	29,349	82,767
101 to 200.....	900	281			

It will be observed that only 1,851 (6.2 percent) of the manufacturing plants employed more than 100 workers. Yet these plants accounted for fully two-thirds of the people engaged in such operations; and it is estimated that they accounted for three-fourths of the production.

The large manufacturing plants were heavily concentrated in a few departments.

Distribution of large textile mills, 1931

Department	Mills employing 101 to 500 workers	Mills employing more than 500 workers
Nord.....	406	105
Vosges.....	115	22
Bas and Haut-Rhin.....	128	40
Scattered.....	920	115
Total.....	1,569	282

Of the 22 textile-transforming plants having more than 500 workers, 13 were in or near Paris, 2 in Rhone, and 1 in Nord. There was none in Alsace.

CONCENTRATED FAMILY TYPE OF OWNERSHIP

The 29,349 manufacturing establishments were owned by about 14,500 persons and concerns. Excepting those manufacturing rayon filament or staple and those operating finishing, dyeing, and printing plants, most of the concerns, whether large or small, were of a family character. Until 1920 they generally operated as partnerships; but even when incorporation for tax purposes and business convenience later became common among the larger enterprises, the shares were usually held in the hands of a limited family group. Very few textile manufacturing concerns were listed on the Bourse.

It was customary to set up a new company for each new enterprise. When a family engaged in woolen manufacture bought or built a new plant or branched out into the cotton or rayon field, a separate company was formed. The partners or shareholders were not identical in each undertaking, but seldom did the participants include anyone outside of the family. One man might participate in a wool-combing business with his brother, a cotton-spinning business with his sons, and a linen-weaving business with a nephew or a son-in-law. This proliferation of family companies is well illustrated in the Directory of the Chamber of Commerce of Roubaix (in the department of Nord) which listed 17 establishments, in the Roubaix area alone, bearing the name of Motte, a leading textile family of the region:

Company	Book capitalization	Business
Alfred Motte & Cie.....	21,875,000 francs.....	Wool combing.
Les Fils d'Alfred Motte (partnership)...	Not listed.....	Cotton spinning, weaving, and finishing; wool dyeing; weaving draperies.
Etienne Motte & Cie.....	7,500,000 francs.....	Cotton spinning.
Gerard Motte & Cie.....	Not listed.....	Doubling and weaving draperies.
Paul Motte & Cie.....	do.....	Spinning.
Motte Fils & Cie.....	1,000,000 francs.....	Wool spinning, doubling, dyeing.
Motte & Cousin.....	Not listed.....	Weaving.
Etablissements L. & J. Motte Freres....	17,000,000 francs.....	Cotton spinning, doubling, dyeing.
Etablissements Gerard Motte.....	Not listed.....	Spinning.
Alfred Motte Freres & J. Porisse (formerly Alfred Motte Freres).....	25,800,000 francs.....	Spinning and doubling combed wool, manufacturing knitted goods.
Motte & Blanchot (partnership).....	Not listed.....	Cotton spinning and doubling.
Etablissements Motte-Meillassoux et Caulliez.....	21,600,000 francs.....	Spinning of combed wool.
Les Fils de Motte-Meillassoux.....	Not listed.....	Spinning and doubling combed wool.
Etablissements Motte-Bossut Fils.....	15,000,000 francs.....	Cotton spinning and weaving; spinning combed wool manufacture of velours.
Etablissements Motte-Dewavrin.....	Not listed.....	Wool.
Desurmout-Motte & Cie. (formerly Motte & Cie.).....	do.....	Not listed.
Motte-Vandewynckele.....	do.....	Spinning.

Some textile companies, though owned by well-known textileists, did not bear the family name. For example, the following companies were all controlled by Marcel Boussac, an important textileist in the region of Alsace and the East:

Company	Location	Business
Manufacture de Senones.....	Senones (Vosges).....	Cotton spinning, weaving, and printing.
Gros Roman et Cie.....	Wesserling (Haut-Rhin)...	Do.
Filature de Thaon.....	Thaon (Vosges).....	Cotton spinning.
Filature et Tissages de Nomery.....	Nomery (Vosges).....	Cotton spinning and weaving.
Tissage de la-Gosse.....	Golbey (Vosges).....	Cotton weaving.
Filature de Drusenheim.....	Drusenheim (Bas-Rhin).....	Wool spinning.
Tissage de Bar le Duc.....	Bar le Duc (Meuse).....	Cotton weaving.

Of the 1,851 manufacturing plants that accounted for the bulk of France's textile production, most were owned by a relatively small group of families, some of which had been in the business for generations. The important families in the major textile regions, outside the hard fiber industry, included the following:

The north:¹	The north—Continued.
Beghin	Vanoutryve
Bossut	Verley
Breuvart	Wallaert
Caulliez	Watine
Delcourt	Alsace and the east:²
Delesalle	Boussac
Descamps	Dollfus
Desurmont	Herrenschmidt
D'Hallouin	Koechlin
Dubar	Lang
Dupleix	Lederlin
Flipo	Mieg
Le Blan	Scheurer
Lefebvre	Schlumberger
Lepoutre	Schwartz
Leurent	Schwob d'Hericourt
Lorthiois	Normandy and the west:³
Masurel	Balsan
Mathon	Fraenckel
Motte	Hertzog
Pollet	Schwob
Prouvost	The southeast:⁴
Roussel	Balay
Salmon	Barioz
Thiriez	Bizot
Tiberghien	Doll
Toulemonde	Gillet
Vandenberghe	Hoppenot

Ownership of the producing facilities became increasingly concentrated as the textile families within each region intermarried. In some cases, the wife's surname was hyphenated to that of the husband; the extent of intermarriage may accordingly be inferred from the following partial list of hyphenated names found among the textile families of the North.

Bossut-Motte	Flipo-Lefebvre	Lepoutre-Flipo
Breuvart-Motte	Flipo-Thiriez	Lepoutre-Mathon
Breuvart-Flipo	Flipo-Vandenberghe	Lepoutre-Motte
Breuvart-Tiberghien	LeBlan-Tiberghien	Lepoutre-Toulemonde
Caulliez-Flipo	LeBlan-Wallaert	Lorthiois-Motte
Caulliez-Tiberghien	Leurent-Beghin	Masurel-Lepoutre
Delcourt-Tiberghien	Leurent-Flipo	Masurel-Leurent
Desurmont-Delcourt	Leurent-Tiberghien	Masurel-Prouvost
Desurmont-Pollet	Leurent-Toulemonde	Masurel-Watine
Desurmont-Prouvost	Leurent-Thiriez	Mathon-Masurel
D'Hallouin-Desurmont	Leurent-Watine	Mathon-Motte
D'Hallouin-Lepoutre	Lefebvre Flipo	Motte-Breuvart
D'Hallouin-Leurent	Lefebvre-D'Hallouin	Motte-Delesalle
D'Hallouin-Prouvost	Lefebvre-Motte	Motte-Descamps
Flipo-Caulliez	Lefebvre-Watine	Motte-D'Hallouin
Flipo-Tiberghien	Lepoutre-Caulliez	Motte-Dubar
Flipo-Toulemonde	Lepoutre-Desurmont	Motte-Flipo

¹ Includes the departments of Nord, Pas-de-Calais, Somme, Alsne, Ardennes, and Marne.

² Includes the departments of Meurthe-et-Moselle, Meuse, Moselle, Vosges, Doubs, Bas-Rhin, Haut-Rhin, Haute-Saone, and the territory of Belfort.

³ Includes the departments of Seine-Inferieure, Eure, Calvados, Manche, Mayene, and Main-et-Loire, Orne, Sarthe, and Brittany.

⁴ Includes the departments of Loire, Rhone, Ain, Isere, Haute-Loire, Drone, and Ardeche.

Motte-Lepoutre	Roussel-Masurel	Tiberghien-Vanoutryve
Motte-Leurent	Roussel-Motte	Toulemonde-Flipo
Motte-Lorthiois	Thiriez-Caulliez	Toulemonde-Le Blan
Motte-Tiberghien	Thiriez-Delesalle	Toulemonde-Lorthiois
Motte-Toulemonde	Thiriez-Mathon	Toulemonde-Masurel
Motte-Vandenberghe	Thiriez-Motte	Toulemonde-Motte
Motte-Vanoutryve	Thiriez-Wallaert	Toulemonde-Pollet
Pollet-Beghin	Tiberghien-Breuvart	Toulemonde-Prouvost
Pollet-Descamps	Tiberghien-Caulliez	Toulemonde-Vandenberghe
Pollet-Dubar	Tiberghien-Delecourt	Toulemonde-Verley
Pollet-Lorthiois	Tiberghien-Delesalle	Vandenberghe-Desurmout
Pollet-Masurel	Tiberghien-D'Hallouin	Vandenberghe-Flipo
Pollet-Motte	Tiberghien-Flipo	Vandenberghe-Toulemonde
Pollet-Thiriez	Tiberghien-Lorthiois	Verley-Lorthiois
Pollet-Tiberghien	Tiberghien-Masurel	Verley-Wallaert
Pollet-Watine	Tiberghien-Motte	Wallaert-Prouvost
Prouvost-Lefebvre	Tiberghien-Pollet	Watine-Desurmout
Prouvost-Masurel	Tiberghien-Salmon	Watine-Lorthiois
Prouvost-Motte	Tiberghien-Thiriez	
Prouvost-Pollet	Tiberghien-Toulemonde	
Prouvost-Vanoutryve	Tiberghien-Vandenberghe	

In some cases, the complexity of relationships became so great that some members resorted to hyphenations such as Flipo-Flipo and Motte-Motte to clarify their identity.

The concentration of ownership became still more intense when textilists of one region began to intermarry with those of another. Religious and other personal factors seem to have deterred the textile families of Alsace and Normandy from intermarrying to any great extent with those of the north and southeast; but families of the two latter regions frequently intermarried. Thus, a granddaughter of Alfred Motte, founder of the Motte interests in the north, married Edmond Gillet, in the 1920's head of the Gillet silk and rayon interests in the southeast, and brother of the present head, Charles Gillet. Fernand Motte, grandson of Alfred Motte and present head of the Motte interests, married Mathilde Balay, of the southeastern textile family, into which the sister of Edmond and Charles Gillet also married. Other interregional marriages are indicated by such hyphenations of northern and southeastern textile family names as D'Hallouin-Balay and Motte-Balay.

In addition to the regional and interregional tie-ups of blood and marriage, the textilists of one region often expanded their interests by undertakings in other regions. Thus, some of the Alsatian textilists spread their activities into Normandy and the west; some textilists of the southeast participated in enterprises in the north, etc.

The various family and financial relationships of the important textile interests became so interwoven that in France it is sometimes said all the well-known textilists of the country belong to "a single clan."

DIVERSIFIED SOURCES OF PROFIT

In general, the larger textile firms had three lines of activity, any one of which might yield good profits when the other two were less profitable. The first was textile manufacturing itself, which frequently became subordinate to the others and was left in the hands of technicians. The second was speculation in raw materials. It was long customary for French mill owners to start their sons in the business by sending them to New Orleans to learn the intricacies of the cotton market or to Buenos Aires or Melbourne, to learn how to buy

and speculate in wool. This activity sometimes led to the establishment of wool and cotton buying companies in the producing areas. The Motte, Lefebvre, Prouvost, and Caulliez families participated in such business in South America, South Africa, and Australia.

The third and usually the most important source of profits was the firm portfolio of investments. Members of a manufacturing firm drew out individually only a certain percentage of the profits; the remainder was invested in the name of the company. A major purpose of this investment system, as well as of the interfamily marriages, was to prevent the breaking up of fortunes under the inheritance laws of the Napoleonic Code.

In effect, the family firm frequently became a private holding company, acquiring large blocks of stock in nontextile enterprises. Family members became officials and directors in banking, insurance, and finance, railroads and utilities, mineral, metallurgical, construction and automotive industries, real estate, petroleum, newspapers, and all sorts of other enterprises.⁵ For example, the Gillet family of the southeast (the head of which was commonly called "Le roi de Lyon") was represented by one member or another on a wide variety of companies, as indicated by the following partial list:

Name	Position	Company
Gillet, Charles.....	Director.....	Credit Lyonnais (finance).
Do.....	Managing director.....	Usines Chimique Rhone Poulenc (chemicals and pharmaceuticals).
Gillet, Paul.....	Director.....	Chemin de fer du Congo (colonial railroad).
Do.....	President.....	Logements Economiques (real estate).
Do.....	Director.....	Produits chimiques et Electrometallurgie Alais, Froges, et Camarque (aluminum and chemicals).
Do.....	President.....	Hydroelectrique "Drac-Romanche" (water power).
Do.....	Vice president.....	Franco-Belge pour la Fabrication mecanique du Verre (glass).
Gillet, Edmond.....	Director.....	Produits du Lion Noir (chemical products).
Do.....	President.....	Societe "Progil" (tanning materials) (Charles Gillet, a director).
Do.....	do.....	Hydroelectrique du Drac-Inferieur (water power).
Do.....	Director.....	Societe des Produits Chimiques de Clamecy (chemical products) (Charles and Paul Gillet also on directorate).

Similarly, the Schlumberger family of Alsace was connected with numerous nontextile operations, including, among others, the following:

Name	Position	Company
Schlumberger, Camille.....	President.....	Compagnie Rhin et Moselle (insurance) (Nicolas Schlumberger also a director).
Do.....	Director.....	Eaux Minerales de Ribauville (mineral waters).
Schlumberger, Conrad.....	do.....	Societe Alsacienne de Carburants (fuels) (Henry Schlumberger also a director).
Do.....	do.....	Pechelbronn (petroleum) Nicholas Schlumberger also a director).
Do.....	do.....	La Concorde (insurance).

⁵ Some of these were not unrelated to the textile activities. For example, one Motte company not only handled the real estate used for the textile enterprises but also owned farm and other properties which it rented to workers in the Motte mills. Another Motte company operated breweries, distilleries, and wineries, whose products were distributed through a third Motte company operating a chain of cafes and taverns in the textile towns. Similarly, the Verley family participated in a company processing foodstuffs and operating a chain of grocery stores in textile towns.

Name	Position	Company
Schlumberger, Godefroy.....	Director.....	Alsacienne et Lorraine d'Electricite (electric power).
Do.....	Vice president.....	Forces Motrices du Haut Rhin (power utility) (Nicholas and Jacques Schlumberger also on directorate).
Do.....	Director.....	Energie Electrique du Rhin (power utility) (Nicholas and Paul Schlumberger also on directorate).
Do.....	do.....	Industriels Alsaciens (finance) (Robert Schlumberger-Mirabeau also on directorate).
Do.....	do.....	Chaux et Ciments Portland du Haut-Rhin (lime and cement).
Schlumberger, Maurice.....	Partner.....	Schlumberger et Cie. (bank).
Schlumberger, Nicolas.....	Director.....	Societe Generale Alsacienne de Banque (bank).
Schlumberger, Paul.....	do.....	Credit Foncier Commercial d'Alsace et de Lorraine (finance).
Do.....	do.....	Culture Cotonniere du Niger (colonial cotton-growing project).
Do.....	do.....	Banque Nationale Francaise du Commerce Extérieur (bank).
Do.....	do.....	Societe Alsacienne de Constructions Mecaniques (machinery).
Do.....	do.....	Houilleres de Ronchamps (coal mining and electric power).

Further data of this sort are in the appendix.

DECLINING EXPORT MARKETS

In the 1920's, it was estimated that about one-third of the textile products of France were exported. As much of the export trade was in luxury goods—of which the domestic market could absorb not more than about 5 percent—this was much the most profitable part of the textile business.

The recovery of Alsace after the last war increased France's earlier textile productive capacity by at least 25 percent; this offset the war-time destruction of equipment in the north, so that in 1920 France's productive capacity was at least at the pre-war level. During the following decade, despite the fact that forces were already in operation that were eventually to reduce the foreign demand for French textiles, a set of abnormal circumstances encouraged the industry not only to reconstruct the northern mills but also to undertake a general expansion of production. These circumstances included: (a) An abnormal demand for textiles all over the world, but especially in Europe, as householders, institutions, wholesalers, retailers, and such textile users as the automobile and railroad passenger-car manufacturers, rebuilt the stocks that had been depleted during the war; (b) the very low value of the franc, which enabled the French to sell cheaply, in some cases to countries that would not otherwise have been able to buy; and (c) the clause in the Versailles Treaty that provided for the movement of Alsatian textiles into Germany duty free until 1925. Moreover, by the time the franc was stabilized in 1926 at one-fifth its pre-war value, the post-war boom was on in the United States and other countries where large war profits had been made; this not only bolstered the markets for France's luxury goods after the earlier textile demands subsided, but it also brought thousands of tourists to France, where the favorable exchange rate encouraged lavish buying of clothing, embroideries, laces, and other textiles that were specialties of the country.

But the abnormal circumstances that had promoted the export trade after the war were temporary and of diminishing consequence in the face of counteracting factors. Chief among these factors were: (a) The rapid expansion and development of textile manufacturing all over the world, above all in cotton but also in wool, lace, knit goods, hosiery, and, in the United States, silk; (b) great improvement in the quality of textiles produced in the United States and other countries, with the result that French goods had to depend more on prestige and less on quality in the growing competition; (c) the rising tariff barriers designed to protect the new and expanding foreign industries; (d) great improvement in the quality and utilization of artificial fibers, with the cost of production abroad becoming so low that they could compete with silk, cotton, linen, and, to some extent, with wool—the traditional fibers to which French manufacturers clung; (e) the expiration in 1925 of the Versailles clause favoring Alsatian exports to Germany; (f) the world-wide economic depression after 1929; and (g) the development in the 1930's of international trade agreements and import quotas under German guidance and example.

The first of these factors was of special importance. Historically, French textiles had had two major assets—quality and prestige value. Major specialties had been goods for women's wear. The industry had its origin in the period when the French court set the pace for the fashionable world; under the court's patronage, French craftsmen developed such skill in handling fibers and design that their products were prized throughout the world. This skill, as well as the prestige originally derived from the court's patronage, was carried over into machine production. In many parts of the world, people who could afford fine textiles, especially women, habitually bought French goods.

The 1914–20 interruption of the French export trade gave manufacturers in the United States and other countries the opportunity to bring their best goods to the attention of these habitual patrons of French products. A considerable number of these lost the habit of demanding French cloth, hosiery, lace, and ribbons. Import duties abetted this change.

The decline in the market for fine French textiles was not immediately apparent after the war, being masked by the abnormal demand and by the prevailing exchange rates. But some French manufacturers saw the trend; and, in the 1920's a few of them set up establishments abroad to manufacture French-type goods in countries that formerly imported them. By 1934 seven such companies, controlled by the closely related families of Tiberghien, Prouvost, Masurel, and Lepoutre, were operating in the area of Woonsocket, R. I.

The downward trend of French exports was apparent even before 1929, and thereafter the decline was abrupt.

LIMITED NUMBER OF PRICE AND PRODUCTION AGREEMENTS

Until 1925 the French textile industry had no known combinations (except in the related field of dye manufacture) for regulation of production, prices, and market.

The Gillet group (in cooperation with the Carnot family) to strengthen their organizations, founding such subsidiaries: Societe Textile (capitalization 75,000,000 francs), Societe Industrielle et d'Etudes Minières (capitalization 75,000,000 francs), and Societe Bermare, which performed inter-services and managed and controlled foreign investment. They formed SOPARA (Societe de Participations de Rayon) which handled their interests in Viscose Suisse. By 1936 French producers were participating in international agreements on both prices and markets.

Bleaching, dyeing, and printing.—While the Gillet group was engaged in drawing together the rayon interests of the east, it was also assembling with the Lederlins of the east, bleaching, dyeing, and printing units. In 1932 they formed the Societe Nouvelle de la Blanchisserie et de Teinturerie de Thaon, which combined the interests of several companies: the Blanchisserie et Teinturerie de Thaon, Societe Ed. Geyter et Fils, and the Societe de Teintures Appretees du Nord (the last having itself resulted from a merger of Etablissements Motte et Delacuse Freres and E. Stalars). The board of the new Thaon company included representatives of the Kuhlmann chemical interests and the M. N. as well as the Gillet family.

Thaon was later merged with Gillet Cie, and became Gillet-Thaon. This corporation was set up with a capital of 250 million francs based on 2.5 million shares; in 1935 600,000 shares were issued, all to the Gillet family. Before the war Gillet-Thaon had obtained interests in Etablissements Societe de Blanchiments Teintures et Impressions de Teinturerie et Retorderie de l'Est (of which Paul Lederlin was president), Societe d'Impression des Vosges et de Normandie (of which Paul Gillet was vice president), Teintureries et Appretees Reunis (of which Charles Gillet was president). When the war began the corporation had bleaching, dyeing and finishing plants in all the main textile centers of France. Outside the wool branch, most of the textiles manufactured had to pass through these plants for final processing before being ready for the market.

Spinning and weaving.—After the economic collapse there were some attempts to form combinations in the spinning branches of the textile industries, and agreement was reached for certain high-count yarns. In 1934 Alsatian producers entered into an agreement on production and prices, which was renewed the following year. In general, however, producers in these branches, especially the weavers, resisted combination, preferring to take their chances as competitors.

After the acute decline in foreign trade, attempts were made to allot export quotas and to set prices at which the exports could be sold. Since this movement was sponsored by the producers in an attempt to prevent successful competitors from entering whose production costs were lower, it was unsuccessful.

Manufacturers' associations.—The relative absence of attempts to allot markets and to set prices and production quotas

to any lack of experience in group operation for common objectives. The textile manufacturers of France were highly organized, first at the local, next at the regional, and, finally, at the national level, both by branches and by the industry as a whole. The cotton manufacturers had one of the most active national associations, the *Syndicat General de l'Industrie Cotonniere*, and the *Comite Central de la Laine* in the wool field was of almost equal importance. These, as well as other national, regional, and local textile organizations, were united in the *Union des Syndicats Patronaux des Industries Textiles*. Further, textile manufacturers were represented on the *Conseil National Economique*; in 1938 the honorary vice president of the Union, Pierre Thiriez, sat on the permanent commission of the *Conseil*.

In general, these organizations worked together for tariff protection and other legislation desired by the textile industries; after 1936 their efforts were directed largely toward obtaining changes in or exceptions to the labor legislation of that year.

INCREASED CENTRALIZATION OF TEXTILE BANKING AND CREDIT

In the early days of the modern French textile industry, the importation of raw materials and the export trade were largely financed through local institutions. In the southeast, one of the oldest banks in this field was *Credit Lyonnais*, founded in 1863 and built up by the Germain and Fabre-Luce families; later, in the twentieth century, many industrial and commercial interests, including the Gillet family, participated in the bank.

At the outset, the chief textile activities of *Credit Lyonnais* were concerned with the importation of raw silk and the export of Lyon silks, ribbons, velvets, and laces; later, however, it established a branch in Egypt to finance French imports of long-staple cotton. Other credit institutions of importance to the textile industries around Lyon were the *Comptoir Morin-Pons* and *Saint Olive-Cambefort et Cie*.

In the north, the textile industries used to depend largely on such local institutions as *Credit du Nord*, *Banque Scalbert*, *Banque Dupont*, and *Banque Regionale du Nord*. Later the joint-stock company, *Credit Industriel et Commercial*, and the *Comptoir National d'Escompte de Paris* came to play a considerable role in the foreign transactions of the northern textile industry.

After the last war, the financial houses as well as the textile manufacturers were caught with foreign commitments priced in francs and with the rapid decline in the value of the franc, the results were almost disastrous.

At this point an old institution, the *Banque de Paris et des Pays-Bas*, formed in 1872 by a merger of the *Banque de Paris* and the *Amsterdam Banque de Credit et de Depots*, came under control of a new group whose leader was the Hungarian, Horace Finaly. This institution began an aggressive expansion in large-scale financing operations in utilities, chemicals, coal, metallurgy, and textiles, abroad as well as in France. It soon became important in the silk trade through participation in the *Banque Franco-Chinoise pour le Commerce et l'Industrie*. Instead of setting up branch offices along geographical lines it created subsidiary banks along functional lines.

Thus, to finance imports of cotton, it established a subsidiary in 1927, the Banque Cotonniere. It also gained a position in the Banque Francaise et Italienne pour l'Amerique but shared control with the Banca Italiana. The Banque Francaise et Italienne engaged extensively in the purchase of wool and Uruguay. Later, it also became an intermediary between Italian and French rayon manufacturing interests (represented in Italy by Snia). In 1928 the Banque de Paris et des Pays-Bas participated in a movement to coordinate the activities of regional banks, which resulted in the north in the formation of the Banque Bancaire du Nord. As a matter of policy, local industries were drawn into the management of these regional banks.

The French branches of some American banks expanded their activities after the last war. In the field of textiles such as the Chase National Bank, Guaranty Trust Co., National City Bank, and J. P. Morgan & Co. financed imports of American goods. They also entered the field of wool purchasing, which formerly had been handled largely through the city of London.

THE FRENCH TEXTILE INDUSTRY SINCE SEPTEMBER 1939

RAW MATERIALS

On September 2, 1939, on the eve of France's entrance into the war, the Groupement d'Importation et de Repartition du Coton et de la Laine (GIRC) took control of the stocks of cotton and the distribution and manufacture. Similar groupements assumed control of other textile materials. GIRC had been set up on July 11, 1938, as part of the general organization of the Ministry of Commerce. It was reported to be a societe anonyme with a capital of 100 million francs, and was referred to as an offspring of the General de l'Industrie Cotonniere Francaise and of the General de Commerce des Cotons, of Le Havre, major port of entry for cotton. GIRC's operations were directed by the military authorities of the Ministry of Commerce.

GIRC took over all private contracts for the purchase of cotton and negotiated others. It was estimated that its total purchases during the first 7 months of operation totalled 826,000 bales, of which 140,000 came from the United States. Another 140,000 bales, more than half from Egypt, came in by direct purchase of cotton, presumably on pre-war contracts. In late May 1940, with Germany advancing rapidly toward the chief cotton port of Le Havre, GIRC stopped purchases and began to cancel contracts. On June 1, 1940, leaving Le Havre, abandoning 150,000 bales of cotton in local warehouses. Representatives returning late in July found that two-thirds of the cotton had been destroyed by military action, more than one-third the remainder was in process of shipment to Germany, and the remainder earmarked for later shipment. In addition, 30,000 bales of cotton at St. Nazaire in an attempt to prevent capture had also been destroyed, as well as minor amounts in other Atlantic ports. A large quantity of bales, largely Egyptian cotton in Mediterranean ports, escaped direct confiscation. It was estimated that at the time of the occupation of the cotton mills of the occupied zone, which, with Alsace-Lorraine, included nearly all the cotton spindles and most of the cotton looms.

sufficient for 3 months of operation on a 24-hour week. Later the American consul general in France estimated that 550,000 bales of cotton were in the country in August 1940—that is, approximately 45 percent of the pre-war annual consumption.

There is very little information on stocks of wool and other fibers in 1939 and 1940, but a considerable part of the imported wool usually came to the channel ports, near the wool manufacturing plants of the north.

The German advance was so rapid that there was very little opportunity to move stocks to safer zones, though some importers had anticipated the situation and moved them at an earlier period. The mills likewise fell into German hands practically intact. Economic officers of the German Army took immediate control of mill warehouses, made inventories of all raw materials and manufactures, and in some places began to move them toward Germany. A short time afterward, however, the removal of stocks and semifinished goods was stopped, to save German labor by having the materials manufactured in France.

Within a few weeks a so-called Kehrl plan (named for Hans Kehrl, president of the Reichswirtschaftsministerium) was submitted to the French for signature, and presumably signed. The "plan," which was partly retroactive to cover prior confiscations in the occupied zone, was for the period between June 1940 and October 1941. The French were to deliver to the Nazis (in satisfaction of one "claim" or another) one-third of the 1940 wool clip, two-thirds of the 1941 clip, and large quantities of semi-finished textiles, as follows:

	<i>Metric tons</i>
Greasy wool.....	30, 000
Carded wool.....	5, 593
Wool combings and waste.....	6, 000
Wool cloth and yarn.....	2, 217
Cotton goods.....	24, 000
Jute.....	2, 500
Rags (at least one-half of them wool).....	50, 000

At the same time Germany was to make available for purchase by the French 80,000 metric tons of wood pulp for rayon manufacture. This was to enable France to triple its annual output of artificial fiber, but part of such output was to be sent back to Germany in the form of fiber or cloth.

A "second Kehrl plan" was made for the year between October 1941 and October 1942. It was estimated that during that period 150,000 metric tons of materials would be available in France. The plan called for delivery to the Nazis of one-third of this amount, in the form of raw, semifinished, and finished materials. Although the German deliveries of wood pulp under the first Kehrl plan were not completed until midsummer of 1942, the French were not excused from shipping the stipulated amount of rayon to Germany by October 1941; and the second Kehrl plan, on the presumption that Germany would thenceforth provide all wood pulp deliveries on time, called for rayon shipments by the French equivalent to those made under the first plan. In addition to the requisitions, the agreement provided that Germans could purchase "manufactured textile products which are not indispensable for French needs, such as decorative fabrics for theaters and cinemas, tapestries, carpets, upholstery fabrics" up to a total of 10,000,000 reichmarks. In a related agreement, the Nazis, facing

their first winter in Russia, demanded 100,000 woolskins from the French; after 6 months the French managed to reduce the quantity to 50,000 a month.

In August 1942, negotiations were begun on a third Kehrl plan covering the year October 1942 to October 1943. Under this plan the Nazis were to obtain 78 percent of the estimated wool, 50 percent of the estimated cotton, and 67 percent of the estimated flax supply, raw or in manufactures, along with quantities of other textile materials and goods, as follows:

Wool (washed or in manufactures).....	.....
Cotton (raw or in manufactures, half to be in American cotton).....	.....
Flax tow (in yarn or fabrics).....	.....
Rags (at least one-third to be of wool).....	.....
Animal hair.....	.....
Rayon (fiber or in fabrics).....	.....

The wool requisition was based on an estimate that a total of 10,000 metric tons of washed wool would be available in France, a third expected from north Africa and the rest from sheep in France. The estimate of domestic wool in turn was based on an ovine census of November 1941, which disclosed only 8,000,000 sheep, excluding lambs. It is believed that the French had managed to conceal the number of sheep from the census takers and that the actual number was 10,000,000. The domestic estimate was further based on a yield of only 1,000 pounds of washed wool per sheep, whereas the pre-war yield had been 1,200.

The cotton requisition was based on an estimate that a total of 6,200 metric tons would be available in France.

The flax tow requisition was based on an estimate that the French production would amount to 13,200 metric tons. The plan provided that, if actual production should exceed this amount, the excess was to go to the Nazis in the form of yarn or fabric. The whole line spinning and weaving capacity of France was to be made available for manufacture of whatever tow might be sent into France from Germany or German-held areas.

As in the previous "plan," Germany was to deliver wood pulp to be purchased by the French rayon manufacturers. This time the French were to receive, "subject to possibilities of delivery," a total of 20,000 metric tons; one-third of it was to be sent back to Germany in the form of rayon fiber or in fabrics.⁶ In addition, the French were permitted to buy through the Nazis 20,000 metric tons of wood pulp and 18,000 metric tons of "soda-pulp paper" for the manufacture of binder twine, 10,000 metric tons of binder twine from Germany, Belgium, and Holland, 20,000 metric tons of paper for twisting into cord, and 200 metric tons of bember twine. None of the twine or cord had to be sent back to Germany; but the twine used to bind wheat and other products, some of which were mentioned by the Nazis.

Over and above the requisitions, the Germans were again to buy up to 10,000,000 reichmarks worth of any textiles that were "not indispensable for French needs."

All in all, the third Kehrl plan contemplated that over 60,000 metric tons of "true textile materials" were to go to Germany and

⁶ Under the third Kehrl plan Germany was to sell sulfuric acid and other chemicals that France could obtain elsewhere for the artificial fiber industry.

over 70,000 were to be available for the French. The Germans took the position that the latter would be enough to provide 1 kilogram a year of textiles per capita (the standard established by the Nazis for the rest of Europe, according to the German negotiators) and 0.33 kilogram extra a year for persons in the French military postal, police, and other government services. The French negotiators pointed out that there were also 40,000,000 colonials who lacked the reserves of metropolitan France and were dependent on France for textiles; but this, along with several other arguments for increased supplies, was ignored by the Nazis.

The Allied invasion of north Africa came when operations under the third Kehrl plan were hardly more than a month old. It lessened by a fifth the amount of wool that was expected to be available; it also lessened the supplies of certain other fibers, such as miscellaneous animal hairs. Moreover, when Madagascar, west Africa, and other parts of the French Empire came into the Allied camp, some supplies of cotton, sisal and other fibers were cut off from the Continent. On the other hand the French had concealed the real yield of wool, and, until the occupation of southern France, there were certain other hidden stocks in the metropolitan area. Moreover, the loss of north Africa and other parts of the empire removed the colonial demand upon Vichy for textiles; and with the German occupation of southern France, the last remnants of the Vichy French Army were demobilized, which lessened the textile needs of government services.

After the loss of the north African and other colonial sources, the supplies of textile materials available for the period ending in October 1943 in metropolitan France, exclusive of such stocks as may still have remained hidden and exclusive of materials allotted to the Nazis under the third Kehrl plan, are estimated to have been roughly as follows:

	Metric tons	Remarks
Cotton.....	3,000	
Wool (washed).....	2,000	Most of this was going into raw materials black markets; only 200 metric tons were officially recognized as available under the Kehrl plan.
Flax tow.....	9,000	Production exceeded the estimates by at least 10,000 metric tons of which half was to go to the Nazis; this left about 9,000 for France, of which a considerable part probably went into black markets.
Hemp and "neglected" hard fibers.....	4,000	Hemp production declined in 1943, due to lack of imported seeds, to about 3,000 metric tons. Broom (gerista), jutuphax, and other formerly neglected fibers probably totaled about 1,000 metric tons.
Alpha grass.....	6,000	Available from stocks in southern France.
Sisal.....	2,000	Do.
Hair.....	(?)	Supplies uncertain. Collection of human hair from barber and beauty shops was made compulsory in towns of 10,000 people or more.
Rags.....	10,000	Mostly nonwool. Though the Nazis estimated that 22,000 metric tons could be collected for French needs, this was undoubtedly high. Collection for the previous German requisition had fallen short by 8,000 metric tons. People preferred to wear patched garments of natural fiber rather than turn them in for a permit to buy new garments of rayon, reworked or mixed fibers.
Rayon.....	28,000	Estimate based on rate of production in March 1943.
Lanital and nylon.....	100	Mostly lanital.

While the foregoing supplies were presumably available for needs, the amounts actually available were still further reduced by purchases of so-called dispensable goods, made by semiofficial civilian organizations both on the black markets and elsewhere. Purchases of linen goods for use as fire-hose lining were particularly heavy.

In July 1943, the Nazis presented a fourth Kehrl plan—a 1-year period as theretofore, but for a 6-month period, October to April 1944. The demands to be fulfilled in this period principally:

	Metric tons	Remarks
Wool uniform cloth.....	4,000	Equivalent to 7,250 metric tons of wool. The Nazis to conduct the collection. French do not fulfill the quota. Two-thirds of the 1943 crop. This apparently superseded that of 1942 which covered the same crop.
Wool rags.....	7,000	
Flax tow.....	15,000	

¹ Circa.

The Germans again said that, "subject to possibilities of 60,000 metric tons of wood pulp could be bought by the French for the manufacture of artificial fiber. They also agreed to deliver acid substitute for use in the rayon mills.

It is reported that in the second half of 1943 the Germans, relying less on the Kehrl plan requisitions than on buying what they wanted at high prices through the semiofficial Nazi organizations. This method was found to achieve "more satisfactory results."

The requisitions and semiofficial purchases under the Kehrl plan and the unofficial black market and other purchases by the Germans have had the effect of progressively exhausting the limited raw material supplies of France. Excepting the flax crop, which is clipped each year (which are diminishing for lack of seed, for fodder, etc.) and excepting German deliveries of wood, possibly some still hidden miscellaneous stocks, France has no textile raw materials left.

REORGANIZATION OF THE INDUSTRY

Shortly after the armistice of June 1940, the textile and other industries of France were reorganized along Fascist lines. The "law" of August 16, 1940, laid the foundation for the new order. It provided, first, for the dissolution of all national organizations, employer, and other organizations "likely to be harmful to the functioning of any branch of economic activity," and, second, for the establishment of a framework of industrial and other organizations under the so-called Minister-Secretary of Industrial Production and Labor (Rene Belin).

This was followed by a series of implementing decrees, for the creation of specific labor and employer groups and creating Comités d'entreprise (organizing committees) for the various industries and public enterprises of the country. By the middle of November 1940, national confederations with which textile workers or employers had been associated were specifically dissolved, including the Confédération

Generale du Travail, the Confederation Francaise de Travailleurs Chretiens, the Confederation des Syndicats Professionels Francais, and the Confederation Generale du Patronat.

Textile manufacturing.—A decree of October 26, 1940, established the Comite General d'Organisation de l'Industrie Textile (general organizing committee for the textile industry) with headquarters at Paris. On the next day a further decree named as director general, Robert Carmichael, a leader of the French jute industry.

The objectives of the reorganization were to centralize control of the industry and to obtain maximum efficiency in the use of plants, materials, and labor for production that would meet the needs of Germany and its occupation. Textile production and distribution were to be handled in accordance with certain priorities. The order of priorities became established as follows:

1. German military requisitions (designated Rustung).
2. Other German requisitions and private orders (designated Verteidigt).
3. Colonial requirements (i. e., trade goods, etc., needed to obtain colonial products used largely by the Germans). This priority was eliminated after the Allied invasion of north Africa.
4. French official requirements (including those for the Army which Vichy was permitted to maintain until the Germans occupied southern France). This priority, so far as the French Army was concerned, was also eliminated in November 1942.
5. French technical and industrial requirements (used in producing various items, some of which went to the Germans).
6. French civilian goods.

In line with these objectives, the major functions of the Comite were designated as follows:

To make a survey of the enterprises in each branch of the textile industry, their means of production, stocks and labor supply;

To set up programs of production;

To organize procurement of raw materials (through the appropriate authorities) and arrange for their distribution among the various branches of the industry;

To make rules for controlling conditions of operation, quality of production, employment of labor, exchange of products and services, and "proper competition";

To propose (to proper authorities) prices of goods and services.

In addition to the director general, the Comite consisted of directors, appointed one from each branch of the industry, as follows:⁷

Cotton.....	Fernand Motte.
Wool.....	Alphonse Tiberghien.
Silk, silk goods and rayon fabrics.....	Jean Berioz.
Artificial fibers.....	Ennemond Bizot.
Flax and hemp.....	Jean Le Blan.
Jute and hard fibers.....	Yves-Marcel Latieulle.
New fibers (added July 1, 1941).....	Jacques Leonhart.
Rags.....	Georges Soulier.
Dyeing and finishing.....	Francois-Henri Balay.
Hosiery, knit goods, etc.....	Georges Babeau
Clothing and accessories.....	(See next section.)

⁷ For family and other interrelationships among the branch directors, see previous section, "Concentrated family type of ownership."

Each branch director had power to make decisions affecting the branch which he headed. He had the assistance (or wished to use it) of an advisory committee, but this committee without executive authority of any kind. The advisory committee for the various branch directors included:

Cotton:	Jute and hard fibers:
Marcel Boussac.	Georges d'Acremont.
Andre Cartier-Bresson.	Pierre Beguene.
Robert Grosse.	Fernand Dalle.
Georges Lederlich.	Emile Dumont.
Robert de Menibus.	Louis Rouillet.
Victor Tenthorey.	Roger Saint.
Jacques Westphalen.	New fibers:
Wool:	Louis Blanc.
Pierre Bochez.	Pierre Bourcier.
Edmond Bouteille.	Charles Cazave.
Jean Clarenson.	Max Descamps.
Maurice Dubrilie.	Alphonse Dingemans
Eugene Dyant.	Pierre Formege.
Emile Gentil.	Bernard Maisant.
Michel Lalour.	Felix Parisot.
Edouard Ricalens.	Francois Vaganay.
Jacques Segard.	Rags:
Silk:	Robert Angles.
Marcel Chabrieres.	Paul Lamourelle.
Henri Doll.	Albert Laroche.
Paul Durange.	Etienne Liagre.
Jean Martin.	Antoine Silvestre.
Guillaume Pomeon.	Dyeing and finishing:
Jean Rochette.	Pierre Baumgartner.
Paul Vincent.	Lamourelle Blanchot
Artificial fibers:	Jean Christophe.
Henri Augulhon.	Paul Delannoy-Rous
Marcel Bo.	Andre Morot.
Franck Morin-Pons.	Georges Polino.
Flax and hemp:	Georges Rivat.
Maurice Brevet.	Jules Staat.
Hubert Crespel.	Hosiery, knit goods, etc.:
Rene Descamps.	Marcel Brun.
Marcel Decrocq.	Eugene Bury.
Leon Dufour.	Pierre Clayette.
Roger Gourdon.	Sylvain Hemery.
Edouard Levey.	Rene Marc.
	Louis-Emile Menuiel.
	Maurice Ollivier.
	Albert Waldmann.

Orders of the branch directors were subject to review by general; orders of the director general were final, unless vetoed by the Minister-Secretary of Industrial Production and Labor, Charles Charbonneau, a representative of the Minister-Secretary of the Comite.⁸

The Comite was supported by dues levied on the men in the industry, who were organized into regional and local groups. Those who wished to remain in business had no choice but to join these groups and follow orders of the Comite; only members in groups could obtain raw materials, fuel, power, etc., and only such members could market their products. Jews and certain other persons were excluded from membership and hence from the industry.

⁸ The departments of Pas-de-Calais and Nord, being under the German administration, had a separate system of Comites d'Organisation, but these were not the general committees in Paris, which included representatives of northern interests. The latter, which was actually incorporated into the Reich, came under direct German administration and was outside the jurisdiction of the Comites.

The Comite established regional offices as needed; local enforcement of Comite orders generally rested in the hands of local economic officials appointed to coordinate and control local industrial activity of all types. In the occupied zone, and later throughout France, Germans were assigned to work with the regional and other offices of the Comite.

During the first 2 years of the new order, there were few changes in the directorate of the Comite. In December 1941 Robert Carmichael left to devote himself to his other interests. Alphonse Tiberghien, of the prominent textile family from Roubaix-Toucoing, became the new director general. In May 1942 Andre Liebaut replaced Yves-Marcel Latieulle as director of the jute and hard fibers branch.

During the latter part of 1942 and the early part of 1943, however, the personnel of the directorate changed greatly.⁹ On October 15, 1942, Alphonse Tiberghien, the director general, was "dismissed for personal convenience" and replaced by Ariste Potton, silk merchant and chairman of the Chamber of Commerce of Lyon. This change occurred shortly after members of the firm Etablissements Tiberghien were arrested for concealment of illegal profits.¹⁰ By April 1943 the directors of the various branches (which had been somewhat reorganized by a decree of June 19, 1942) were:

Cotton spinning.....	Marcel Mieg.
Wool (all operations).....	— Genty.
Silk (all operations) and rayon weaving.....	Joseph Brochier.
Flax spinning.....	Jean Le Blan.
Jute and hard fibers.....	— Faix.
Artificial fibers.....	Ennemond Bizot.
New fibers.....	Jacques Leonhart.
Rags.....	Georges Soulier.
Weaving of cotton, flax, and miscellaneous yarns.....	Etienne Richard.
Hosiery, knit goods, etc.....	Georges Babcau.
Dyeing and finishing.....	Francois-Henri Balay.

By a decree of June 19, 1942, a separate committee was set up to control wholesalers and retailers, other than those supplying the textile-transforming industries. This committee was called the Comite General d'Organisation du Commerce de l'Habillement et des Tissus. Its director general was Georges Soudre; a deputy director was also appointed, Pierre Faivret.

Textile transforming.—Under the decree of October 26, 1940, special provision was to be made from the clothing branch of the industry. In addition to the branch director, each section for the clothing branch was to have a chief. Accordingly on October 27, 1940, a decree established, within the Comite General, a Comite du Vetement, divided into seven sections with chiefs as follows:

Fashion models, made-to-measure clothing, laces, tulle, embroideries.....	Lucien Lelong.
Men's ready-to-wear clothing.....	Henri Darnat.
Women's ready-to-wear clothing.....	Jacques Guenin.
Underwear, lingerie.....	Jean Berthelot.
Furs.....	Roger Binet.
Accessories (buttons, ties, trimmings, etc.).....	Jacques Deligny.
Wholesale goods for the transforming industry.....	Denys Moreau.

⁹ It is reported that some of these changes have come about as a result of resignations after the Allied invasion of north Africa and the Russian success at Stalingrad.

¹⁰ The details of this situation have not been ascertained; but it has been learned that family holding companies, such as Textiles A. G., were formed in Switzerland and elsewhere by Alphonse, Charles, and Georges Tiberghien to handle various properties, some of which were acquired from Jews at forced sales. One of these properties was called Tapis d'Avignon.

Apparently the position of branch director was not filled 1941, when Jacques Deligny was appointed. His position in the accessories section was then taken by Aime Baboin-J. Advisory committees for the various group chiefs inclu

Fashion models, etc.:	Underwear, lingerie, etc.:
Fernand Bardet.	Roger Lheureux.
Jacques Bouchinot.	Raymond Limondin.
Marcel Dhorme.	Pierre Regnier.
Pierre Faivret.	Jean Vermeersch.
Pierre Hurel.	Accessories:
Jeanne Lanvin.	Jean Bernard.
Andre Pilmis.	Henri Clerembault.
Marcel Reneault.	Max Flechet.
Men's ready-to-wear:	Pierre Jachiet.
Jean Baillet.	Louis Leglise.
Rene Derred.	Andre Marek.
Marsel Lemaire.	Furs:
Jacques Pepaudin.	Gustav Bernard.
Andre Sohm.	Jean Bardinon.
Roger Stoll.	Max Delahaye.
Women's ready-to-wear:	Henri Fousse.
Gabriel Chabaud.	Joan-Marie Revillon
Henri Dalet.	placed by Victor I
Andre Gobert.	Wholesale goods:
Pierre Laurain.	Maurice Cauchois.
Underwear, lingerie, etc.:	Paul Dormeuil.
Edouard Desembre.	Raymond Popelin.
Robert Disle.	Emmanuel Simonnot
Philippe Gravereaux.	Auguste Testard.

In June 1942 control of the transforming industries was By a decree of June 19, 1942, the Comite du Vetement w from the Comite General d'Organisation de l'Industrie made a distinct committee with a director general directl to the Minister-Secretary of Industrial Production. Th mittee was called Comite General d'Organisation de l'He du Travail des Etoffes (general committee of organization and work on fabrics).

Jacques Deligny, who had been branch director, bec general. The branches of the transforming industry v into two main categories with branch directors as follows

A. Industrial:	
Fashion models and made-to-measure clothing.....	Luci
Men's ready-made clothing.....	Hen
Women's ready-made clothing.....	Jacq
Underwear, lingerie.....	Jean
Miscellaneous articles of textiles.....	Loui
B. Commercial:	
Wholesale trade-in goods used by the industry.....	Mau

Distribution of raw materials.—Control of allocation of r was basic in the new economic order. A decree of Se 1940, established the Office Central de Repartition c Industriels (central office for the distribution of industri under the Minister-Secretary for Industrial Production This central office was divided into sections correspor major groups of French industries; each section was l Repartiteur (distributor) who was assisted by an advisory The textile section was called the Office de Repartitio (office of distribution for the textile industry) with juris the procurement and distribution of all fibers for the texti

The head of the textile section, or Repartiteur du Textile, was the same person who held the position of director general of the Comité General for the textile industry. Thus, the first Repartiteur was Robert Carmichael; in December 1941 he was replaced by Alphonse Tiberghien, who in turn was replaced in October 1942 by Ariste Potton. Andre Descamps, a representative of the Minister-Secretary for Industrial Production and Labor, sat with the textile section.

Up to October 1942, when Alphonse Tiberghien was dismissed, the advisory committee for the head of the textile section in the office of distribution included at one time or another:

Position in the Textile Committee

Georges Babeau.....	Director for hosiery and knit goods.
Alme Baboin-Jaubert.....	Chief of accessories section.
Jean Barioz.....	Director for silk and rayon fabrics.
Jean Victor Berthelot.....	Chief of underwear and lingerie section.
Pierre Besancon.....	
Ennemond Bizot.....	Director for artificial fibers.
Henri Darnat.....	Chief of men's ready-to-wear section.
Jacques Deligny.....	Director for clothing.
Jacques Guenin.....	Chief of women's ready-to-wear section.
Yves-Marcel Latieulle.....	Director for jute and hard fibers.
Jean Le Blan.....	Director for flax and hemp.
Lucien Lelong.....	Chief of fashion section.
Denys Moreau.....	Chief of wholesale goods section.
Fernand Motte.....	Director for cotton.
Georges Soulier.....	Director for rags.
Alphonse Tiberghien.....	Director for wool.
de Wagner.....	

A special order of December 12, 1940, added to the committee "Mlle. Schaff (Maria)."

In October 1942 the advisory committee was composed of:

Name	Directorship in Textile Comité	Directorship in Clothing Comité
Georges Babeau.....	Hosiery and knit goods.....	Underwear and lingerie.
François-Henri-Balay.....	Dyeing and finishing.....	
Jean Berthelot.....		
Ennemond Bizot.....	Artificial fibers.....	Wholesale goods trade. Men's ready-to-wear. Director general.
Joseph Brochier.....	Silks and rayon weaving.....	
Maurice Cauchols.....		
Henri Darnat.....		Women's ready-to-wear.
Jacques Deligny.....		
Rene Descamps.....	Regional director general ¹	
Maurice Glorieux.....		Miscellaneous articles. Fashion models.
Jacques Guenin.....	Flax and hemp.....	
Jean Le Blan.....		
Louis Leglise.....		
Lucien Lelong.....	New fibers.....	
Jacques Leonhart.....	Jute and hard fibers.....	
Andre Liebaud.....	Cotton spinning.....	
Marcel Migé.....	Cotton and flax weaving.....	
Etienne Richard.....	Rags.....	
Georges Soulier.....		

¹ Of the Textile Comité for Nord and Pas-de-Calais. In January 1943 M. Descamps resigned to take a position with the Kuhlmann interests and was replaced by M. Toulemonde.

At first, the major function of the Office Central was to procure and allot raw materials and other supplies among the various French industries.¹¹ Later, as supplies decreased, it had power to determine the uses to which the materials were to be put. In the case of the textile section, this included the power to determine what percentages

¹¹ As in the case of the Comités Generals, the Office Central could give orders affecting Nord and Pas-de-Calais (though these departments were under the German military administration at Brussels) but had no jurisdiction over Alsace-Lorraine.

of natural, reworked, and artificial fibers were to be use textile mixtures. It also had power to transfer stocks from one to another, if it deemed such a transfer desirable for speculation or for other purposes. These determinations were in accordance with the system of priorities established as described above. In addition to powers over production, the textile section had considerable responsibilities (in collaboration with the Ministry of Production and the Rationing Service) in regulating and distribution of finished textile products; these included the printing of clothing ration cards. As in the case of other sectors, certain Germans were assigned to work in various parts of the Office Central.

The textile section of the Office Central and the Comité d'Organisation for the textile industry had to work closely together, but, as the leaders of the two institutions were practical men, cooperation was easy. Joint services were maintained in the areas of statistics, legal matters, publicity, and coordination.

In negotiations with the Germans regarding raw materials, production, requisitions, etc., persons from the Office Central and the Comité were prominent. For example, the negotiators of the Kehl plan (who included some of the leading French textile figures, or their representatives) were:

FRENCH

M. Alphonse Tiberghien (directeur général and répartiteur du textile).	M. Gourlet.
M. Georges Babeau.	M. Jarillot.
M. Ennemond Bizot.	M. Jean le Blan.
M. Carrissimo.	M. Andre Liebaut.
M. Jacques Charbonneaux.	M. Marcel Mieg.
M. Cochevits.	M. Rene Pollet.
M. Rene Descamps.	M. Robichez.
M. Dussart.	M. Schroeder.
M. Maurice Glorieux.	M. Georges Soulier.

GERMAN

Dr. Wilhelm Gruber (Wehrwirtschaftsführer).	Herr Doebener.
Herr Conze.	Herr Rausch.
Herr Delius.	Herr Schilling.
	Herr Werk.

The "Labor Charter": The Comités Generaux and the Comités d'Organisation were considered temporary agencies, while plans for fascist corporatism were being drawn up.

On October 4, 1941, a "law" was passed relating to "the organization of occupations." In the preamble Admiral Darlan designated the document as the "Labor Charter"; and it has been designated as such by Vichy and the Nazis. Consisting of 80 articles, this was for an elaborate network of organizations for employers and for strict regimentation of labor and industrial relations.

The active population was to be divided into professional "families," one for each section of French industry. Each "family" was to be divided into five classes:

- Employers.
- Managerial agents.
- Technical, administrative, and commercial personnel.
- Salaried employees.
- Workers.

In each locality the "family" members in each class were to belong to a single "syndicat." For example, in Lille, all owners of textile mills and of textile raw-material establishments would have to belong to one syndicate; their managerial agents would, likewise, belong to one syndicate; and so on, for each class within the occupational "family." Every syndicate was to be guided by an administrative council, whose composition was to be fixed by later decree.

Each administrative council was to select from its own members a limited number to represent the syndicate in a regional organization to be called a "union." Similarly each regional "union" was to select from its membership a small number to represent it in a national organization, to be called a "federation." Certain seats in each "federation," however, were to be reserved for persons having national or multiregional interests.

In addition to this organizational hierarchy, the "Labor Charter" provided for another interlocking system of "corporative organisms," called "social committees," composed of representatives of each class within a "family." These were to be formed in each plant, as well as at the local, regional, and national levels. At the plant level the "social committee" was to be organized in agreement with the head of the establishment and was to achieve "social and professional collaboration between management and personnel"; but the composition of the plant committee had to be approved by the "social committee" of the locality, under whose "corporative authority and control" it was placed. The local committee, composed of between 12 and 24 members, was to be divided into 3 equal groups: Employers, wage and salary earners, and the others (managerial agents and technical, administrative, and commercial personnel). This tripartite division was to be maintained also at the regional and national levels. The members of the regional committee were to be designated by the constituent local committees; and those of the national committee were to be designated by the constituent regional committees. A certain number at each level had to be chosen from the executive committees of the occupational "syndicates," "unions," and "federations" described above. Further details concerning conditions of designating members of the "social committees" at the various levels were left to later decrees of the Secretary of State for Labor.

The "social committees" were to have power over "occupational and social" but not "political or religious" activities. They could handle questions of wages, collective agreements, vocational education, hiring and firing, recreation, etc., but not questions pertaining to "plant management." Strikes and lock-outs are banned.

In addition to these various organizations, the "Labor Charter" provided for "corporative commissaries" with "power to control labor conditions in all the establishments connected with the social committees."

On November 13, 1941, a superior council was appointed to put the "Labor Charter" into effect.

A decree of January 10, 1942, defined as one "occupational family" all persons engaged in textile manufacturing and trade in textile raw materials. It defined as another "occupational family" all persons engaged in manufacturing of clothing and accessories. Decrees of July 22 and August 12, 1942, defined two further "families" in the textile field, one consisting of all producers, retters, and scutchers of

flax and hemp, and the other consisting of all produce processors of wool. But the corporatism of the "I" has not yet supplanted the "provisional" system of d'Organisation and the Office Central de Repartition.

POLICIES OF THE NEW TEXTILE ORGANIZATION

After the armistice was signed in June 1940, the French textile-transforming interests faced the choice of closing or accepting orders from the Nazis. A decision to close orders meant that plants could not obtain raw materials, lubricants, and other supplies; that in all probability equipment would be confiscated or scrapped—or at least deteriorate; that skilled workers would be scattered; that markets would be lost to rivals; and that other business owners, in banking, finance, and so on, would be jeered. On the other hand, collaboration offered a means of protecting interests and of making profits: the Germans were willing for anything they wanted and profits could be rapidly acquired. Properties that were being thrown hastily on the market, fleeing the country or forced out of business, or could amortize debts contracted before the inflation of the armistice of June 1940.

Except for people who feared violence as a result of collaboration, practically all owners of textile and textile-transforming decided to continue operations, though the firms with indirect investments outside the country arranged to safeguard those interests. Thus, for example, Charles Tiberghien Alphonse, came to the United States to manage the American affiliate, the French Worsted Co. of Woonsocket, and went to north Africa to manage Société Africaine de Filature (SAFT), the Tiberghien affiliate operating at Rabat. Similarly in the case of the Schlumberger family, Paul, and Marcel Schlumberger remained to handle the textile interests in Alsace (which was incorporated in Germany) and their banking interests in Paris, other members (Maurice Schlumberger, Henri Doll, and Baron J. de Schlumberger) went to the United States and South America to handle the Schlumberger Well Surveying Corporation and its American affiliate, Sureenco.

As the textile Comité and the textile section of the Fédération were composed of the industry's leaders, or their representatives, policies of these organizations have reflected in general the interests of firms that were permitted to, and did, remain in France. They have endeavored: To keep staffs and plants intact in the face of the abnormal post-war demand they anticipated; to maintain their competitive position in relation to German and other producers, as well as internally.

A Vichy law of February 22, 1941, forbade the transfer of French-owned companies without personal endorsement by the buyer. This was an attempt to prevent the acquisition of properties by the Germans. Owners of the leading

worked constantly to prevent certain members of the industry from accepting Nazi inducements to move their equipment across the Rhine.¹²

In their attempts to keep staffs intact the French textile officials and mill owners have also supported limitation of the workweek to 40 hours (which they had opposed before the war); the shorter workweek tended to decrease the number of workers that might be forced to work in Germany. The Comite has used the incomplete census figures of 1931 to conceal the number of people actually employed, for example, convincing the Germans that only 3,000 workers were employed in Nord in the manufacture of fancy knit goods, whereas the actual figures were nearer 12,000. The Comite has quietly acquiesced in various devices used by manufacturers in resisting Nazi attempts to drain manpower, especially skilled manpower, from the textile plants. Such devices include: Premature retirement of older skilled workers to make places for younger men; placement of skilled textile workers in such operations as timber cutting; and replacement of women workers with men.

While these measures have helped Frenchmen avoid the Nazi labor draft, other acts of the Comite and the Office Central have apparently caused wide popular criticism among small businessmen as well as workers. Officials have been charged, for example, with inequitable distribution of raw materials, with undue favoritism to the fashion industry and with protecting black markets in raw materials and clothing. (See later section of this report.) *Les Nouveaux Temps* (Paris, September 7, 1943), attempting to use the unpopularity of the provisional Comites Generals and Offices de Repartition to promote the all-out corporatism of the "Labor Charter," referred to the Comites as "sad gifts of defeat" and as "temporary expedients." Their powers, it said, enabled them to "set up their own 'good pleasure' as the sovereign law." According to the newspaper, the Comites, consisting of unknown or prominent personalities, but in any case both judges and interested parties, have deviated, from the beginning, from their route * * *. Organizers, mediators, allocators, and controllers—they have soon become negators of private initiative, disloyal competitors of the industrialists and merchants who refused to accept their dictation. The most crying abuses are cited in every region: Unjustified withdrawals of purchasing cards; unmotivated suppression of the right to manufacture; systematic refusal of raw materials, etc. Only rarely has the matter received judicial recognition. If it were possible for the courts to go to the bottom of things, how quickly it would be seen that they [the Comites] were the origin of scandalous fortunes and of many ruins.]

TEXTILE OPERATIONS SINCE THE ARMISTICE OF JUNE 1940

Number of plants in operation.—It is estimated that at the time of the armistice there were about 12,000 companies or firms. The number of plants or shops then in operation is estimated to have been at least 25,000. During the following years some of these have been put completely or partly out of operation. Reports from Switzerland at the end of 1942 estimated the number of companies and firms still in existence at about 8,500, but did not attempt to estimate the number of plants. Reports from other sources, however, indicate

¹² For the most part, the Reich was not in need of French equipment, having acquired more plants in Poland and Czechoslovakia than it could supply with fibers.

that as of April 1943 the following plants were entirely destroyed:

130 cotton-spinning plants (out of a pre-war total of about 600 knit-goods plants (out of about 6,000).
400 dyeing and printing plants (out of about 1,000).

But the mortality has been largely in the small plants and shops. Few of the larger plants, which had accounted of the country's pre-war production, have ceased operation.

The principal cause for the decline in the number of operations has been the shortage of raw materials and supplies, coupled with the system of allocation introduced under the new economic plan. In August 1940 allocations of raw materials were restricted to the quantities consumed by each plant in 1938. While some plants managed to survive this restriction, there were many plants that could not. Later, the restriction was lifted for mills handling German orders, but as these were usually small plants, this modification offered no help to the small enterprises. The Nazis wanted to close all except the most efficient mills. In 1941 and 1942 the French succeeded in resisting this demand. Members of the Comité General and Office Central have been able to keep mills that would have been affected by such a drastic measure. Also there was risk of considerable unrest among people who have become unemployed. But as the Nazis later demanded a call for more forced labor for Germany, the problem of unemployment disappeared. It is believed that some plants that still remained in operation were now re-opening entirely.

Shortage of fuel and power has sometimes forced the temporary shut down of many plants. For example, on January 1, 1943, German military authorities ordered the closing for 1 month of textile mills, except those working on Rustung and Verdring and those working on artificial fiber, rags, or waste.

Lack of special items closed down some plants that might otherwise have continued in operation. For example, cottons that formerly used long-staple Egyptian cotton could not be spun unless their spindles could be adjusted to use shorter staples. It is estimated that only about half of these spindles could be adjusted. Shortages of dyes, of course, forced down a number of dyeing and printing plants.

In addition to the shortage of supplies and the allocations, Allied bombing has put some textile plants out of operation. According to a report in November 1943 the following mills were completely destroyed:

Company	Location of plant	Product
Boutry-Droulers	Fives (near Lille)	Cotton spinning
Delasalle Frères	Lomme (near Lille)	Do.
Delebart-Mallet	Loos (near Lille)	Cotton spinning
Filature de Strasbourg	Strasbourg (Bas Rhin)	Making paper
Filature et Tissage de Jute	Bischwiller (Bas Rhin)	Jute spinning
Fremaux	Lomme	Cotton spinning
Thiriez Frères	do.	Cotton spinning

The following mills are reported to have been damaged:

Company	Location of plant	Operations
Comptoir Linier.....	Several mills near Lille.....	Linen spinning and weaving.
Filature de Schappe.....	Tenay (Ain).....	Silk floss spinning.
Filés de Calais.....	Calais.....	Rayon manufacturing.
Leon Crepy.....	Lambersart (near Lille).....	Cotton spinning.

Sabotage, as well as Allied bombing, has caused some damage. At least one important plant, the National Viscose factory at Grenoble, is reported to have been completely destroyed by sabotage.

Another factor that has reduced textile operations has been the removal of equipment by the Nazis. Though this practice has apparently not been widespread in the textile industries, some instances have been reported. For example, copper from the rollers in dyeing and printing plants has been confiscated to meet the Nazi levies. Plants in Caudry, equipped with machinery originally obtained from Germany as reparations after the last war, were stripped again by the Germans in 1940. The Gobelin and Beauvais tapestry looms have all been removed to Germany, and the Nazis were demanding the Aubusson looms in October 1943. It is reported that some circular net-making equipment at Le Puy (Haute Loire) may have been removed to replace equipment destroyed by Allied bombing at Wupperthal, in the Ruhr. It is also reported that some textile equipment in Alsace has been removed to make place for machine-tool and other equipment brought in from the Ruhr.

Despite the number of firms that have gone out of business, most of the large plants appear to have continued some measure of operations, and the textile productive capacity of the country has not been greatly reduced.

Types of goods produced.—As the Nazis have been the most important customers, the types of goods produced have been largely those ordered by the Germans. Military cloth seems to have been the biggest item. Mills at Sedan and elsewhere have usually been engaged full-time in turning out such fabric. In attempting to extend scarce natural fibers as far as possible, the Nazis have ordered that they be used in mixtures with reworked fibers and rayon staple; and the required percentages of such fibers and staple have increased from year to year. Under the third Kehrl plan, for example, wool mixtures were to meet these specifications:

	Percent
Wool.....	50
Rayon staple.....	30
Rag ravelings (wool).....	20

Cotton knit goods for the Wehrmacht were to be:

	Percent
Cotton.....	16.6
Rayon.....	16.6
Rayon staple.....	66.8

Goods made for French civilian needs have been of similar or poorer composition.

Mills of the Roubaix-Tourcoing region have long been busy with orders for blankets for the Wehrmacht. The flax-spinning and linen-weaving mills have at times been working to full capacity on Nazi

orders; in the summer of 1943, with the acceleration of warfare, they were exceptionally busy meeting German linen fire-hose lining.

The silk and rayon mills in the Lyon area have made parachute cloth for the Nazis; this business started when the Germans occupied Lyon and the rest of southern France. The Lyon mills not only turned out the cloth but also made parachutes themselves. However, the workmanship was so good that the Nazis soon found it expedient to have the trade transferred to Germany.

The net-making facilities, especially those at Calais, were used to manufacture mosquito netting for the German Army Corps. These and other plants have also been used to make flag nets.

The Haute Couture.—While some companies have prospered, others, through the inequitable system of allocations and orders, have prospered to an extraordinary degree. Over half of all available wool went to two wool-combing companies, the Peignage of Roubaix and S. A. de Peignage of Rhodé.

Still more striking has been the generous treatment given to the nonessential fashion industry. A decree in February 1941 gave the director general of the textile Comité General and the director of the Textile (one and the same person) power to make exceptions to the textile-rationing law in favor of the maisons de couture. Their allocation of materials could still not exceed "a percentage of their 1938 consumption, it was not fixed at 30 percent of other branches of the industry, but was left to the discretion of the Directeur General and the Repartiteur. They could determine what houses were to be considered maisons de couture. The meaning of the new provision. In 1941 the haute couture received 800 metric tons of supplies out of the limited amount available for the civilian population. In 1942 the German fashion houses closed and some Germans wanted the French houses to close. Still the haute couture received 160 metric tons of supplies in 1943, when the annual needs of the civilian population were to be covered by 1 kilo of goods per capita, the haute couture received 80 metric tons, enough to fill the regular rations of 100.

The French people have 100 ration points a year for a suit, even of the poorest quality, the ordinary citizen receives 30 points and at least one worn suit. But the maisons de couture including wives and favorites of the rich receive only 15 points a season for an entire wardrobe. To compensate for this privilege the customer is required to pay 5 percent of the purchase price to the Secours National (relief).

Although the Vichy price-control system has been applied to other branches of the textile and textile-transforming industry, the haute couture was left free, up to the latter part of 1943.

¹⁴ The Rheims company is owned by Wenzel Cie. The Roubaix company, formerly Amedee Prouvost et Cie., is owned by the Prouvost family. Jean Prouvost published in Vichy's first Minister of Information. The Roubaix company has a subsidiary in Rhode Island, called the Branch River Wool Combing Company, and is affiliated with the Wenzel Cie., a wool importing firm with offices in Roubaix, Buenos Aires, and Boston.

any prices it could obtain. This exception to the price-control law, as well as the exceptions to the rationing laws, was predicated on the view that the haute couture is of special importance to the textile industries, the export trade, and other sections of French business.

Encouraged by these circumstances, Lucien Lelong, Directeur of the fashion industry since the collapse of France, has been busy, along with other leaders of the haute couture, developing a plan for continued operations. Under the plan, only a carefully selected group of French maisons de couture are to be permitted to work for the export trade; these are to be united in a single organization that will select the models and deal with foreign buyers. The foreign buyers from each country must also organize themselves into a syndicate and bargain with the haute couture as a group for the whole collection of models. The foreign syndicates are to take responsibility for preventing the immediate copying of French models in their own countries.

There are some indications that the Lelong plan, designed primarily for the post-war period, may already have been put into partial execution. It is reported, for example that only about 60 maisons de couture now participate in the seasonal fashion shows in Paris; this is only about half the usual number. Furthermore, in spite of war and blockade, French fashion models have continued to reach the best buying markets abroad.¹⁵

GERMAN PENETRATION OF THE FRENCH TEXTILE INDUSTRY

The condition of the French textile industry made it an unpromising investment; moreover, as most of the basic processes are simple and many of the machines are no longer covered by patents, the industry as a whole does not lend itself readily to cartelization. There is no evidence that the Germans have attempted to gain direct ownership of the traditional textile industries in France;¹⁶ for control they have relied on their own military and economic administration and on the collaboration of French officials and mill owners.

But there has been one important exception—the rayon industry. The Gillet-Carnot organization of the French rayon interests and the close pre-war collaboration in price control and markets with the German Kunstseide und Zellwolle Ring laid the foundation for closer relations after the collapse of France. In December 1940 most of the rayon-production facilities in France were united under a new consortium or holding company, France-Rayonne, to which (according to the *Chemiker Zeitung*) the Ring “contributed” 33 percent of the capital, in the form of patent rights and “technical advice.” As Dr. Hans Kehrl explained, the Ring was being expanded by “administrative pressure,” as well as legal methods. A 10-year agreement was made between France-Rayonne and the Ring, covering raw materials, processes, prices, and domestic and international markets.

¹⁵ Each season, for example, 1 or 2 fashionable women have been “expelled” and made their way to New York or Buenos Aires with numerous trunks containing the latest creations of Lelong and his group.

¹⁶ A number of textile companies, such as some owned by Marcel Boussac, the Gillets, Hoppenots, and others, have substantially increased their capitalization since the collapse of France; but there is no evidence that the new stock has been obtained by Germans. Some of the increases may have represented acquisitions of property of persons forced out of business for racial or other reasons.

The purpose of France-Rayonne was announced as follows:

Centralization, supervision, management, and control of all organizations, institutions, and services involving the commerce and industry of artificial textiles; the obtention, management, and negotiation of all quotas; acquisition, construction, exploitation, and location of all industrial and commercial establishments; in general all operations, personal, real, industrial, commercial and financial of interest, to any extent whatsoever, directly or indirectly, to the production and trade in artificial textiles, or capable of aiding their development.

The capital of the French companies that became subsidiaries of France-Rayonne totaled over 800,000,000 francs. Three-quarters of this amount was represented by National Viscose and Givet-Izieux, in which the Gillet and related families, such as Balay, Bizot, and Motte, were heavily interested. Chief among the French leaders of France-Rayonne have been Charles and Paul Gillet.

After formation of France-Rayonne, the textile Comité General issued an order that standardized the nomenclature for artificial fibers to correspond with the system used by the Ring. All types of artificial filament (not merely, as in this country, those having a cellulose base) were to be called rayonne, and all types of staple made from such filaments were to be called fibranne (the zellwolle of the Germans). The chemical composition of the various filaments and staples was to be indicated by an accompanying word—for example, rayonne-nylon, rayonne-viscose, fibranne-acetate, fibranne-lanital, and so on.

In December 1940 it was announced that some old plants at Roanne (Loire) were to be repaired, expanded, and reequipped to produce annually 100,000 metric tons of rayon, chiefly staple (more than three times the total rayon production of all French plants in 1938). As previously noted, this goal was not yet achieved up to the end of 1943.

In 1941 another new corporation, Société Française de la Cellulose, was created with capitalization of 100,000,000 francs; its announced function was to "explore and exploit the uses of reeds, broom, thistles, pine needles, and other sources of cellulose." French newspapers have reported that it is buying coal fields and the few sulfur deposits of the country; it may be the nucleus of an organization to control various materials used in the manufacture of artificial fibers. The details of its relations with France-Rayonne and the Ring have not been ascertained.

In addition to their interest in the French rayon industry, the Nazis showed an extraordinary interest in the haute couture. They wanted to capture it for Germany; but as its principal assets are skill and prestige, dominion could not be gained by the usual processes. The Nazis exerted pressure to move the entire haute couture to Berlin. However, Lucien Ielong and other leaders of the industry, aware that part of their prestige derived from the milieu in which they operated, resisted the pressure and succeeded in remaining in Paris.

Related to, but not a part of, the French textile industry was the manufacture of dyes and chemicals used in textile production. As indicated in a previous section of this report, the great French chemical interests of Kuhlmann had relations and agreements with the German I. G. Farbenindustrie long before the war. After the collapse of France, this relationship ripened rapidly and resulted in German control. A new holding company (capitalization, 800 million francs) was formed, called Francolor, to hold the stock of Kuhlmann and other dye and chemical interests. Fifty-one percent of the stock of Francolor was acquired by I. G. Farbenindustrie.

GERMAN ECONOMIC PENETRATION AND EXPLOITATION OF SOUTHEASTERN EUROPE

GERMAN PENETRATION AND EXPLOITATION OF SOUTHEASTERN EUROPE BEFORE THE WAR

WORLD WAR I TO THE RISE OF NATIONAL SOCIALISM

Prior to the outbreak of World War I in 1914, the Germans had considerable holdings in public loans, railways, banks, and mining, oil, and other industries of southeastern European countries. Between 1914 and 1918 Germany somewhat increased her investments in certain industries, such as in mining of nonferrous metals (copper, chrome, antimony), and in oil, but the total increases were not large. In many cases investments increased because Germany was forced to produce, even at high cost, materials cut off by the blockade.

However, Germany and to a lesser extent Austria-Hungary made large investments of another type in southeastern Europe. They had to finance the bulk of the war expenditures of their allies, Bulgaria and Turkey, just as the war expenditures of Serbia, Greece, and Rumania had to be financed by the Allies.

By the terms of the peace treaties, Germany lost all her holdings in southeastern Europe, and moreover had to pay reparations to those countries that were on the side of the Allies. Properties that belonged to the Austro-Hungarian state were taken over by the new states in whose territories they were located. Private holdings of citizens of Austria and Hungary were usually nationalized, i. e., a local branch of a Viennese or Budapest company became a national corporation, with its share capital expressed in the national currency. Owing to the lack of capital and managerial skill in the new countries, there was usually no basic change in the ownership of the new company except that a few carefully selected men, native residents of the newly created states, were placed on the board of directors. Part of the Austrian and Hungarian holdings, especially in the heavy and armaments industries and in banking, were later taken over by France and Great Britain, as well as by Belgium, Switzerland, and other countries.

Up to 1934 German holdings in southeastern European countries were relatively small and slowly acquired, chiefly because Germany was unable to export capital. The investments which German banks, insurance companies, and industrial corporations made in that region were for the purpose of profit rather than for the purpose of achieving political control by means of economic subjugation. The small amount of German investments in southeastern Europe up to the middle of the 1930's can be judged from the fact that German industrial holdings accounted for only 1 percent of the total foreign investments in Yugoslav industry and less than 1 percent of total foreign investments in Yugoslav banking.

During the period of 1918-35, Germany had nevertheless been a very important factor in the economic life of southeastern Europe in

other respects. Germany was an important buyer of the agricultural and mineral products of these countries and an important supplier of machinery, tools, chemicals, pharmaceuticals, coke, and coal. These countries came to be especially dependent on Germany for spare parts, and often for skilled workmen.

German corporations were among the leading foreign contractors in all large-scale construction programs in this area. Up to 1931 these contracts were either bid in by German firms, or, in some countries such as Yugoslavia, the contracts were paid for out of German reparations. Many of the leading German manufacturers and contracting firms maintained distribution and promotion branches in these countries. Whether German firms controlled the markets of southeastern European countries or were only important competitors, their pressure was strong enough to impose on these countries many cartel agreements which assured Germany of important controls.

A special way in which Germany was important to the economy of southeastern Europe was by supplying specialists, primarily in the fields of engineering and chemistry. In addition, many of the leaders in the technical and economic fields of southeastern Europe were trained in German universities, and the German technical literature was more widely used than that of any other country. In Yugoslavia, Rumania, and Hungary there are large German minorities who provide the most efficient agricultural population of these states.

INITIATION OF PLANNED PENETRATION

The systematic economic drive of the National Socialists in southeastern Europe began soon after their accession to power. The German aim was (1) to import as much from southeastern Europe as possible, and to pay only through the clearing mechanism; and (2) to develop the economy of the region as a complementary unit to the German economy of rearmament. The region could supply items in which the German economy was short, such as foodstuffs, certain types of fibres, oil, and nonferrous metals. Moreover, supplies from this region were safe from blockade.

In this economic drive Germany employed many new techniques. Germany pressed for delivery of all exportable surpluses of certain articles, for which she was willing to pay higher than prevailing world-market prices. She sold on credit machinery to be used to develop certain resources. Almost all payments involved in these transactions were effected in clearing. Germany often gave quite liberal preferential tariffs to these countries.

In the beginning, the southeastern European countries were glad to sell to Germany inasmuch as they were unable to sell their agricultural surpluses on other markets because of high tariffs and other protectionist measures in many importing countries, high costs of production and transportation and the lower quality of many of their products. Moreover in 1936, the sanctions against Italy cut off one of their important markets. The internal economic situation of these countries and their external trade and international position combined to make almost inevitable an intensification of trade with Germany.

The results of this closer collaboration with Germany were, however, more than these small and economically and politically weak

countries bargained for. Germany's policy of maximum buying and minimum selling resulted in the creation of large clearing balances in favor of the exporting countries. To satisfy their exporters, central banks of the exporting countries had to mobilize these balances, thus increasing the note circulating and the domestic price level and impairing still further their competitive position on the world market. When they tried to realize the clearing balances, they often were forced to import from Germany articles for which they had little use. In importing from Germany they often had to be satisfied with goods of lower quality than were available elsewhere, for which they had to pay high prices. The terms of trade differed from year to year and from country to country, as did the price and payment conditions under which various products were traded. On the whole, there is a strong presumption that the higher than world prices willingly paid by the Germans for many products of southeastern Europe were completely offset by various factors. As time went by the terms of trade became increasingly unfavorable to southeastern European countries and they became more and more entangled in the German network of economic exploitation and political servitude.

When the governments of southeastern Europe, in their attempts to rescue clearing balances, decided to import on state account machinery from Germany for the development of their natural resources (in mining, metallurgy, transportation, and other industries), they increased their own military economic potential which, in case of war, might easily be used by Germany. After 1936 France and Great Britain increased their investments in southeastern Europe, especially in the field of nonferrous metals production, in order to counteract German economic penetration into this area, among other considerations. The fruits of such investments accrued largely to Germany both in the period of preparedness, since the bulk of production was exported to Germany, and after war began.

German combines and cartels increased their control of southeastern European economy as the position of Germany in the foreign trade of this area rose. On the basis of long term contracts with German firms, some of these countries started to develop certain lines of production primarily for export to Germany. The most important examples were contracts with Roumania and Bulgaria for oil-seed cultivation.

During this systematic economic drive, Germany did not engage in any considerable penetration of the corporate structure of this area. The explanation may be Germany's lack of capital and ability to obtain from this area practically all the surpluses she wanted. A more plausible explanation appears to be that corporate penetration was simply left for a later date. After the conquest and economic coordination of Austria, Czechoslovakia, France, and Belgium, important creditors of southeastern European countries, corporate penetration followed automatically and at the least cost to Germany.

Germany also embarked upon a systematic propaganda and organizational drive to make the German minorities in southeastern Europe tools of her economic penetration and exploitation of this area. German propaganda to nationals of the area concentrated on two points: That Germany had no political aspirations in this area, and that southeastern Europe would benefit economically from inclusion

in the German *Grossraumwirtschaft*.¹ The Nazis also stimulated the development of fifth columns within each state, and fostered Nazi ideologies. These factors affected the political development of Roumania and Bulgaria, and in Yugoslavia aided the Germans at the time of invasion.

EFFECT OF THE AUSTRIAN ANSCHLUSS

At the beginning of 1938, the German diplomatic and military position in Europe became so strong vis-à-vis the democratic bloc that Germany could embark on territorial expansion. In March 1938, after careful fifth-column preparation, Austria was annexed to Germany. On this occasion Germany could still contend that she was only following one of the basic principles of the Nazi Party, that of bringing all Germans into one state ("Ein Volk, ein Reich, ein Führer").

Immediately upon annexation of Austria, Germany proceeded to coordinate its political and economic life into the German scheme and to build up Austria as its tool for more thorough domination and fuller exploitation of southeastern Europe. Austria was ideally suited for this purpose because its banking, insurance, industry, and commercial organization had important and close contacts with the economies of southeastern Europe. These were partly the results of Vienna firms being the channels through which Western creditors invested in southeastern Europe, and Vienna trading firms having a large hand in the import and export trade of this area. By means of economic coordination measures and by management techniques considerable concentration in the Austrian economy was effected, which in turn contributed to its smoother working as a tool of economic warfare.

The economic coordination of Austria brought under Nazi control and influence a large number of banking, mining, industrial, and commercial firms in the Southeast. German penetration into corporate holdings became an actuality. Especially important was their taking over of the chief Austrian bank, the *Creditanstalt-Bankverein*,² which in spite of its reduced influence since the crash of 1931 was a participant in many credit and industrial enterprises of southeastern Europe or at least knew them well from earlier contacts. The *Dresdner Bank* took over the former *Merkur Bank* and, consolidating several other Austrian and international interests, created the *Länderbank* as its Austrian affiliate.³ Austrian heavy industry, especially the *Alpine-Montan-Gesellschaft* and its machinery industry, was taken over by the *Hermann Göring Werke*.

As a consequence of this penetration of the Austrian economy, German-controlled investments in the total foreign investments in Yugoslavia, Rumania, and Bulgaria greatly increased. And in the foreign trade of these countries the German position became commanding.

¹ By 1939 after the area had been fully secured economically, Economic Minister Funk stated that in southeastern Europe "economic policies cannot be dissociated from political policies." The logical conclusion was that political adjustments would be insisted upon sooner or later in the case of all states.

² In mid-1943, the *Deutsche Bank* owned 51 percent and the German state-owned holding company *Vereinigte Industrieunternehmen A. G. (Viag)* 25 percent of the stock of the *Creditanstalt-Bankverein*.

³ The *Dresdner Bank* in mid-1943 owned the whole stock of the *Länderbank*.

EFFECT OF THE DISMEMBERMENT OF CZECHOSLOVAKIA

The dismemberment of Czechoslovakia, following the Munich agreement and completed in March 1939 with the creation of the Protectorate of Bohemia-Moravia and the "independent" state of Slovakia, eliminated from the German flank the most efficient and best organized of the smaller armies of Europe. It increased Germany's military predominance over the democracies in Europe and showed clearly to the small states of southeastern Europe that they could not count on immediate and effective help from the west. By the incorporation of the Protectorate of Bohemia-Moravia into the Reich, it became clear that the scope of Nazi ambitions was not confined to bringing only the German folk into one state. The question for small nations within the scope of Hitler's Lebensraum was no longer whether, but rather when, they were to be totally coordinated.

After March 1938, but especially after the Munich agreement the countries of southeastern Europe acted both to appease the Germans and to increase their armaments. All of them, whether they were already in ideological subjugation to the Reich or not, tried to appease Germany by granting virtually all the economic concessions requested. These consisted chiefly of greater exports, devaluation of their respective currencies in terms of the reichsmark, and partial reorientation of their production to fit better into the German 4-year plan.

All these states started feverishly to strengthen their defenses. Despite such measures, these states with their predominantly agricultural structure and general poverty, had practically no chance of survival in modern mechanized warfare. Moreover, the financial burden of increased armament was an additional heavy drain on their economic life and, in connection with the mobilization of the increased clearing balances in Germany, introduced an inflationary trend long before the beginning of the war.

The coordination of Czechoslovakia into the German orbit was politically, militarily, and economically a much harder blow for southeastern Europe, especially for Yugoslavia and Rumania, than was the annexation of Austria. Politically, the dismemberment of Czechoslovakia ushered in a new phase of German expansion. The French political influence that still remained in the Danube Basin was waning. Militarily, the dismemberment of Czechoslovakia effected not only the elimination of the Czech army, but also made available to Germany a large increase in modern arms and arms-production facilities. The Czechoslovak armament concerns Skoda and Brun, in which the British and the French were interested up to 1938, had been the chief suppliers of arms and ammunitions to Yugoslavia and Rumania. These concerns now became part of the Hermann Göring Werke, and Yugoslavia and Rumania thus fell into a position of unparalleled dependence on Germany for their supply of arms.

The exploitation of the Czechoslovak economy was handed over chiefly to the Hermann Göring Werke (which took over the mining, armaments, machinery, coal, shipping, and other industries), I. G. Farben (which took over the control of the chemical industry), and the Deutsche Bank and the Dresdner Bank (which took over several Czechoslovak banks and a large portion of the international business of others).

The coordination of Czechoslovakia into the Nazi economy and the consequent absorption or at least control of Czech investments in southeastern Europe, made the Germans the leading foreign creditors in all states of southeastern Europe. The chief Czechoslovakian holdings were in banking, heavy industry, armaments, chemicals, glass, textiles, sugar, and shoe manufacturing.

The British and the French tried to counteract the increasing German domination of southeastern European states. They supported these states with credits, mostly for armaments and economic development. They expanded their investments in this area, especially in mining. Great Britain, and to a lesser extent France, increased their imports from southeastern Europe, although not sufficiently to offset the predominance of Germany. A large increase in exports from southeastern Europe to other countries, primarily those paying with free exchange, would have been, however, the only effective way of lessening their economic dependence on Germany.

EFFECT OF WORLD WAR II

At the outbreak of war between Germany and Poland in September 1939, Germany was already exercising a dominant influence over the economy and the political destinies of the countries of southeastern Europe. While all of them proclaimed a policy of neutrality, their need for armaments imports from Germany and German-dominated territories, their need of German coal and coke, of machinery, chemicals, pharmaceuticals, and textiles forced them to trade on German-imposed terms. This can best be seen in the case of Rumania's oil exports and Yugoslavia's exports of copper, zinc, and lead. The companies producing these materials were fully or predominantly owned by the British and French. When they refused to supply the Germans after the outbreak of hostilities, the respective domestic governments preempted a large percentage of their production, and themselves supplied the Germans. Later these companies, again under German pressure, were put under government management, and deliveries to Germany increased. As for foods (grains, fruits, meats, fats, etc.), fibers (hemp and flax), wood and the like, the countries of southeastern Europe were compelled to export to Germany and Italy even if this meant a reduction of supplies below the national requirements.

The painstaking political and economic penetration of southeastern Europe now paid the Nazis valuable dividends, although increased supplies from this region could not balance the loss of overseas imports which ceased due to blockade. Many of these losses were temporarily compensated for by the loot of stock piles of raw materials and foods following the rapid German conquests in western Europe.

The conquest of France, Belgium, Holland, and Luxemburg, and the entry of Italy into the war, which meant an effective blockade of the Mediterranean, eliminated all possibility of western support for the southeastern European states. Their economies were almost completely coordinated within the German war economy and it was only a question of months before the Germans were to demand formal political coordination as well. In Bulgaria and Rumania such coordination was achieved during 1939 and 1940, but the coordination of Yugoslavia and Greece required military intervention in April 1941.

However, between the conquest of western countries and the military intervention in the southeast (June 1940 to April 1941), Germany proceeded to bring under her control a large part of the corporate holdings of the French, Belgians, and the Dutch in the central, eastern, and southeastern European states. Although it is not clear that the Germans engaged in large corporate penetration in the occupied areas of the west, it is evident that they took title to, or obtained effective control of, public and important private industrial properties located in the annexed parts of these states (for example, in Alsace-Lorraine and Luxemburg), and that they took over from these countries title to the latter's important investments in eastern, central, and southeastern Europe. The best examples are the taking over of the Mines de Bor copper mines in Yugoslavia, of the properties of the Union Européenne (wholly owned holding company of the Schneider-Creusot combine), and of the properties of various French and Belgian banks. The Yugoslav Government seemingly protested against the change in ownership of the Bor Mines and of the General Yugoslav Banking Corporation, but without result. On the whole Germany was gradually moving toward ownership or managerial control of the most important mining, industrial, and banking enterprises of the southeastern European countries.

Germany had two basic aims. She sought the maximum, immediate contribution of these states to the German war machine, and lasting, legally unimpeachable control over their important resources. The political and legal techniques employed were adapted to the circumstances of each case.

METHODS AND TECHNIQUES OF GERMAN WARTIME EXPLOITATION OF SOUTHEASTERN EUROPE

GENERAL METHODS AND TECHNIQUES

The principle of race supremacy permeates all Nazi Germany's activities, domestic and international. In the sphere of international relations the application of this principle excludes the treatment of foreign nations as equals. Nazi Germany approaches every foreign country as an inferior which has to be subjugated, and whose resources and productive powers have to be exploited for the benefit of Germany.

The methods of German occupation and domination in southeastern Europe since the spring of 1941 vary with each country. There are no available texts of the terms of surrender of such countries as Yugoslavia and Greece, or of the basic terms governing German relations with the satellite countries of southeastern Europe. Such terms have usually been laid down at meetings of the puppet rulers of the various states with Hitler at his headquarters.

Part of Yugoslavia, namely the northern section of Slovenia, has been annexed outright by the Reich. After the collapse of Italy in the summer of 1943, the former Italian-annexed regions of Dalmatia and part of Slovenia (Provincia di Lubiana), and Istria were transformed into the "Adriatic Coastal Operational Zone" under German administration. Serbia, Greece, and Montenegro are under German military government, but a considerable part of the civil administration is carried on by Quisling regimes, under the supervision of the

German Army of occupation. Albania is also occupied by the Germans, but the domestic government seemingly has more authority than that of the other countries. In Croatia, an extremely weak puppet government is supported by the Gestapo and the German Army. In Rumania and Bulgaria there are Quisling governments which have been under actual German control since 1940. In Hungary a wholly collaborationist regime was introduced in March 1944. For the large German minorities in Rumania, Hungary, Serbia, and Croatia, Germany achieved a special new type of autonomy.

The degree of economic coordination and exploitation of these countries varies to a certain extent. The difference is more a matter of expediency than any indication of hesitancy on Germany's part to exact from her victims and whilom allies their maximum contribution to the German war machine. Some of these nations, such as Bulgaria and Hungary, received territorial bribes, while others lost territory.

Because of their wealth in certain essential war materials such as oil, copper, chrome, bauxite, timber, certain foods, and their industrial capacity, the two most important southeastern European countries for the German war machine are Rumania and Yugoslavia. Consequently German coordination of their economy has been most thorough. Bulgaria and Greece are much less important as sources of raw materials, although the former is important as a source of food and both are important as sources of tobacco. The Hungarian state and economy are now in a process of total coordination.

As the Nazi's chief economic aim in southeastern Europe was to secure from the area its maximum immediate contribution to the German war machine, direct or indirect control of all basic phases of its economic life was necessary. The following measures and techniques indicate the means whereby such control was achieved:

1. In the occupied countries, the Germans assumed ownership or control of all the available arms, most of the raw materials, and most of the food stores whether public or private. In satellite countries, control over these items was achieved indirectly through Quisling governments.

2. All gold, foreign exchange, and other foreign assets in the occupied countries were placed under the control of the Germans, while in satellite countries, these items were controlled by Quisling governments.

3. In both occupied and satellite countries, the Germans took either direct or indirect control of money, banking, and insurance. All new legislation in these fields is patterned after German examples.

4. The Germans have directly or through their satellites mobilized all the available manpower of this area, for fighting, for garrisoning of occupied territories, or for work in Germany or on German-sponsored programs in the area itself.

5. The Germans control directly or indirectly the production, distribution, allocation, and consumption of all basic products, with the aim of maintaining production of these goods and allocating them according to German needs. They are so distributed that only a minimum is left for local civilian consumption and the bulk is placed at the disposal of the German war machine.

6. The Germans are taking the bulk of all surplus products of the whole area. The small portion of the surpluses used for trade between this area and the neutrals or the other German-occupied parts of Europe is largely controlled by the Germans, who control the European transportation and trading facilities and also, to a large extent, European international payments.

7. The Germans have taken over all state property in the occupied countries, and, in the satellite countries, communications, military installations, and armament-producing facilities have been put at their disposal.

8. The Germans took over either all or a part of the property rights in most of the leading mining, industrial, transportation, banking, and insurance enterprises. In other important enterprises which were under direct or indirect control of the Allied Powers, and in which they could not acquire title to the property, the Germans appointed their own commissioners and attached these enterprises to important German combines. In the case of many state-owned mines and industrial enterprises in satellite countries, German combines appear as lessees of such enterprises and, of course, manage them.

9. In that part of Slovenia (Yugoslavia) which has been annexed by the Reich, the Germans expropriated or confiscated a considerable part of landed property from the local population and frequently drove out the population to make room for German colonists.

10. The Germans have imposed heavy costs of occupation on the occupied countries, while the satellite countries are obliged to support the German armies stationed in their territories and are required to contribute manpower, arms, and supplies to the German war machine. Such outlays are, in effect, identical with the costs of occupation.

These exploitation, penetration, and control techniques are closely interrelated. They placed under the control of the German war machine the bulk of all resources of southeastern European countries. While some of these techniques have been practiced by most armies of occupation, they had never, before the advent of the Nazis, been developed into an organized system of plunder and destruction of both subjugated and satellite peoples.

GERMAN PENETRATION OF CORPORATE HOLDINGS IN SERBIA

INTRODUCTION

German penetration of the corporate structure of southeastern European countries before the armed intervention in March and April of 1941, was closely related to the conquest and economic coordination of the foreign creditors of this area: Austria, Czechoslovakia, France, Belgium, and Holland. After the German military occupation of southeastern Europe, the remainder of the important but yet not penetrated enterprises were coordinated partly by obtaining title to property, partly on the basis of the military law of occupation taking them into custody and administration, partly through measures carried out by the local Quisling governments.

This Guide is concerned with the extent of the corporate structure in Serbia controlled by Germany, the methods of achieving this control, and the chief German combines and firms which benefited from the spoils.

One general statement regarding Yugoslavia is, however, necessary by way of introduction. Since Yugoslavia was a state created in 1918 by consolidation of half a dozen independent or autonomous territories, it took years to achieve a certain consolidation and unification in the institutional and economico-organizational life of the country. But at the time of the German invasion Yugoslavia was a country with unified economic legislation. Government banks and other governmental economic institutions operated throughout the territory, large commercial banks and insurance companies carried on their business on a country-wide basis, traffic in goods and services was free and operated on equal terms, taxes were the same, etc.

With the invasion in April 1941 and the dismemberment of the country, this unity was destroyed and a race began to remove all existing ties between the now separated parts. This meant the development of a separate Serbian and a separate Croatian institutional framework, and realinement in institutions of the parts annexed by Germany, Italy, Albania, Bulgaria, and Hungary to fit into the institutional framework of these respective countries. All this involved far-reaching adjustments in the whole economic life of the country and especially in the field of government enterprises and all those corporate enterprises that happened to work in more than one of the new units. Needless to say the Germans knew how to profit from this process of realinement and adjustment.

MILITARY GOVERNMENT AND ECONOMIC EXPLOITATION

THE MILITARY GOVERNMENT

From April 1941 until August 1941, the Germans maintained a purely military government in Serbia (for the borders of 1941 Serbia see map), with dependable domestic officials as commissioners in charge of various branches of public administration. In August

1941, they sponsored a Quisling government with General Nedich at the head. Although the power of this puppet government has been gradually increased as German policy toward Serbia has changed, it has remained wholly subject to the German army of occupation.

Until recently the Germans had special military commanders (Militärbefehlshaber) in Serbia and Greece. In matters of civil affairs they were subordinate to Hitler and the German High Command. In charge of economic affairs under the military commander in Serbia was the plenipotentiary general for economics in Serbia (Generalbewollmächtigter für Wirtschaft in Serbien). The Germans recently abolished the offices of the Serbian and the Greek military commanders and consolidated them into the office of the military commander southeast, whose chief appears to be responsible to the German tactical commander in the Balkans theater. The former plenipotentiary general for economics in Serbia was appointed as chief of military administration for the whole of the Balkans under the military commander southeast.¹

THE ECONOMIC DICTATOR

The legal and personal pivot of German economic administration, penetration, and exploitation of Serbia is the Plenipotentiary General for Economics in Serbia. He exercises his power directly, or by appointing deputies, by direction and supervision of the operation of the Serbian puppet government. The case of Franz Neuhausen, comparable in some respects to that of Otto Abetz in France, provides an extremely interesting example of Nazi economic and political penetration.

Franz Neuhausen came to Yugoslavia in 1930 or 1931 as chief of the Deutsches Verkehrsbüro, which was also performing the function of the headquarters for German economic intelligence in Yugoslavia.² Later he became the official representative of the Nazi Party for Yugoslavia, and still later German consul general in Belgrade. There is no doubt that he served as a spearhead for the German economic and corporate penetration and economic exploitation of Yugoslavia before the invasion and thus prepared for the position of economic dictator after the conquest.

The positions he holds at present are: Plenipotentiary General for Economics, Plenipotentiary in Serbia for the four-year plan, chairman of the board of directors of the Mines de Bor, chairman of the board of directors of the Bankverein für Serbien, etc. He is the man in whose name and under whose direction the commissioners in many Serbian enterprises operate (see appendix A); he appoints the governor and the vice governor of the Serbian National Bank and a German commissioner who supervises the operations of the bank. Indirectly, he controls all the leading economico-administrative and business positions in the country.

In his work as the economic dictator of Serbia he is helped by a score of German economic and technical experts (see appendix B), who, by

¹ OSS Doc. R. and A. No. 1564, February 8, 1944, p. 3. Inasmuch as all the powers and functions of the former plenipotentiary general for economics in Serbia must have been carried over into the new office of the military administration in the Balkans (Franz Neuhausen headed both offices) and as the data in this Guide refer to earlier periods, Neuhausen is here referred to as the plenipotentiary general for economics in Serbia.

² Neuhausen's chief economic advisor, Dr. Karl Gemünd, is also an old resident of Yugoslavia. He came here in 1931, was an associate editor of the Belgrade weekly economic magazine Narodno Blagostanje for about 3 years, and joined Neuhausen in the Verkehrsbüro in 1934.

filling several interlocking positions as commissioners, members of the boards of directors, etc., actually control all that is worth controlling in the Serbian economy. Managerial centralization of economic enterprises in Serbia has resulted in easier management, increasing efficiency, and greatly strengthened political control of the economy of Serbia.

Because the Serbian economic enterprises in which the Germans were most interested were state-owned and thus came under their control automatically, or prior to the war were under the influence of foreign investors (mining, metallurgy, chemicals, sugar, etc.), who were either bought out or whose properties were taken into custody, the Germans had little need of collaborationists in the field of economics as they did in France, Belgium, and even Czechoslovakia. Their chief quest for Quislings in Serbia was in the political, military, academic, and journalistic fields, in which they found enough of them. There are, of course, also domestic collaborationists in industry and trade, but for the above-mentioned reasons, their importance is secondary.

Germany obtained the control of a series of industrial enterprises through taking over financial organizations and state property. Even those establishments such as the State railways, arsenals, coal mines, and forests which are owned and managed by the various ministries are also under full German control. In addition to the state-owned enterprises, many others now owned or managed by the Germans were fully or partially owned by foreign investors before the war. Also, quite a number of corporations have been established by the Germans. The following chapters indicate the extent of German penetration into the financial and industrial fields in Serbia.

HEAVY INDUSTRY CONTRIBUTING TO THE GERMAN WAR ECONOMY

STEEL AND METAL WORKS

Serbische Berg—und Hüttenindustrie A. G. (Sartid), Belgrade, is a company operating a leased blast furnace at Majdan-Pek, and a steel furnace, machinery plant, and shipyard at Smederovo, near Belgrade. It was one of the most important metallurgical enterprises in Yugoslavia, and was partly engaged in armaments production. Up to 1931, the Austrian Creditanstalt had an important interest in the firm, but it sold to British and French interests. It had a capital of 45 million dinars with widely distributed ownership (Vickers, possibly Schneider-Creusot, and Skoda, and the domestic firms: Yugoslav Union Bank, Transportation Bank, and the Weifert concern among others). In 1936, it made arrangements for a 7-year bonded credit of 6 million dinars (repayment began in 1939) in machinery with a London firm for the extension of its rolling mills.

According to the German sources, about 35,000 out of the total of 45,000 shares are now in the hands of Cisatlantic Corporation, New York. This transfer apparently took place for precautionary reasons shortly before the war or before the French collapse. The remaining 10,000 shares were presumably owned by the domestic interests, who were not able to transfer their shares abroad.

Immediately after the invasion, a German commissioner was put in charge of the enterprise for the Economic Plenipotentiary. In

June 1942 the management was shifted to the Eisen-und Hüttenwerke A. G., Cologne, whose representative, Josef Kleff, runs the enterprise as commissioner.

It is probable that the Germans have bought all or part of the domestically owned shares of the company as it was under the influence of the enemy nationals and thus the shares had to be reported.

"Osvit" A. G., Industrie für Metallwaren, chemische und pyrotechnische Produkte, Belgrade, capital 2 million dinars, is under a commissioner for the Economic Plenipotentiary.

Belgrader Maschinenfabrik und Eisenkonstruktionen A. G., Belgrade, is another factory belonging formerly to the Prague Credit Bank and now presumably to the Hermann Göring Werke.

AIRCRAFT

Motoren-Industrie A. G., Belgrade, with a capital of 60 million dinars since 1939, was established with French participation in 1928, but the French interests were sold to the Yugoslav state and some domestic groups. The company has a factory in Rakovica near Belgrade producing parts of airplane motors under foreign licenses, had an assembly plant for airplanes, and later also started to produce automobiles, or trucks but on small-scale and under foreign license. The Germans have continued to operate the plant and have seemingly acquired the property as it was largely state-owned.

Erste Serbische Flugzeugfabrik Z. S., Rogozarski A. G., Belgrade (capital, 6 million dinars), engaged in assembly and repair of airplanes and airplane motors. The majority of stock was owned by the General Trade Bank of Belgrade which in March 1942 merged into the Belgrade Commercial Bank (capital 30 million dinars). As an armament-producing company Rogozarski was under the control of the state. The capacity of the plant working now for the Germans has been, reportedly, considerably increased.

Flugzeugfabrik "Utva" A. G., Belgrade, was established in April 1940, with the help of the State Mortgage Bank, several other Belgrade banks, and under participation of the Belgrade branch of the Prague Credit Bank. The metallurgical interests of this bank in Yugoslavia have apparently been taken over by Hermann Göring Werke and other interests by the Deutsche Bank through the Bankverein. The capital of Utva is 12 million dinars. The plant was located in Pancevo and engaged not only in the assembly and repair of airplanes, but also in the production and repair of automobile motors, tractors, and various other machinery (including agricultural machinery), and tools.

ARMAMENTS

"Nestor" A. G., Fabrik für Präzisionsmechanik A. G., Belgrade, (capital 1,200,000 dinars), has a plant in Belgrade which produces precision instruments, including machine guns for airplanes. It is managed by a commissioner for the Economic Plenipotentiary.

"Vistad" Valjevoer Industrie Ing, Stankovich A. G., Belgrade, prior to 1942 had an armaments and ammunition factory at Visegrad on the border between Serbia and Bosnia. In 1942, the factory was shipped to Valjevo in Serbia. It is now, reportedly, engaged in the production of agricultural machinery as well as in the production of

armaments. It was established in 1935 under participation of Skoda with a capital of 5 million dinars increased in 1937 to 20 million dinars.

The majority of shares belongs now through the concern Waffen-Union Skoda-Brunn, Berlin, to the Hermann Göring Werke. Chairman of the board of directors is Dr. Wilhelm Voss, of the Hermann Göring Werke. Among the domestic interests represented in this company is also the Saveich concern.

Skoda A. G., Belgrade, was established by the Czech Skoda combine in 1932 as its sales agent with a capital of 1 million dinars. In 1939, it was taken over by the Hermann Göring Werke, and in 1942, its capital was increased to 10 million dinars. It serves now not only as a sales agency but perhaps primarily as a holding company, participations amounting to over 4 million dinars. Part of the trading operations are carried on by its special trading subsidiary, Omnipol A. G. The chairman of the board of directors is Dr. Wilhelm Voss of the Hermann Göring Werke and the general manager is Friedrich Ott.

RAILROAD ROLLING STOCK

Krusevac A. G., Belgrade, established in 1939 by the Saveich concern (Transportation Bank) with a capital of 5 million dinars, owns a railroad-car factory in Krusevac. The plan of the company was to develop a whole line of iron and steel products. It cooperates with the Germans, and they have a property interest in the company as the German commissioner in Jasenica A. G., is a member of the board of directors of this company. The German group interested in this company is presumably Hermann Göring Werke.

Jasenica A. G., Belgrade (capital 25 million dinars), owned a plant in Smederevo Palanka for the production and repair of railroad rolling stock, primarily cars. It was owned up to January 1940 by the French concern Société Lorraine des anciens Etablissements de Dietrich et Cie, Luneville. At that time it may have been taken over by the Yugoslav state or some domestic group. Since the occupation it has been in custody of the Economic Plenipotentiary and presumably operated as part of Hermann Göring Werke in Serbia.

SHIPBUILDING

Donau-Schiffswerft A. G., Belgrade, is a Danube shipbuilding company that was established in May 1940 by the State Mortgage Bank (owning about 30 percent of shares): Belgrade branch of the Prague Credit Bank; the Skoda A. G., of Belgrade; and the Omnipol A. G., (Skoda's trading corporation) of Belgrade. The company is now dominated by the Hermann Göring Werke. It has a capital of 25 million dinar, but until the end of 1941 only 7.5 million were paid up. The company has a 20-year monopoly of shipbuilding in the Yugoslav part of the Danube and its tributaries and a state guarantee for the following 25 years of a minimum 10 percent customs duty on imported ships.

This is one of the few companies in Serbia in which a German combine shares ownership with the Quisling state. (One of the other important examples is coownership in the state silk factories.)

The chairman of the board of directors of this company is Franz Neuhausen. The general manager of the State Mortgage Bank is

vice chairman, and the other members are Hermann Göring combine men. Friedrich Ott is the general manager.

The most important Serbian shipping company on the Danube was the *Serbische Dampfschiffahrtsgesellschaft* with a capital of 20 million dinars, the majority of which was in the hands of the state. Because of state ownership, it is assumed that its ships and its ship-building facilities at Cukarica, near Belgrade, were taken over by the Germans and integrated into the greatly extended Danube shipping business, which is largely under the control of the Hermann Göring Werke. A small private shipping company, *Labud A. G.*, is also apparently controlled by the German transportation concern, *Schenker & Co.*

PETROLEUM AND TAR INDUSTRY

Belgrader Asphalt-und Teerproduktenfabrik A. G., Belgrade, capital 1 million dinars, owns a factory for the production of asphalt and is engaged in road repair work: now under German management.

Panonija Petroleum A. G., Belgrade, was established in 1938 with a capital of 6 million dinars in which the Yugoslav state had a 25 percent participation. It had a general concession on oil prospecting and the working of wells. In 1939, the "*Geverkschaft Elwerath*"-*Erdölwerke*, Hanover, obtained from the "*Panonija*" the concession rights in the territory of Croatia, which, by the way, possesses the only known oil and gas fields in Yugoslavia (*Mur Island* and *Golio District*), so that this Serbian company must be of little importance.

Serbische Shell A. G., Belgrade, apparently maintains the Serbian facilities of the former Yugoslav Shell Oil Corporation. The new company, with a capital of 5 million dinars, was organized in March 1942.

All of the directors of the company are Germans, among them, *Dr. Ekhart von Klass*, one of the keymen in the German natural and synthetic-oil industry (*Benzin-Verband Ruhr*, *Bochum*; *Benzol Verband*, *Bochum*, etc.) and the deputy leader of the Reich Group "*Oil Industry*" (*Kraftstoffindustrie*).

Mineraloelraffinerie Smederevo A. G., Belgrade, was established in 1942 with a capital of 20 million dinars and took over the already existing oil refinery of the *Sumadia Credit Bank* in *Smederevo*, which was later enlarged. The bank received 25 percent of the shares. The remaining 75 percent is owned by *Petrol A. G.*, Belgrade (German controlled, see section on Trade), "*Appollo*" oil refinery, *Bratislava*, *Slovakia*, on which *A. G. Dynamit Nobel*, *Bratislava*, and thus the *I. G. Farben* is interested. That *I. G. Farben* is interested in the *Smederevo* oil refinery is shown also by the presence on its board of directors of *Dragan Tomljenovich*, for many years the chief *I. G. Farben* representative in Yugoslavia.

CHEMICALS

"*Zorka*" *chemische Industrie, A. G.*, Belgrade, had a capital of 15 million dinars until 1939 when it was increased to 25 million. *Zorka* is the most important Yugoslav chemical enterprise, having an annual capacity of about 100,000 tons of superphosphate and 30,000 tons of copper sulphate, among other products. The company owned first a chemical factory in *Subotica* (taken over at the end of

1941 by the "Hungaria" A. G., Budapest). In 1937, it built a large chemical factory in Sabac, Serbia, where in 1938 the Trepca Mines began the construction of its zinc smelter (Topionica Cinka A. G.), so that the Zorka may utilize pyrites and other byproducts of this smelter.

The majority of Zorka shares is in the hands of the important Czech chemical combine, Verein für chemische und metallurgische Produktion (Aussiger Verein), Prague-Aussig, which for decades has been in close contact with the Belgian Solvay combine (in which reportedly Hermann Göring Werke now has an interest) and seems to have escaped ownership control by the Germans. Of course, it had for years a number of cartel agreements for various products with the I. G. Farben. From the composition of the board of directors since 1941 it would appear that Zorka is now in close contact with the Deutsche Solvay Werke A. G., the German potash producers, and the Belgrade Bankverein, although it is maintained that the large majority of the stock is still in the Czech hands.

Zorka was a leading member in almost all Yugoslav cartels for chemical products and was thus bound through cartel agreements to Czech, German, and Hungarian firms.

The chairman of the Board of Directors of the Zorka is Dr. Bernhard Adolf, now chairman of the Aussiger Verein, and vice chairman Dr. Adolf von Clemm, of the Deutsche Solvay Werke A. G., Bernburg, and of the German potash syndicate. Zorka had at the same time some other interests in Yugoslavia, e. g., in "Danica" A. G., for the production of artificial fertilizers in Koprivaica, Croatia, which was put out of work in 1937. The "Jugokolor" A. G., in Belgrade is a trading company for chemicals and metal products serving Zorka.¹

Odol Compagnie A. G., Belgrade, producing tooth paste and mouth water, increased its capital from 1 million dinars to 3.5 million dinars at the beginning of March 1941 and to 5 million dinars at the end of the same month. It belongs to the concern: Lingner-Werke A. G., Dresden. It has probably changed over during the war to the production of war materials.

Reichhold, Flügger & Bocking A. G., Belgrade, a subsidiary of the Viennese firm of the same name, was established in 1930 and increased its capital in June 1942 from 1.2 to 3 million dinars. In its factory in the neighborhood of Belgrade it produces paints and varnishes.

¹ The Aussiger Verein owns 48 percent of the share capital in the Croatian state-controlled company, Chemische Fabriken A. G., Zagreb, which plans to build proper facilities and supply the same products to Croatia as Zorka supplies to Serbia.

GERMAN PENETRATION OF CORPORATE HOLDINGS IN CROATIA

CREATION OF PUPPET GOVERNMENT AND ECONOMIC EXPLOITATION

INTRODUCTION

German economic penetration and exploitation of Croatia is considerably less open than that of Serbia. This is due primarily to the fact that Croatia is considered one of the satellite states where German control and pressure is exercised indirectly. There is, officially, no German army of occupation in Croatia, and thus no German military government.

From the establishment of the "independent" state of Croatia (see map) to the time of the Italian collapse, Croatia was officially bound more to Italy than to Germany. Croatia is a member of the Axis and had several economic accords with Germany, but it was considered as being more within the Italian sphere of influence. Croatia had special political treaties with Italy guaranteeing her borders and Italian military support. In fact, in the southwestern parts of the official Croatian territory (excluding Italian annexed parts of Dalmatia), Italian troops were stationed "for reasons of military security," and in that region there was in operation some sort of Italian military government.

From the beginning there were two groups among the politicians in Croatia, those that leaned toward Italy and those that leaned toward Germany. As Italy's political and military powers waned, the former took more and more to the German camp, and when the Italian collapse came, the complete change-over of the former group was accomplished.

It should be stressed, however, that even if Germany was not officially in control of Croatia between April 1941 and September 1943, and even if it is not officially in control now, it was Germany and German military power and police that kept and are now keeping the Croatian Quisling regime in power. It was the German Minister in Croatia, Siegfried Kasche (a S. A. Leader), who has been and is now wielding the real power in Croatia.¹ In order to keep the Ustashi regime going and to protect its flank against the Partisans of Yugoslavia, Germany was forced to station a greater number of troops in Croatia.² Moreover, Germany had to supply arms for all the Croatian troops. (Ustashi Party militia and military.)

ECONOMIC EXPLOITATION

Italy had coordinated and exploited the industry and economy of those Yugoslav regions along the Adriatic (Dalmatia) and in the Provincia di Lubiana that were annexed, as well as the few enterprises

¹ Of course, Croatia is militarily under the authority of the German Military Command Southeast.

² The Ustashi Party is the Croatian Fascist group comprising the present puppet regime in Croatia under Dr. Ante Pavelich. As Fascist parties in other countries it has its own party army—the Ustashi. The nucleus of the party was established in 1932 by the Croatian extremists in exile in Italy and Hungary and financed by these states. In its ultranationalistic aspects, the Ustashi Party represents, however, the continuation of certain political groups of long standing in Croatia.

in Montenegro. The chief industrial contributions of Dalmatia were cement, chemical fertilizers, bauxite, aluminum, and canned fish; timber was obtained in Slovenia and Montenegro. Part of this industry, especially cement and canned fish, was Italian controlled even before the war. Under the Italian rule, most of these industries were, reportedly, managed by the state-owned Istituto Reconstruzione Industriale (IRI). It is not known what happened to the property rights in industry in the regions Italy had annexed and which reverted to Croatia upon the Italian collapse or became parts of the German-administered Adriatic Coastal Operational Zone.

In the formerly Italian annexed and occupied Croatian regions, the most important resources for the enemy war economy were bauxite and aluminum, which were chiefly exploited for the account of Germany. Most of the firms which owned the mines were registered in Zagreb and were, or became, German owned or operated.

The main economic resources of Croatia are located outside of the regions that were, up to September 1943, under Italian control. These included food production, timber, and industry. Because Germany, unlike Italy, was in a position during the past years to supply Croatia with such essential materials as machinery, fuel, chemicals, and other industrial goods, and because Germany had a strong advance start in the infiltration of the Croatian economy through taking over of Austrian and Czechoslovakian firms and through the acquisition of many Western European investments in Yugoslavia, Germany assumed a dominant position in Croatian economic life. Moreover, there is a strong and well-organized German minority in Croatia which largely controls the most productive agricultural regions in the north-eastern parts of the country, and serves the German cause economically and politically.

Compared with Serbia (including Banat), Croatia contributed relatively little in terms of raw materials and foods vital to the German war economy. With the exception of bauxite, Croatia does not produce any nonferrous metals worth mentioning. Production of oil, even if considerably increased, could hardly exceed domestic consumption. Coal production, especially since September 1943, was perhaps not capable of covering domestic requirements for either transportation or metallurgy. There may have been some contribution in iron and steel, but this was not of importance for the German war economy. However, there may have been a considerable surplus of iron ore available, as well as large surplus supplies of lumber. The industrial contribution of Croatia to Germany has been small. It included cement, boards for prefabricated houses, tanning extracts, soda ash, caustic soda, and some ferro-alloys.

As to agricultural products, Croatia was able to contribute considerable amounts of fruits, oilseeds, and plant fibers, and some meat, lard, and hides. The production of oilseeds and fibers was increased under German stimulation, especially in regions inhabited by the German minority. German troops in Croatia, of course, endeavored to live as much off the country as possible; their maintenance is estimated to cost the Croat Government about 2 billion kunas a month. The burden of the protection costs on the Croat economy is reportedly crushing, especially since it is borne by only a part of the Croatian territory.

Croatia is not only considerably poorer than Serbia in militarily important natural resources, but guerrilla operations and sabotage of plants and communications in her territory have been of such proportions, intensity, and geographic spread, that the existing resources could be only partly utilized. The conclusion seems to be warranted that Croatia, apart from its contribution in labor and fighting manpower, has not been as much of an economic asset to Germany as other southeastern European countries.

CHANGES IN CORPORATE STRUCTURE OF CROATIA AND THE GERMAN PART THEREIN

The two basic tenets of the Ustashi Government with respect to the country's economic activity at the inception of the "independent" state of Croatia were, first, to remove non-Aryan, Serbian, and other non-Axis influence; and, second, to increase the industrial self-sufficiency of the country by developing new industrial enterprises in selected fields. In respect to the second task, a great deal of planning and propaganda has been carried on, but, because of lack of capital, engineering and labor skill, and raw materials, and political insecurity, little has been accomplished.

The achievement of the first task was easier inasmuch as a Fascist regime, disregarding all principles of decency and equity, can confiscate and transfer property with an appalling ease. Among the basic decrees with respect to nationalization of property of persons considered inimical to the new state, was that of May 2, 1941, establishing the Office for Economic Restoration. The decree, with retroactive force, on nationalization of Jewish property was published October 30, 1942, and the decree on nationalization of financial institutions under control of persons inimical to the new state was published on July 8, 1941 (appendix D).

Paragraph (b) of article 2 of the decree of May 2, 1941, gives to the Office of Economic Restoration, by implication, sweeping authority in the field of property relations:

The duties of the office shall be—

(b) To take charge of all business enterprises if the owner or the responsible executive organ is of unknown domicile, or if he has departed from his place of residence for an indefinite period and has not given proper instructions for the continued operation of the business.

This paragraph gave the state the right to all property belonging to proscribed peoples, especially Jews and Serbs, who fled the reign of terror that ensued upon the establishment of the Ustashi Government in Croatia. In addition, the decrees empowered the state to take charge also of almost all property owned by Allied nationals. On the basis of Jewish decrees some neutral—that is, Swiss—property was also nationalized. Through this property nationalization, the Croat state became, through its administrative agencies, banks, and holding companies, the most important banker, mine owner, industrialist, and trader in the country. Some of the nationalized properties were later sold to individuals favored by the Ustashi Government.

Considering the absolute military, political, and economic dependence of the Ustashi Government on Germany, all the property of

the Croat state may be regarded as completely at the disposal of the Germans, although there are no known formal agreements to that effect. Actually, the economic legislation and administration of Croatia is geared to serve the needs of the German war machine.³

Germany may have acquired some of the property marked for nationalization in Croatia, but the important German holdings in Croatia are in several big banks and, through them, in a considerable number of selected industrial and mining enterprises. Germany also controls a sizeable part of the Croatian insurance business and the bulk of the Croatian foreign trade, through German companies or jointly with Croatian Government enterprises.

INDUSTRIES CONTRIBUTING TO THE GERMAN WAR ECONOMY

IRON AND STEEL

The Kroatische Berg- und Hüttenwerke A. G., Sarajevo, formerly known as the Yugoslav Steel Corporation, was organized in 1938 by combining several state-owned coal mines, iron ore mines, pig-iron plants, and steel mills (Vares and Zenica). The capital of this company in 1938 was 600 million dinars, of which the State Mortgage Bank owned 200 million. In 1941 the capital was increased to 700 million dinars. As the facilities of this company are located in Bosnia, the territory of the "independent" state of Croatia, the Croat state inherited the company. It is managed by a board of directors under the direction and supervision of the Ministry of Forests and Mines.

The modernization of the steel-producing facilities in Zenica was carried out by several German firms under the leadership of Krupp, and the plant started to operate August 1, 1937. Thus, although Krupp has no property interest in the above company, this German combine might indirectly control the production and the utilization of its facilities. Since there is no shortage of steel in Germany, the plant may not be of particular importance to the Germans. The small pig-iron- and cast-iron-producing facilities of the Vareser Eisenindustrie A. G. are leased to the above state-owned company.

The fact that the labor management is in the hands of the Organization Todt indicates that the Germans have a hand in Bosnian steel and coal production.

AIRCRAFT

Four of the pre-war Yugoslav airplane plants were located on Croat territory, all in Zemun across the Sava River from Belgrade. The Erste serbische Flugzeugfabrik Z. S. Rogozarski A. G., capital 6 million dinars, engaged in assembly and repair of airplanes. The "Ikarus" A. G., with a capital of 5 million kunas was, up to 1941, owned by various private interests in Serbia and may have been partly owned by the Yugoslav state. The company designed, produced, and assembled planes. The Flugzeugmotoren-Gesellschaft Hispano-Suiza A. G., capital 3.5 million kunas, was controlled by the

³ A special tool of German pressure in Croatia has been the well-organized and powerful German minority. This minority largely controls the most fertile agricultural regions of the Croatian state, namely Savonia and Srijem. - Although it numbers only about 2.5 percent of the total population of Croatia, it has, reportedly, supplied the Croat Government food monopolies with 40 to 50 percent of all food delivered to them in 1942 and 1943. One of the minority leaders, Dr. Stefan Kraft, is the director of the Food Supply Agency in the Ministry of Economics. As food was the basic problem of the Croat State, the Germans thus had a powerful means of pressure in the control of the most important internal food supplies.

Societe Francaise Hispano-Suiza. The Flugzeugfabrik "Zmaj" A. G., capital 8 million kunas, was owned by Belgrade private interests.

According to reports, all these facilities have been pooled and put at the disposal of the Germans for the repair of Messerschmitt planes and possibly also for the production of parts. The plants are reportedly managed by the Wiener Neustädter Flugzeugfabrik A. G., but there is no definite information on the ownership relations.

In addition to these Zemun factories, a new airplane plant, the Kroatische Metallfabriks-A. G., was established in Zagreb in 1943, reportedly for the production of aircraft engines. It is, however, more probable that the factory engages in airframe assembly and repairs. No data are available on the ownership of this factory, but it is probable that the Croat State is at least a part owner.

MACHINERY

Waggon, Maschinen—und Bruckenbau A. G., Brod on Sava, is the most important rolling stock, steel construction, and now possibly armaments plant in Croatia. It is owned by the Sparkassa des Unabhängigen Staates Kroatien and thus its facilities are at the disposal of Germany. The capital of the company was increased at the beginning of 1944 from 55 to 100 million kunas. The Germans directly, or one of the German-controlled banks in Zagreb, may have acquired a part interest in the plant.

There are two Croatian machinery factories, controlled indirectly but through ownership rights by the Germans. The Osijeker Eisen-giesserei und Maschinenfabrik A. G., Osijek, capital 5 million kunas, is owned by the Kroatische Landesbank, Zagreb, and thus indirectly by the Dresdner Bank. The factory produces a number of types of simple machines, such as agricultural machinery, flour-mill machinery, radiators, ovens, and since 1935, producer-gas generators. "Titan" A. G., Krainische Eisen- und Schlosserwarenfabrik und Giesserei, Zagreb, capital 3 million kunas, has an iron products factory at Stein, Slovenia. It also belongs to the Kroatische Landesbank, and thus to the Dresdner Bank. This factory is located in territory annexed by Germany, and the ownership may have been transferred from the Kroatische Landesbank to the Länderbank or some other concern in Austria.

PETROLEUM

Prior to the war, Yugoslavia's oil production was negligible. On the average about 160,000 tons of petroleum products were imported annually, mostly by way of the Danube from Roumania, and about 70 percent was in the form of crude oil. Refining and distribution of oil was carried on by the Yugoslav Shell Oil Corporation (capital 100 million dinars, refinery at Caprag) and the Yugoslav Standard-Vacuum Oil Co. (capital 175 million dinars, refinery at Brod on Sava). Both companies maintained storage facilities in several cities and harbors. The marketing of petroleum products was regulated by a cartel agreement. The two companies had a special cartel arrangement with a third very small petroleum corporation, "Ipoil."

The Shell company is now managed by a German, and one of the members of its board of directors is Eckhardt von Klass, (a keyman

in the German oil industry), who is also in the Serbian Shell A. G. The Standard-Vacuum company is now managed by an all-Croat board of directors. Since the monopoly of import, export, and sale of petroleum products is in the hands of the "Paklina" Privilegierte Petroleum A. G., a Government-controlled corporation (60 percent of capital of 5 million kunas), it may be presumed that the chief function of the two former companies is to supply technical facilities. This is suggested also by the fact that the board of directors of the Paklina A. G. includes directors of both the above companies.

There has been considerable prospecting for oil and natural gas in Croatia in recent years. Some domestic groups, and especially the German Gewerkschaft "Elwerath"—Erdölwerke, Hanover, are also engaged in the oil industry. The production of crude oil in Croatia was estimated at about 50,000 metric tons in 1943.

Of the domestic companies, the most important is the "Uljanik" A. G., with a capital of 15 million kunas. It is completely controlled by the First Croat Savings Bank. The Gewerkschaft "Elwerath" (one of the participants in the Kontinentale Oel A. G.) through its subsidiary Petrolej A. G., capital 25 million kunas, has several concessions and has contributed most to the increase of production in the past three years.⁴ The Kroatische Öl und Gas A. G., established in 1942 with a capital of 1 million kunas, is partly owned by the oil-drilling firm of Rautenkranz of Celle, Hanover. The Rütgerswerke A. G., Berlin, has a part interest in the natural gas-producing company Methan A. G. (capital 3 million kunas), which works in close cooperation with the Uljanik and of which the majority of stock is also owned by the First Croat Savings Bank.

CHEMICALS

A. G. für Explosiv und chemische Erzeugnisse, Zagreb, capital 4 million kunas, produces explosives and other chemicals and is controlled by the A. G. Dynamit Nobel, Bratislava, a subsidiary of the I. G. Farben. Lack- und Ölindustrie A. G., Zagreb, capital 9 million kunas, produces varnish, lacquer, and dyes at its plant in Zagreb, and is owned by the First Croat Savings Bank and the I. G. Farben.

Bosnische Electricitäts-A. G., Jajce, Bosnia, owns a power plant in Jajce and produces chlorine, chlorine derivatives, fertilizers, and ferrosilicon. The company, whose capital was increased in 1943 from 13.5 million kunas to 35 million kunas, is owned by the A. G. Dynamit Nobel, Bratislava and the I. G. Farben. As its plant is located in the territory controlled until recently by the Yugoslav National Army of Liberation, it is improbable that it is still working.

The Solvay A. G., Lukavac, near Tuzla, is another heavy chemicals factory located in Bosnia. Prior to the war, its capital of 80 million dinars was in the hands of the Belgian Solvay, the Aussiger Verein, and the Yugoslav Union Bank. The company produces caustic soda, soda ash, calcium chloride, and other products. The Belgian Solvay is reported to be controlled by the Hermann Göring Werke. The Lukavac plant is also in a region where guerrilla warfare was intense and it is probable that its facilities have been damaged.

⁴ The existing concessions of the Gewerkschaft "Elwerath" in Croatia and several other countries were expressly recognized in the charter of the Kontinentale Oel A. G., which was set up to control petroleum resources in the conquered and satellite countries.

The "Behring" Institut A. G., Zagreb, has a plant in Zagreb for the production of sera, vaccines, and various pharmaceutical products. Capital of the company is three million kunas and a part interest is owned by I. G. Farben, whose patents the plant uses. "Chromos" A. G. Fabrik graphischer Farben, Zagreb, owns a plant near Zagreb and another in Zemun. It produces printing ink, varnish, and lacquer. The capital of the firm is 10 million kunas, and is partly owned by German firms. It serves also as a general trading agent for several German firms.

Georg Schicht A. G., Osijek, is the most important Yugoslav producer of soap, toilet articles, and glycerin. The capital of the company amounts to 50 million kunas. A portion of the stock of this company was formerly in the hands of the Serbian Bank in Zagreb which in 1941 came under Government control. Foreign groups interested in the firm included Schicht, Aussig, Czechoslovakia, and especially the British Lever interests. As Schicht, Aussig, was formerly connected with the Deutsche Jurgens Werke, Hamburg, it can be assumed that the Croat firm is now controlled by the Germans.

A small chemical plant "Danica" A. G. at Koprivnica, had facilities for the production of chemical fertilizers and sulphuric acid. Production was stopped in 1937 as a result of a cartel arrangement with Zorka A. G., but according to some reports work has been resumed since the creation of the Croat State.

Chemische Fabriken A. G., Zagreb, was established in 1942 with the backing of the Croat State, domestic private interests, and the Aussiger Verein, of which the reported participation amounts to 48 percent. The company's capital is 50 million kunas and its plan is to build sufficient capacity to cover the Croatian needs of copper sulphate, sulphuric acid, superphosphate and other fertilizers. There is no information as to how far the proposed work of the company has progressed. This company may have taken over the facilities of Danica A. G.

An important Croat contribution to Germany is in the form of tanning extracts of which there is a shortage in Germany. The amount supplied is perhaps 10,000 to 15,000 metric tons. Three chief companies⁵ are engaged in that work—the Nasicer Tannin-fabrik und Dampfsage A. G.; the Gerbextraktwerke A. G., Sisak, capital 10 million kunas, and the S. H. Gutmann A. G. Prior to the war, these companies had a sales cartel agreement and maintained a special sales company Tannin A. G. in Zagreb. The majority of shares of all these companies is now in the hands of the Croat Government and thus only indirectly under German control.

The Croat State has set up a company for the production of cellulose, the Zellulose A. G., with a proposed share capital of 750 million kunas.

Before the war there was a cellulose plant in Yugoslavia situated in Drvar, Bosnia, and belonging to the Government lumber company, Sipad. Its annual production was about 8,000 metric tons. Shortly before the war, plans were drawn up for the establishment of two additional plants, one in Bosnia and the other in Gorski Kotar, Croatia, probably with French capital, but the war made execution

⁵ Another important Yugoslav producer of tanning extracts is Yugo-Tannin A. G., which owned a plant in Sevnica, now German-annexed part of Slovenia. It was French owned but is now Germanized. According to one report, this plant has been dismantled and the machinery shipped to Germany.

of these plans impossible. It may well be that the plans of Zellulose A. G., will also not be carried out for a long time. The most important lumber producing regions of Croatia are now under Partisan control.

APPENDIX F

Important German trading firms operating in Croatia

Name	Year of establishment	Share capital in kunas	Representing—	Product
"Asphalt-Beton" A. G.	1939	2,000,000	Viennese firms	Building material.
"Montan" Handels A. G.	1942	500,000	Haniel & Cie., Duisburg.	Coal, fertilizers.
Montan Syndikat A. G.		750,000	Alpine-Montanbetriebe	Machinery, iron, and steel.
"Seona" Kohlenbergwerks A. G.	1940	2,000,000	Hermann Göring Works	Metals.
"Alat" Industrie A. G.		2,000,000	Various German firms	Coal, minerals.
Gebr. Böhler & Co. A. G.	1941	2,000,000	do	Tools.
"Embeag" Handels-Industrie A. G.	1941	3,000,000	Gebr. Böhler & Co. A. G., Vienna.	Iron and steel, metals, coal.
Ferro Wolff A. G.	1941	500,000	Maschinenbau-und Bahnbedarf A. G., Berlin.	Metals, rolling stock.
"Obnova" A. G.	1941	30,000,000	Otto Wolff, Cologne.	Metals, machinery.
Industrie-und Handels A. G.	1928		Kontropa A. G., Vienna.	Scrap.
Kroatische Schoeller-Bleckmann A. G.		1,500,000	Alpine-Montanbetriebe-Hermann Göring Works.	Iron and steel.
Mannesmannröhren-und Eisen A. G.	1942	12,000,000	Schoeller-Bleckmann Stahlwerke A. G., Vienna.	Do.
Kontinentale A. G. für Eisenhandel.	1937	1,000,000	Mannesmann Werke, Düsseldorf.	Tubes, iron and steel.
National Register Kassen A. G.	1939	1,000,000	Czech steel firms	Iron and steel.
Oberhütten Silesia Stahl A. G.	1943	750,000	National-Krupp Register Kassen G. m. b. H., Berlin.	Office machines.
"Olympia" Büromaschinen A. G.	1941	1,000,000	Oberhütten Silesia Stahl	Iron and steel machinery.
Kroatische Klöckner-Humboldt-Deutz.	1925	3,000,000	A. E. G., Berlin	Office machines.
Anilokemika A. G. für technisch-chemische Industrie.	1923	2,000,000	Klöckner-Humboldt-Deutz, Cologne.	Machinery, motors, armaments.
Odol A. G.	1941	2,000,000	I. G. Farben	Chemicals.
Pira A. G.	1923	1,200,000	Lingner-Werke, Dresden.	Pharmaceuticals.
Julius Meinel A. G.	1920	10,000,000	I. G. Farben, Mauser Werke	Explosives, armaments.
"Transmar" Handels A. G.	1941	2,000,000	Julius Meinel A. G., Vienna.	Coffee and food.
A. E. G. Kroatische Elektrizitäts A. G.	1922	1,000,000	Gesellschaft für Aussenhandel, Vienna.	General trading.
Kroatische Siemens A. G.	1921	1,500,000	A. E. G., Berlin	Electrical appliances.
"Elin" A. G. für elektrische Industrie.	1922	3,500,000	Siemens A. G., Berlin	Do.
Teleradio A. G.	1941	16,000,000	"Elin" A. G., Vienna	Do.
"Ufa" Kroatische Film A. G.	1942	2,000,000	German radio firms	Radio equipment.
Continental—Caoutchouc A. G.	1924	2,000,000	"Ufa" Film, Berlin	Moving pictures.
Semperit A. G.	1922	550,000	Continental Gummi Werke, Hannover.	Rubber products.
A. G. für Industrie, Anbau und Handel A. G. "Südostropa."	1942	600,000	Semperit Werke, Vienna.	Do.
"Timex" A. G.	1940	1,000,000	Südostropa A. G., Berlin	Agricultural products.
Kroatische Schenker A. G.	1942	3,000,000	Hellmuth Carroux & Cie., Hamburg.	General trading.
"Intercontinentale" A. G.	1942	3,000,000	Schenker Co., A. G., Berlin	Transportation.
Internationale Transport A. G.	1938	500,000	German controlled	Do.
			do	Do.

AXIS PENETRATION OF EUROPEAN INSURANCE

EFFECT AND TECHNIQUE OF AXIS INSURANCE PENETRATION

German and Italian companies now virtually monopolize the field of insurance in Europe. By replacing British and other companies in the reinsurance field and extending their own previously strong position, the Axis reinsurance companies have integrated the whole insurance structure of the continent into a powerful instrument of economic control.

Through dominance of reinsurance, Axis companies, closely allied with their Governments, are able to —

1. Take the cream of the insurance business in occupied countries leaving the inferior risks to the domestic companies.
2. Double and triple the profits of some Axis companies.
3. Control the investment and management policies of insurance companies in the occupied areas which, in turn, exercise a large measure of control upon financial affairs and industrial enterprises.

Resting as it does upon contract rather than property, this chain of control will be exceedingly difficult to untangle in the post-war period. In breaking the Axis hold upon the European insurance business, great foresight will be required if the positive results of integration are to be preserved: the greatly increased financial stability of the insurance structure and the elimination of its outstanding pre-war disadvantage—the narrow national basis of many companies.

The nature of insurance operations requires very different techniques of penetration or exploitation than those employed in other economic sectors. After the initial seizure of British interests and transfer to themselves of domestic companies, the German and Italian companies now in control do not depart radically from conservative insurance practices. It is fundamental that the capacity to absorb risks is dependent on the spread of the risks in space and in time. In this sense Europe as a whole is a more favorable field for insurance than the previous narrow national areas.

The process of penetration appears conservative and slow; it is guided by business principles and is hesitant to take undue risks. There is little overt interference by other official or military elements.

This very conservatism in method tends to disguise the enormous efficacy of an insurance monopoly as an instrument of economic power. The power exerted may be exercised through apparent inaction as easily as through positive acts—a refusal or agreement to reinsure equally condition a business situation. Fire and casualty rates are among the basic conditions of economic life; the power to control them carries the power to favor or penalize any business or area. The effects of this power are never conspicuous and, in fact, are seldom visible.

The technique of penetration is characterized by the following features, in addition to the conservatism already mentioned:

1. British insurance interests in the occupied areas are taken over completely by the Germans and, to a lesser extent, by the Italians.

In those cases where the Germans are not sure of the quality of a business, arrangements are made for a tentative and exploratory association. In a few countries, for example, British agencies continue to function under their own liability but have to reinsure with Axis companies, which, when they become acquainted with the nature of the portfolio and are satisfied with the claims experience, take possession of the British business. The dissolution of the remnants of the British company follows immediately.

2. Forced closing of local companies is usual only for racial and political reasons. Such cases have arisen in Luxembourg, Alsace, Poland. In all Axis controlled areas domestic businesses have been coordinated with Axis insurance interests.

3. Where risks are bad, and the claims ratios unfavorable, as in Norway, Denmark, and Greece, German agencies have been distinctly reluctant to penetrate.

4. Collaboration on the part of insurance factors, notably in France, has assisted the penetration of Axis insurance companies.

5. In general, penetration is confined to purely commercial arrangements except in cases where one or more of the following circumstances exist:

(a) There is a wide infiltration of German and Italian direct operating companies which then compete with local offices. There has been a marked influx of German agencies into France.

(b) Coverage of risks in war industries changes from domestic to German insurers as a result of the change of control of ownership.

(c) Wherever large, profitable, industrial enterprises remain in local hands, pressure is exerted by German companies to let them participate in the insurance coverage.

6. As a matter of basic policy the Axis allows only German and Italian companies to have a share in international business, restricting local companies to local activity.

7. As British facilities disappear, the movement of reinsurance to German and Italian groups is channeled through the "Munich"-controlled "Association for the Coverage of Major Risks," a cartel embracing all major European reinsurance companies, including the neutrals.

AXIS INSURANCE OPERATIONS PRIOR TO THE OCCUPATION OF EUROPEAN COUNTRIES

FOREIGN ACTIVITIES OF AXIS DIRECT INSURANCE COMPANIES THROUGH AGENCIES

Germany's direct insurance operations in Europe were on a small scale until 1940. Not more than a dozen of the more than 6,000 German licensed insurance carriers were actually functioning abroad; another dozen, while concessioned in foreign countries, maintained their offices for reasons of prestige or noncommercial expediency.

Further reflections of the vanishing influence of German insurance operations abroad are to be found in the decreasing number of insurance carriers and the decreasing volume of their transactions:

Premium income in direct insurance business

[In millions of reichsmarks]

	German companies abroad	German companies in Germany		German companies abroad	German companies in Germany
1913.....	113. 17	1, 153. 70	1935.....	33. 35	1, 870. 55
1933.....	42. 79	1, 579. 96	1936.....	29. 60	1, 839. 96
1934.....	39. 30	1, 705. 46	1937.....	28. 74	2, 074. 44

Developments in Italy were not similar to those in Germany; although Italy has gradually eliminated foreign companies from the direct home insurance business, in foreign countries widespread activities were not only maintained, but in the years of the Fascist regime were increased. The expansion was chiefly accomplished through old established and international organizations, the Assicurazione Generali and Riunione, Adriatica, both of Trieste, and their affiliates.¹ The premium income of these two companies reached a total of 1,400,000,000 lira in 1937, of which 450,000,000 lira came from direct home business and nearly 1,000,000,000 lira from indirect and foreign business. Losses encountered since the rise of Fascism, as a result of increasing resentment in France and England, were largely compensated for by expansions in the Balkans, Spain, and in South America.

FOREIGN ACTIVITIES OF AXIS INSURANCE COMPANIES THROUGH AFFILIATIONS

For many years the German insurance industry experienced some difficulty in its foreign business due to prejudices dating from the World War. Before the rise of Hitler, German insurance connections abroad, especially in former enemy countries, were often set up with non-German partners; after the establishment of the Nazi regime, the same practice was extended to neutral countries. (Examples are cited in ch. III of this report.)

The Munich Reinsurance Co. used the device of non-German partners in order to cloak its direct participation in operating offices, and turned over part of its own reinsurance business to Munich-controlled reinsurance subsidiaries of which the Union of Zurich, the Societe Anonyme de Reassurances of Paris, the Patria of Milan, and El Fenix Sud Americano of Buenos Aires are the more important. Those subsidiaries abroad, under a native name and appearance, serve the German home company in three ways:

- (a) They support the home company in the coverage of major risks (diversification).
- (b) They are an effective producing agency for the home company.
- (c) They acquire in their own name any business which for political or other reasons cannot be acquired in the name of the German enterprise.

¹ The constantly growing importance of the two leading Italian concerns on the world market furnishes a key for the understanding of the German-Italian collaboration in matters of insurance.

The experience which Germany had with these affiliates was not uniformly happy. Local competitors were eager to discover German origin, and the motives and methods applied by them in using such information were not always above criticism. Blackmail and libel actions were not infrequent, particularly in France and Belgium.

The Italian companies, particularly the leading Italian concerns, Assicurazioni Generali and Riunione Adriatica, used affiliations abroad more freely than the Germans. The well-organized Italian insurance network all over the world remained unhampered even when sanctions were declared against Italy in the Ethiopian conflict. In 1938, due to German pressure, Italian affiliations in Austria were restricted, but the losses were largely compensated by accrual of new business from countries occupied after September 1939.

REINSURANCE

The insignificance of the German direct foreign activities before 1940 is in sharp contrast to the magnitude of their indirect business. The financial strength of German reinsurance firms compared to foreign competitors is striking. The last peacetime figures (British source) show the following income:

Sterling value at end of 1938

(1) Munich Reinsurance Co.....	£15, 557, 663
(2) Swiss Reinsurance Co. (Zurich).....	10, 824, 267
(3) Koelnische Rueck (Cologne).....	2, 821, 575
(4) European General (United States of America).....	2, 176, 225
(5) Gerling Konzern Rueck (Cologne).....	1, 846, 092
(6) Cie Generale Accidents (Paris).....	1, 771, 792
(7) Frankona Rueck & Co. (Berlin).....	1, 577, 337
(8) Employers Reinsurance (United States of America).....	1, 471, 268
(9) Bayerische Rueck (Munich).....	1, 274, 071
(10) Aachener Rueck (Berlin).....	1, 239, 972
(11) General Reinsurance (United States of America).....	1, 191, 053
(12) Gerling Konzern Rheinische (Cologne).....	1, 189, 923
(13) Skandinavia (Copenhagen).....	1, 183, 098
(14) Mercantile & General (London).....	1, 034, 180
(15) Hamburg-Bremer Rueck (Hamburg).....	1, 024, 706
(16) Christiania General (Oslo).....	1, 000, 400
(17) Baltica (Copenhagen).....	963, 840
(18) Reinsurance Corporation (London).....	943, 924
(19) Francaise de Reassurances (Paris).....	936, 043
(20) Victoria Rueck (Berlin).....	920, 030
(21) Universale Rueck (Zurich) (1937).....	916, 320
(22) Europaeische Allg. (Zurich).....	761, 773
(23) Universele Reassurantie (Amsterdam).....	720, 049
(24) Victory (London).....	718, 794
(25) Inter-Ocean (United States of America).....	665, 041
(26) American Reserve (United States of America).....	659, 136
(27) Rueckvers-Verein (Berlin).....	642, 157
(28) American Reinsurance (United States of America).....	637, 498
(29) Magdeburger Rueck (Magdeburg).....	622, 262
(30) Prudential of G. B. (United States of America).....	574, 654
(31) Union Rueck (Zurich).....	539, 792
(32) Nordisk Reinsurance (Copenhagen).....	537, 618
(33) North American Reassurance (United States of America).....	522, 922
(34) General Fire, Paris (United States of America A/C).....	505, 403

Sterling value at end of 1938—Continued

(35) Nationale Credit et Reassurances (Paris).....	£482, 110
(36) Salamandra (Copenhagen).....	482, 068
(37) G. K. Duit.-Nederlnd. (Amsterdam) (1937).....	456, 508
(38) Soc. An. de Reassurances (Paris).....	440, 527
(39) 1st Bohemian Reinsurance Bank, Prague.....	435, 477
(40) Fortuna Rueck (Erfurt).....	413, 615
(41) Farmers' Mutual Reinsurance (United States of America)....	411, 846
(42) Northeastern of Hartford (United States of America).....	402, 778
(43) North Star (United States of America).....	484, 086

In this tabulation, German companies lead with 45.9 percent of the total reinsurance income; followed by Swiss companies with 20.5 percent; while the remainder is shared by American, French, Danish, and English companies, etc.

These valuations, which Germany has been able to maintain and increase continuously for more than a decade, mean more than the maintenance of an outstanding commercial prestige over the whole world. Their significance for the German Treasury and war finance may best be judged by the fact that in the whole German economic system, reinsurance companies alone were since 1931, and still are,² exempt from the prohibition of export of funds and exchange control. This exemption is granted only because the balance of advantage lies with the Reich. In other words, due to reinsurance income, the balance of insurance payments with foreign countries is favorable, although the direct German business alone was then constantly unprofitable.³ The total yearly premium income of the professional reinsurance companies in Germany was more than 450,000,000 reichsmarks in 1939; leading German insurance executives have estimated that more than half of this amount was then collected from foreign sources, but exact figures have never been divulged.

The reasons for this unique position of Germany in professional reinsurance may be analyzed as follows.

BUSINESS PRACTICES OF GERMAN REINSURANCE FIRMS

Centralization.—The German insurance and reinsurance industry is highly concentrated and centralized, with the Munich Reinsurance

² The freedom of German reinsurance from exchange control barriers has been reconfirmed as late as July 1942 in the circulars of the German Exchange Control Office of July 3 and 14.

³ Balances of Germany's foreign insurance business (in millions of reichsmarks):

	1913		1931		1932		1933		1934	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Direct:										
Life.....	21.02			18.60		14.14		11.84		9.63
Fire and general.....		8.16		11.67		6.06		8.03		5.50
Marine.....				1.27		1.92		.45		1.41
Reinsurance:										
Life.....	12.13		31.94		16.13		17.06		16.12	
Fire.....	68.52		18.20		18.23		23.60		31.02	
Marine.....				5.85		2.36		.29		.54
Total.....	101.67	3.16	50.14	37.39	36.36	24.48	40.95	20.32	47.67	16.54
Net credit balance.....	98.51			12.75		11.88		20.63		31.13

Co. holding indisputable leadership.⁴ Practically all German insurance and reinsurance concerns reinsure or retrocede part of their risks to the Munich.⁵ For all practical purposes German reinsurance can, therefore, be identified with the Munich, particularly since the Munich manages the insurance cartel for the coverage of major risks throughout Europe. (See ch. IV.)

It is upon the combined insurance power of these concerns that the Munich Reinsurance Co. rests. British professional reinsurance never acquired such wholehearted support from its domestic market, and there are in England no such intimate associations between direct insurance and reinsurance as exist between the Munich and the Allianz.

Attraction for foreign clients.—Upon this domestic foundation the foreign power of the Munich has been built up. Thanks to 60 years of experience, specialization, and unrivalled retrocession facilities, the Munich has been able to offer abroad a reinsurance mechanism which in its variety, adaptability, and attractiveness has met little competition.

Compared with Allied business practices, German treaty conditions are often not conservative, but flexible and daring. The pattern upon which German reinsurance has operated abroad for years is less concerned with immediate profits than with the building up of long-term ties between reinsurer and reinsured. Until they become profitable, newly created insurance offices are nourished and pulled through periods of difficulty by the reinsurer. The reinsurer pays the cost of acquisition, commissions, and management of the reinsuring office and provides for the deposits required under state legislation.

Information system.—The German reinsurance offices put at the disposal of their clients a unique information and card-indexing system covering the substantial risks of the whole world. This index is continuously enlarged and kept up to date by direct companies. It often permits the insurance of so-called uninsurable risks; it is paralleled by Lloyd's in the limited field of marine insurance. It has become an accepted practice for direct companies to seek information from Berlin or Munich on the insurability of certain risks, even those situated in the company's own country. Munich offices are also equipped for the partial or total administration of the operating machinery of their reinsured clients (interlocking enterprises).

⁴ Premium income of German reinsurance companies as shown in their 1940 balances (in millions of reichsmarks):

Aachener Rueck.....	17.78	Koelner Lloyd.....	2.70
Bayerische Rueck.....	31.71	Koelnische Rueck.....	45.56
Dtsch. Rueckvers. Ges.....	16.52	Leipziger Allgemeine.....	4.09
Dtsch. Vers. G., Brem.....	1.95	Magdeburger Rueck.....	8.47
Dresdner Rueck.....	.47	Muenchener Rueck (Munich Reinsur- ance Co.).....	210.14
Eisen und Stahl.....	8.70	Rueckvers. Colonia.....	3.31
Fortuna Rueck.....	6.60	Rueckvers. Vereinig.....	10.29
Frankona Rueck.....	39.14	Silesia.....	1.98
Gerling-K., Rhein.....	12.34	Stettiner Rueck.....	1.64
Gerling-K. Rueck.....	22.43	Victoria.....	11.75
Gladbacher Rueck.....	1.44		
Hamburg-Brem. Rueck.....	13.33		

⁵ The Gerling concern, is a self-sufficient independent group and reinsures with other German companies only on a limited scale. It has its own reinsurance concerns in Germany and abroad.

Robert Gerling, who inaugurated the Gerling "Isolationist" system, and after his death the present Gerling leader, Walter Forstreuter, have always been considered stubborn outsiders. Because they have become successful they have been severely criticized and attacked. These hostilities continue to exist and are reflected in the German insurance press up to the present day. As the Gerling opponents have the upper hand in Nazi officialdom, the Gerling concern seems to have been discriminated against in the distribution of the business allotted to German companies from occupied areas.

Social approach.—To the clever initiative of the German companies must be added the personal activities of their managers and agents who mix a social and a business approach.^{6 7}

Instead of relying on indirect communication the Munich managers and their employees have never hesitated to visit distant countries for the purpose of establishing representatives and creating good will by trying to please and to adjust themselves to foreign customs and ideas.

"We have been able to become the biggest reinsurance enterprise in the world," said the chief executive of the Munich in 1937, "because the development of the individual insurance company does not, as in marketing goods, depend upon the peculiar nature and quality of the product, but on the solidarity of the management, the creation of the necessary sphere of confidence, and on organization, that is, on imponderables, which are dependent first and foremost on the tradition of the company and on the personality of its managers."

Research facilities.—It is common knowledge that the Axis reinsurance companies, supported by their governments, ably seconded their business interests by offering research facilities to clients and foreign insurance departments, thus supplying them with materials which they could not obtain elsewhere. They supply them with publications, statistics, organization of insurance congresses, and appoint delegates to anniversaries, give advice to foreign insurance officials in their own country, and finally give foreign insurance people in Ger-

⁶ Here is one example of the clever combination of Nazi propaganda, business advertisement, and social goodwill. On July 17, 1937, Hitler inaugurated the House of German Art in Munich. The Munich Reinsurance Co. took this opportunity to invite the leading insurance executives from all over the world to a good-will insurance conference held in the offices of the Munich. Dr. Kurt Schmitt, Reich Minister of Economics under Hitler and president of the Munich, addressed the audience. Over 300 insurance leaders from 27 countries accepted the invitation to the meeting, had seats of honor for the Hitler speech, and were the guests of the Munich for a full week. The international insurance press paid tribute to the Munich Insurance Co. for this "special contribution to international fellowship among insurers and reinsurers."

⁷ The personal background of the present Munich leaders is as follows:

Dr. Kurt Schmitt, president of the Munich is known as an outspoken capitalist; he worked closely with Schacht and it is commonly believed that Schmitt endorsed the same general attitude towards nazism as Schacht; namely, that though they were not entirely happy about its extremist features, they agreed with its antibolshevik course and were confident that by getting inside they could give direction to the Nazi movement and its ideology.

Dr. Schmitt is also the head of the mightiest direct operating insurance organization in Germany, the Allianz concern. As such he enjoys an unexcelled reputation in international insurance. His work in the Munich, which is a purely reinsurance concern, is mainly devoted to domestic business; in the international field, he gives full authority to Dr. Alzheimer.

Among the board members, Dr. Alois Alzheimer is the youngest, and has the shortest service record. Since 1933 he has traveled abroad extensively and is known for his cleverness in negotiations. He is the invisible wirepuller of the international devices used by the Munich. Alzheimer possesses not only an astonishing professional ability and adaptability to foreign conditions, but is also relatively secure from Gestapo supervision abroad because of his supposed party membership card No. 5. When abroad, Alzheimer never plays the fervent Nazi but tactfully overlooks "non-aryan," Socialist, and other "handicaps" of his foreign business partners whenever the latter are useful to the Munich. For example, against the protest of his French Fascist reinsurance partners, Alzheimer appointed in 1937 an outspoken Socialist and personal friend of Prime Minister Blum, Maître Emil Lamour, as general counsel for France after the French Socialists came into power.

Alzheimer is assisted in the field of life insurance by Dr. Gustav Mattfeld and, in the field of casualty and fire insurance, by Dr. Walter Meuschel. In various instances Alzheimer had to reprimand them for their "Germany over all" attitude abroad.

As a shield against discrimination the management of the foreign subsidiaries of the Munich has always been entrusted to nationals of those countries after they were trained in Munich.

The Union of Zürich is headed by Dr. Hans Grieshaber, assisted by Dr. Joseph Maier, both Swiss citizens. For years Grieshaber traveled to Tokio and Yokohama. He also worked successfully for the Munich in India before the outbreak of the war.

The managers of the French subsidiary, Les Réassurances, Mr. Dingler and Mr. Souza, are mere figureheads for the Munich has never shown any confidence in the insurance qualities and reliability of Frenchmen.

The actual supervision of the French and western European business lies in the hands of Dr. Moosbrugger for the life branch, and Mr. Rudolph Audebert, a German citizen. Since the early thirties Audebert had his residence in Toulouse, France, as the supervisor of the Cité, a Munich subsidiary. He traveled extensively between Munich and western Europe and was known in insurance circles as acting captain for the G2 Bureau of the Reichswehr. Several times the French immigration authorities refused Audebert reentry; in 1938 he was arrested in Marseilles, under suspicion of espionage. The incidents were immediately settled through Dr. Alzheimer and his French connections and Audebert continued to operate.

Aside from the officials of the Munich, there are few German insurance executives with world-wide experience and reputation.

many the best possible reception. These efforts have proved most successful in the creation of foreign good will and business.*

CONTROL EXERCISED OVER CLIENTS BY REINSURANCE FIRMS

This highly developed system of service and security for the client company has, as its corollary, a control system on behalf of the reinsurance company, complete in every aspect—legally, financially, economically, and socially.

Administrative dependence.—Although on the surface the reinsured company seems to act independently and to possess all the characteristics of a national enterprise, it is de facto at the mercy of the reinsurer, less by the latter's possession of stock ownership than by the mechanism of the reinsurance treaty. In practice, the consent of the reinsurer has to be obtained not only for all business operations, but also in the selection of personnel, legal counsel, banks, actuaries, etc. Business policy and investments are dictated by the reinsurer. Young companies remain under this absolute tutelage for 10, 20, or 30 years, according to circumstances.

Dependence on personnel.—German reinsurance companies sometimes furnish the leading personnel, actuaries, and organization. For years the Munich hoarded experts in the field wherever they were found, not for its own use but to put them at the disposal of its insurance clients abroad. The Munich also acts as a kind of replacement and educational training center for future executives, training personnel in various countries through affiliated offices.

Financial dependence.—The German reinsurance companies have become the bankers of their clients. In some respects the reinsurer is a kind of silent financial partner in the business of the reinsured; he enables the latter to work with small capital, bolsters up annual statements, and in general makes such financial arrangements with the reinsured company as are necessary from the standpoint of competition, accountability, state supervision, exchange situation, and financial security.

Long-term and shadow agreements.—The German reinsurance companies have always insisted upon long-term agreements. Cancellation clauses are regarded with suspicion. The outbreak of war between the parties stops all reinsurance business but modern treaties provide for so-called shadow arrangements. These provide for a change of contracts by substitution of third, neutral, parties if war prevents the original parties from continuing their relations.

Such shadow agreements are known to exist in practically all reinsurance contracts, i. e., the Union Insurance Co. of Zurich (controlled by the Munich) replaces the Munich in case Germany is involved in a war with the country of a partner. Similarly, the General Reinsurance Co. of Paris has inserted shadow clauses in their treaties with South American companies providing for transfer of the business to the Swiss-Reinsurance Co. of Zurich (controlling the French Reinsurance Co.) in case a state of war should exist between the company of the

* As most recent examples, may be cited the following: An Insurance Research Institute was established in Vienna, later to be expanded to function as a full Academic Institute to study insurance relations with southeastern Europe (Frankfurter Zeitung, December 12, 1942). In May 1943, an important Inter-European Insurance Congress, attended by numerous executives from neutral countries, was held in Budapest and presided over by Dr. K. Schmitt, president of the Munich Reinsurance Co.

reinsured and France; shadow agreements in the second degree have been concluded between the Swiss Reinsurance Co. of Zurich and South American partners in case Switzerland should be involved in war, in which case the business would temporarily go to the North American Fire & Marine Reinsurance Co. of New York (controlled by the Swiss Reinsurance Co.).

Control by stock interest and treaty.—German control of reinsurance has been greatly facilitated in European countries by the lenient attitude which many state laws take with regard to reinsurance in contrast to American laws. Cash deposits are required only if the reinsurer writes direct business, but no deposit is needed for reinsurance. The German reinsurance concerns have well understood how to exploit this laxity.⁹

Control by reinsurance and control by stock are often applied simultaneously. Where no stock interest is held, restrictions are often placed upon the reinsuring office against transfer of its stock, thus preventing competitors from acquiring an interest in the reinsured company.

The German reinsurance concerns always relied more on control by treaty than on control by stock. They have never made a secret of the fact that their technique "achieves its aim through treaty, not through title."¹⁰ If the reinsurer holds stock of his client he may partly dispose of it after he had concluded the invariably long-term insurance treaties. In cases where he reinsures an existing company he need not even acquire a control of the stock because most of the shareholders will show little interest in the technical exploitation.

The few known stock interests which the Munich openly held in foreign countries were, for the most part, turned over when it became expedient, to firms in which the Munich had confidence. Thus, in September 1939, the vice president of the Munich immediately retired from the board of the Union Reinsurance Co. of Zurich, and the Berlin, Cologne, and Duesseldorf managers also retired from the Universale Insurance Co. of Zurich, although both companies continued to be fully controlled by the Munich and Gerling concerns, respectively. The resignation of the Magdeburg executives from the board of the Nord og Syd, Copenhagen, also promptly followed the outbreak of war but could not prevent its subsequent blacklisting by the British. Similarly, on April 21, 1939, the Munich disposed of most of the shares of the Pilot Reinsurance Co. (now vested) of New York to the Union Bank of Switzerland. Later 5,000 shares were transferred to the Atlas Reinsurance Co. of Stockholm; 1,000 shares to the Merwede of Dordrecht, Holland; 3,750 shares to the Svenske Veritas of Stockholm; and 3,750 shares to the Atlantica of Gotenburg. Still later, the Allianz transferred 3,600 shares of the Pilot to the Amsterdam von 1776.

⁹ There are various reasons why such treaties (reinsurance agreements) are concluded. Often the reinsurer has no government authorization to do business and there are many reasons why an application for such a license, which necessarily involves restrictions, should not be made. Such considerations are particularly important in connection with foreign companies. Often it is impossible to obtain a license . . . Furthermore, it was always desirable to work abroad under the flag of a domestic company because one can procure the advantages of a domestic enterprise. Economically, such a procedure is nothing but the leasing of a foreign organization. . . . (Herrmansdorfer, Technique and importance of reinsurance, Munich, 1927, p. 365).

¹⁰ *Ibid.*, p. 365.

AXIS INSURANCE OPERATIONS AFTER THE OCCUPATION

INTERNAL DEVELOPMENTS IN GERMANY AND ITALY

Germany.—At the outbreak of the war the German insurance business was firmly entrenched and concentrated. Although more than 6,000 insurance carriers figured in official statistics, the majority had no more than local significance or were affiliated with one of the six important groups listed on chart 1.

The aggregate premium income of these concerns was more than 2.5 billion reichsmarks in 1939, while in the same year, foreign insurance companies, licensed in Germany, collected only 85 million reichsmarks in premiums; this discrepancy may be explained by the fact that foreign companies had for years been discouraged from operating in Germany and as a result their number was constantly decreasing.¹¹

CHART I.—Important German insurance groups

<i>Allianz</i>	<i>Agrippina</i>	<i>Aachen-Munich, Nordstern</i>
Allianz und Stuttgarter, Berlin.	Agrippina See—Cologne.	Aachener und Muenchener
Allianz und Stuttgarter Leben, Berlin.	Koelner Lloyd, Cologne.	Feuer, Aix-la-Chappelle.
Mercur, Bremen.	Mitteuropaische, Cologne.	Aachener und Muenchener
Badische Pferde; Karlsruhe.	Agrippina Allem., Cologne.	Leben, Potsdam.
Bayerische Vers., Munich.	Patrla, Cologne.	Aachener Rueck, Aix-la-Chappelle.
Globus, Hamburg.	Agrippina Lebens, Berlin.	Fortuna Rueck, Erfurt.
Hammonia, Hamburg.	Bavaria, Nuernberg.	Hamburg-Bremer Feuer, Hamburg.
Kraft, Berlin.		Hamburg-Bremer Rueck, Hamburg.
Neue Frankfurter, Frankfurt a. M.		Motag, Berlin.
Union Hagel, Weimar.		Nordstern Allgemeine, Berlin.
Wiener Allianz, Vienna.		Nordstern Leben, Berlin.
		Oldenburger, Oldenburg.
		Schlesische Feuer, Breslau.
		Thuringia, Erfurt.
		Globus, Wein.
		Hamburger Allgemeine, Hamburg.
		Rueckvers-Vereinigung, Berlin.
		Wiener Rueck, Vienna.
<i>Deutscher Ring</i>	<i>Gerling</i>	<i>Magdeburg</i>
Deutscher Ring Lebens, A. G.	Friedrich Wilhelm Leben, Berlin.	Magdeburg Allg. Leben, Magdeburg.
Deutscher Ring Transport, A. G.	Gerling-Konzern Allgem., Cologne.	Magdeburg Hagel, Magdeburg.
Deutscher Ring Kranken Verein A. G.	Gerling-Konzern Leben, Cologne.	Magdeburg Rueck, Magdeburg.
Deutscher Ring-Oesterreichische A. G., Vienna.	Gerling-Konzern Rhein, Cologne.	Union und Rhein, Cologne.
	Gerling-Konzern Rueck, Cologne.	Aachen-Leipzig, Leipzig.
	Magdeburger Lebens, Magdeburg.	Donau, Vienna.
		Concordia, Reichenberg.

According to their country origin, there were, in Germany, 19 foreign companies with head offices in London,¹² 15 in Switzerland,¹³ 6 in Holland,¹⁴ 6 in Sweden,¹⁵ 6 in United States,¹⁶ 5 in Denmark,¹⁷ 5 in Italy,¹⁸ and 2 in Japan,¹⁹ Norway,²⁰ and Hungary,²¹ respectively. The aggregate value of the German assets of these companies amounted to 295,000,000 reichsmarks in 1938. The premium reserves deposited in Germany amounted to 219,000,000 reichsmarks and the loss reserves to 14,000,000 reichsmarks. The investments in Germany of the foreign companies were distributed as follows:

	<i>Marks</i>
Mortgages.....	109, 000, 000
German securities.....	68, 000, 000
German public loans.....	38, 000, 000
German real estate.....	24, 000, 000

¹¹ In 1931 there were 73 foreign insurance companies licensed by the government, in 1937 the number had shrunk to 61, at the outbreak of the war in 1939 there were 51.

The lion's share of these investments was carried by the Swiss Life & Annuity Insurance Co. of Zurich. Of the 44 British companies operating in Germany at the outbreak of the war, 25 transacted only transport insurance, a branch not subject to state supervision so that returns are not available. In the field of fire insurance, British companies had a premium income of 19,000,000 reichsmarks with the North British & Mercantile and the Commercial Union leading all other British companies. Automobile business followed with a premium income of 12,000,000 reichsmarks and burglary with 1,000,000 reichsmarks.

The absorption of British business in Germany by German offices offered no problem. At the instance of the German State Insurance Supervision Board, the German representatives of all English companies transferred their business without compensation to the following companies:

Alliance Assurance Co. to the Erste Allgemeine, Vienna.
 Atlas Assurance Co. to the Erste Allgemeine, Vienna.
 Commercial Union to the Aachen-Leipziger, Aix-la-Chapelle.
 Eagle Star, London & Lancashire, Palatine Insurance to the Deutsche Sachversicherungs A. G., Hamburg.
 The Fine Art & General, North British & Mercantile to the Allgemeine Feuerassuranz, Berlin.
 Guardian Assurance, London Phoenix to the Albingia, Hamburg.
 Legal & General Assurance to the Oldenburg Versicherung, Oldenburg.
 Liverpool & London & Globe to the Aachen & Munich Fire, Aix-la-Chapelle.
 Norwich Union to the Agrippina Allgemeine, Cologne.
 Pearl Insurance Co. to the Securitas Bremer Allgemeine, Bremen.
 The Northern Assurance Co., Royal Insurance Co. to the National, Stettin.
 Prudential Insurance Co. to the Nordstern, Berlin.
 Sun Insurance to the Mannheimer Insurance Co., Mannheim.

Some of the German nationals insured in British companies protested against compulsory transfer of their policies to another company and requested either cancelation or free transfer to another underwriter of their choice. The German authorities seem to have opposed such individual solutions.

¹³ England:

Alliance: Fire premium income, 492,118 reichsmarks (1938); profit, 53,075 reichsmarks.

Atlas: Fire premium income, 521,343 reichsmarks (1938); profit, 48,746 reichsmarks.

Commercial Union: Fire premium income, 1,404,256 reichsmarks (1938); profit, 5,523 reichsmarks.

Eagle Star: Fire premium income, 145,062 reichsmarks (1938); loss, 4,078 reichsmarks.

Guardian Assurance: Fire premium income, 419,689 reichsmarks (1938); profit, 29,781 reichsmarks.

Phoenix: Fire premium income, 719,842 reichsmarks (1938); loss, 31,385 reichsmarks.

London & Lancashire: Fire premium income, 17,411 reichsmarks (1938); loss, 2,837 reichsmarks.

Palatine: Premium income, 112,720 reichsmarks (1938); profit, 159,990 reichsmarks.

Fine Art & General: Fire premium income, 17,314 reichsmarks (1938); profit, 3,404 reichsmarks.

North British & Mercantile: Fire premium income, 1,724,505 reichsmarks (1938); loss, 201,087 reichsmarks.

Legal & General: Fire premium income, 313,215 reichsmarks (1938); loss, 717 reichsmarks.

Liverpool & London & Globe: Fire premium income, 300,914 reichsmarks (1938).

Norwich Union: Fire premium income, 37,116 reichsmarks (1938).

Pearl: Fire premium income, 62,590 reichsmarks (1938).

Northern Insurance Co.: Fire premium income, 98,650 reichsmarks (1938); loss 1,125 reichsmarks.

Royal: Fire premium income, 358,630 reichsmarks (1938); profit, 905,038 reichsmarks.

Prudential: Fire premium income, 614,980 reichsmarks (1938); profit, 27,497 reichsmarks.

Sun: Fire premium income, 190,431 reichsmarks (1938); loss, 4,371 reichsmarks.

London Assurance: Fire premium income, 20,078 reichsmarks (1938); loss, 4,531.

¹⁴ Switzerland: Helvetia, Alpina, Basle Life, Basle Transport, Federal, Neuchatel, Switzerland, Schweizerische Leben, Schweizerische National, Winterthur, Union Swiss, Vita, Winterthur Life, Winterthur Accident, Zurich.

¹⁵ Netherlands: Batavia, Brand of 1790, Netherlands of 1845, Gravenhaag, Netherlands Brand of 1842, Noord Zuid.

¹⁶ Sweden: Skane, Svea, Atlantica, Gouthlod, Oeresund, Sverige.

¹⁷ United States: Glens Falls Insurance Co., Great American Insurance Co., Hartford Fire Insurance Co., Northern Insurance Co. of Hartford, Home Insurance Co., Westchester Fire Insurance Co.

¹⁸ Denmark: Baltica, Denmark, Brand Asssekuranz, Nye Danske of 1864, Nordisk Brand Insurance Co.

¹⁹ Italy: Assicurazioni Generali, Europa, Fiume, Levant, Riunione Adriatica.

²⁰ Japan: Imperial Marine & Fire Insurance Co., Tokio Marine & Fire Ins. Co.

²¹ Norway: Vega, Aeolus.

²² Hungary: Fonciere, Union.

In addition to their direct interests, British companies were known to have had share holdings, estimated at 10,000,000 reichsmarks, in German companies. The *Guardian* of London had reorganized the Albingia of Hamburg, the Sea Insurance Co. of London had acquired an interest in the Deutsche Versicherungs Gesellschaft of Berlin, and the Securitas of London was an associate office of the London Insurance Co. The latter German companies are the principal insurance carriers for the leading shipping concerns, the North German Lloyd and the Hapag now merged into the German American Shipping Co. Interlocking directorates strengthen the reciprocal relations. The Victory of London was represented on the boards of the Anglo-Danubian Lloyd of Vienna and of the Providentia of Berlin. Willis Faber and Dumas, well-known Lloyd's underwriting firm, was represented on the board of the Deutscher Lloyd, an affiliate of the Italian Generali; and Henry I. Schroeder was represented on the board of the Allgemeine Feuer Assekuranz.²²

At the request of the German authorities, these affiliations were dissolved, the board memberships canceled, and the stock transferred to German companies without compensation. No retaliatory measures could be taken in Great Britain because German companies did not operate there directly.

American and German insurance has been noncompetitive ever since the last war. The fate of the insignificant American portfolios in Germany is unknown. On April 14, 1942, the United States was classified as an "enemy country."

Aside from the companies in Alsace-Lorraine (see country reports below), no problems have arisen with regard to French companies, for none was concessioned in Germany at the outbreak of the war. Since then French insurance interests have not sought admission to Germany, notwithstanding the unparalleled influx of German insurance in France since 1940.

Italy.—As in the case of Germany, Italy before the war was already on the way to "nationalization" of its direct home insurance business by the exclusion of foreign firms whose number decreased from 81 in 1912 to 65 in 1922, 49 in 1932 and to only 34 in 1938. Their share in the Italian business decreased even more rapidly, as shown by the following figures:

Premium income in Italian direct business

[Millions of lire]

	1903	1912	1922	1932	1937
Home companies:					
Life.....	16.12	29.48	244.35	676.18	965.17
Fire and general.....	44.23	86.29	514.16	685.32	941.94
Total	60.35	115.77	758.52	1,361.50	1,907.11
Percentage	53.3	59.8	98.6	92.2	95.4
Foreign companies:					
Life.....	26.57	41.53	2.56	17.87	6.65
Fire and general.....	25.85	42.83	95.30	96.09	81.14
Total	52.43	84.37	97.86	113.96	87.69
Percentage	46.7	40.2	11.4	7.8	4.6
Total business.....	112.79	200.14	856.39	1,475.46	1,994.80

²² According to Die Bank, June 24, 1942, the former Henry I. Schroeder interests' are now jointly owned by the Munich and the Assicurazioni

In the last 25 years, therefore, the share of foreign companies operating in Italy has fallen from 40.2 percent to 4.6 percent of the domestic direct business.

During and after the Ethiopian conflict British companies became subject to particular discrimination. At the outbreak of war in 1939, there were only seven British companies operating in direct business in Italy (Alliance, Commercial Union, Eagle Star, Liverpool & London, Globe, Norwich Union, Sea and Sun) with a total annual premium income of about 30,500,000 lire. The direct business of the Italian companies in Great Britain was even less; the Assicurazioni Generali of Trieste was the only company doing direct insurance (in marine business only). Considerable marine and other business, however, was placed with Lloyd's.

When war began, an immediate solution had to be found for the problems of marine insurance and the procurement of a substitute for the now unavailable British insurance market. On June 11, 1940, an emergency pool was created, the Centro Temporaneo di Compensazione Riassicurativa to which was transferred all shares formerly owned by, and all contracts concluded with, British and French companies. The Centro retroceded the risks thus accepted with German and Swiss reinsurers.²³

This expediency measure was followed on October 21, 1940, by the formation of a new Italian reinsurance enterprise, the Roma, with a capital of 200,000,000 lire of which 100,000,000 lire were immediately subscribed by the Assicurazioni Generali, 68,000,000 lire by the Istituto Nazionale, 20,000,000 lire by the Riunione Adriatica and 12,000,000 lire by the Unione di Riassicurazione. The rest was distributed among four other Italian groups. Together with the already existing Unione Italia d'Assicurazioni (founded by 56 Italian and 22 foreign companies working in Italy with the cooperation of the state-owned Istituto Nazionale which owned one-third of the share capital) the Roma with its enormous capital resources constitutes for all practical purposes a state reinsurance monopoly. The Roma is interlocked with the Government and leading Italian insurance concerns through the personnel of its directorate: Senator G. Bevione, is also president of the Istituto Nazionale; Volpi di Misurata is also chairman of the Generali; Ambassador Suvich is also president of the Riunione. Ambassador Giannini and Count Piombino are on the board. At the outset, German insurance interests opposed the Roma, describing it as a "miscarriage" and declaring that Italy is too small for the necessary acquisition and distribution of risks of so large an insurance concern. No further German criticism, however, has been forthcoming since Italian reinsurance interests have been invited to assume a major role in the Munich pool. (See ch. IV.)

As in reinsurance, the Italian direct insurance market is now highly concentrated. According to the latest figures, joint-stock companies had a total gross premium income of 1,920,000,000 lire; of this the Assicurazioni Generali group wrote 623,000,000 lire (32.5 percent), the Riunione Adriatic group 431,000,000 lire (22.4 percent); and the Istituto Nazionale group 295,000,000 lire (15.4 percent), a total of seven-tenths of all business written by the three groups. Some of the minor companies are also partly under the control of one or another

²³ The ban and seizure on French firms in Italy was lifted in 1942.

of the major groups. The third group, the Istituto Nazionale, includes, besides the Fiume and the Assicurazioni d'Italia, the Unione di Riassicurazione, which, although it has substantial home and foreign backing from private insurance companies, is closely allied to the Italian State Life Assurance Office, which holds one-third of the Unione's capital. In 1942, the Istituto Italiano announced premium returns of 80,300,000 lire, a 20-percent increase in business, and the establishment of branches in Spain, Croatia, Greece, Montenegro, Dalmatia, and Serbia. The premium returns are the highest in the history of the corporation.

All marine and aviation war-risk insurance must be ceded entirely to the Unione which maintains the business for the account and in the interest of the state.

Generally speaking, the Italian insurance industry is not and never was financially or economically dependent upon Germany. In particular the two leading concerns—Generali and Riunione—are self-sufficient and cannot be considered as affiliates or subsidiaries of the Munich,²⁴ although they have always maintained friendly relations with German companies.

The foreign facilities and experience which these two Italian concerns have acquired in the foreign field, represented by shareholdings in more than 100 companies in 25 countries, furnishes a key to the understanding of the German-Italian collaboration in matters of insurance. The Italian partner is more a liability than an asset in some fields of collaboration, but in insurance the participation of the leading Italian companies has from the very beginning been considered highly profitable and useful for the establishment of the new order. The Italians have much longer experience in certain foreign insurance fields, than the German offices. The Germans also are aware that Italians and Italian companies are more welcome than they in Spain and Spanish-speaking countries. Reiterated statements of friendship and insurance cooperation between Germany and Italy must not, therefore, be taken solely as the boasting of the Axis propaganda ministries, but as a sincere expression of a policy which actually works for the benefit of both partners.²⁵

Evidence of collaboration is obvious in the occupied countries where there are an increasing number of insurance companies jointly administered by Italian and German interests. Recent instances of this kind are Italo-German participation in the Dacia Romania of Bucharest and the Steaua Romaniei of Bucharest, the allocation by Germany,²⁶ of one-third of the British business in France to Italian companies, the large infiltration of Italian insurance companies into Holland where they had little business before, the management of German Nordstern agencies abroad through Italian agencies and brokers, and last but not least, the very friendly connections existing between the Munich, on the one hand, and the Riunione and Generali, on the other.

The Munich for example, is represented on the board of the Internationale Unfall of Vienna, a Riunione subsidiary, now acting as receiving company for German interests in the merger of the Allge-

²⁴ As erroneously done in the Economist, July 16, 1938.

²⁵ This development is the more remarkable after the humiliating blows which Italian insurance companies suffered in Austria in 1938.

²⁶ There has always been and still is a strong resentment against Italian insurance throughout France.

meine Feuer Assekuranz. Italian names have also been used in instances where it was opportune for the Germans to stay in the background. Thus, in 1939, Mr. A. Schaefer, vice chairman of the Erste Allgemeine, Vienna, retired from the board and was succeeded by Count J. Volpi di Misurata, chairman of Assicurazioni Generali. In recognition of the assistance rendered by the Italians, the Germans advised Dutch insurance representatives and brokers not to forget Italian companies operating in Holland, suggesting that part of the Dutch risks should be placed with them.

Partnership between German and Italian interests in occupied countries is also fostered by exchange of personnel, establishment of interstate committees, and promotion of research and technical facilities. Recently the issuance of a special German and Italian insurance dictionary has become necessary. It will be noted, however, that there is no counterpart for such fraternization within the respective mother countries. The important positions which the Generali and the Riunione had to give up in Austria, under German pressure, have not been restored to them nor has any new influx of Italian interests been permitted in Greater Germany. Obviously, the German companies are not anxious to accept Italian business because of the heavy losses particularly in fire insurance, which they sustained in Italy in 1940-41.

Since the incorporation of Austria, conversely, only one German company has direct agencies in Italy, the Donau-Concordia, which does a modest fire business. On November 27, 1940, the Allgemeine Wiener Elementar, applied for a transport insurance concession for Italy, but it was not until July 28, 1942, that this license was issued.²⁷ The only Italian company with strong German affiliations is La Pace of Milan, which is controlled by the Munich.

COUNTRY REPORTS

Austria.—Apart from agencies of British companies, the only important remaining British interest when the Germans moved into Austria in March 1938 was the Anglo-Danubian Lloyd. At that time Italy held the preeminent position in Austrian insurance which the Generali and Riunione had practically bought out.

The period between the annexation of Austria by Germany and the outbreak of the war was marked by regrouping, reduction, and Germanization of the Austrian insurance industry, clearly designed to shut out the Italian interests. The Generali and the Riunione had to abandon their important positions to German organizations; and the following Austrian and former Italian companies, owned by Generali and Riunione, respectively, were transferred to German interests:

Erste-Allegemeine Unfall to Wiener Allianz.
Allianz Gisela to Ostmark.
Internationale Unfall to Nordstern.
Istituto to Deutscher Ring.
Heimat to Leipziger Feuer.

²⁷ Nachr. f. d. Aussehandel, October 15, 1942.

The Vienna interests of the Phoenix Co., hitherto held by the Italians, were concentrated and merged with German portfolios:

Erste Niederösterreichische, taken over by Ostmark.

Anglo Elementar, taken over by Colonia.

Vaterlaendische Budapest, taken over by Colonia.

Slavia Prag:

Life, taken over by Oevag.

Fire, casualty, taken over by Wechselseitige.

After 1939 the trend was reversed and Germany began to do business with Italy. As a result the Generali and the Riunione became active again in Austria. Ultimately the Generali interests were grouped around its Austrian subsidiary, the Erste-Allgemeine of Vienna, which took over the German business of Assicurazione Generali, and a part of the Sudeten business of the Securitas, the Moldavia Generali and the Insurance Office of the Fermentation Industry, all of Prague. Erste-Allgemeine has also opened numerous offices throughout the Balkans, particularly in places and countries where the Trieste companies of the former Austro-Hungarian monarchy had a foothold.

A considerable amount of rationalization of local offices occurred when the business of no less than 1,400 local insurance associations was transferred to seven private insurance companies, mostly Munich owned, namely, the Allianz, Deutscher Ring, Donau, Ostmark Versicherung, Ostmaerkische Volksfuersorge, and Wiener Staedtsche und Wechselseitige. The Wiener Staedtsche now controls the Danubia, Ostmaerkische, and Wiener Wechselseitige Kranken.

The remnants of foreign influence are now completely eradicated. The Vienna Reinsurance Co., which belonged to Svea of Gothenburg, was acquired by the Nordstern of Berlin, and the Anglo-Danubian Lloyd, which passed from British (Commercial Union) into German (Munich) hands as early as 1938, took the German name, Danubia, in 1940. Under German direction these companies are now doing business throughout the Balkans.

As in banking, Vienna is now the "brain center" for the Balkan insurance business. For psychological and historical reasons the German and Italian concerns prefer to control the southeastern markets through their affiliations in Vienna rather than from Munich, Berlin, Trieste, or Rome. The following is a survey of the present field of activity of the Vienna insurance companies, all German or Italian controlled:²⁸

The Allgemeine Elementar Versicherungs-Aktiengesellschaft works directly in Italy, Serbia, Croatia, Slovakia, and Hungary. It transacts all types of insurance such as fire, theft, interruption of work, glass, transport, luggage, motor, accident, liability, damage by acts of violence, hail, breakdown of machinery, and cattle. The Anker company works directly in the Protectorate, in Slovakia, and in Hungary. Although its chief business is life insurance, it transacts other types of insurance as well, especially in southeast Europe. The Danubia is licensed for all types of insurance in Hungary, with the exception of hail and transport, and for fire, accident, transport, and liability insurance in Rumania. The Deutsche Ring insures sickness in Slovakia; Donau-Concordia does all types of insurance in Hungary, the Protectorate, and Slovakia, and mainly life insurance in Turkey.

²⁸ Comp. Neues Wiener Tageblatt, December 17, 1942.

The Internationale Unfall and Schaden is active in Hungary, Croatia, and Serbia; the Ostmaerkische Volksfuersorge in Slovakia; and the Wiener Staedtische and Janus in Hungary, Croatia, and Serbia where it took over the portfolios of three French companies.²⁹

Moreover there are close contacts between Vienna and the south-east by means of large-scale participations in local companies. Among these contacts are: The participation of the Allgemeines Elementar in the Alemannia company in Rumania, of the Anker in the Turul in Hungary, of the Donau-Concordia in the Dunov in Serbia and in Agronomul in Rumania, the Erste Allgemeine Unfall und Agronomul in Rumania, the Erste Allgemeine Unfall und Schaden in the Sava in Serbia and the Wiener Staedtische and Janus in the Nationala in Rumania. Finally it is necessary to mention in this connection the Wiener Allianz, which has recently entered into contracts with companies in Rumania and Hungary.

Baltic States.—Information from these areas is scarce. It seems that in the territories occupied since the beginning of the drive against Russia the Nazis are making use of the branch offices of the Insurance Institute of the Soviet Union (Gosstrach). Life and fire insurance is underwritten by the Gosstrach office in Riga, which acts also as broker for a marine pool. New branch offices of German societies have been opened.

All business in Estonia, Lithuania, and Latvia is now reinsured with the German pool but the insurance coverage is as yet incomplete. Liability insurance, motor insurance, and burglary insurance were suspended until the beginning of 1942.³⁰ Accident insurance will be reinstated in 1943 but, as was the case in Poland, life insurance has completely broken down and there are no signs of its reestablishment. Compulsory insurance contracts concluded under the Soviets were canceled with the exception of the compulsory fire insurance of buildings.

A similar situation exists in Galicia where the Russian insurance monopoly Gosstrach is now taken over by a similar German monopoly. It seems that no private insurance carriers will be admitted.

Bulgaria.—The Bulgarian insurance business was dominated by mutual companies owned by Bulgarian capital, while foreign capital was predominant in the stock corporations. The Bulgaria General and the Bulgaria Reinsurance were owned by French interests, while the Riunione and the Generali were represented by agencies and by companies organized under the law of Bulgaria, the Bulgarian Phoenix and the Vitocha.

The Germans owned the Orel while Nordstern and Victoria were represented by agencies. There were, in addition, three French agencies, one Spanish, and one Swiss.

As Bulgaria is treated as an ally, the influx of German insurance interests is carried out on a "friendly" basis. Both local and foreign activities seem to be continuing operations, although in fact they have come under German domination through reinsurance. British and French influence is eliminated. The Bulgarian agencies of the British Alliance and London Phoenix were closed in 1941 and their portfolios taken over by the Bulgaria. New German agencies were opened by the Danubia and by Donau-Concordia, the former belong-

²⁹ Frankfurter Zeitung, March 10, 1943.

³⁰ Frankfurter Zeitung, December 31, 1942.

ing to the sphere of influence of the Munich, the latter to the Colonia. Donau-Concordia also took over the Macedonian interests of the Yugoslav Dunav. A newly opened office of the Nordstern gets the greater part of insurance on tobacco plants and shipments.³¹

In October 1942 an elaborate treaty-agreement between Bulgaria and Germany came into force providing social insurance against sickness, accident, and old age for Bulgarian workers, farmers, and others employed in the German war industries outside of their home country.

Czechoslovakia.—Czechoslovakia had very strong insurance connections with foreign countries in the period of the Republic. The direct business of foreign companies in the country was considerable although it decreased steadily. The 15 foreign companies operating in the country derived the following premiums:

[In millions of Czech kronen]

	1927	1930	1933	1934	1936	1937
Life.....	205. 14	345. 68	370. 03	304. 41	195. 16	193. 33
Fire and general.....	210. 40	252. 72	143. 06	134. 18	130. 11	134. 68

The direct foreign business of the Czech companies was insignificant; they had branch offices only in Austria. International reinsurance connections of the Czech companies were strong, on the other hand, as is illustrated by the following figures of reinsurance premiums paid to and received from foreign countries by Czech companies:

Reinsurance premiums

[In millions of Czech kronen]

	Paid abroad		Received from abroad	
	1929	1930	1929	1930
Life.....	98. 39	103. 14	10. 53	21. 88
Fire and general.....	259. 16	266. 62	146. 38	167. 59

When the Germans entered Czechoslovakia in March 1938, they applied the same methods which had been put into force in the Sudetenland some months before, namely:

(1) Existing German, Austrian, and Italian companies remained unaffected.

(2) Czechoslovakian and most of the foreign companies were forced out of business and their portfolios were taken over by German and Italian enterprises.

(3) The number of companies was reduced and a sharp concentration took place.

In the Sudetenland alone, 70 mutual companies were merged into one major undertaking and some 25 Czechoslovak companies were forced to dispose of their not unimportant Sudeten-German business. Two Czechoslovak companies moved their head offices to the Sudetenland. There are now in operation in the Sudetenland 18 major

³¹ Deutscher Volkswirt December 4, 1942.

companies of German, Austrian, Italian, and Swiss origin; six of these, including one Italian company, have a direct annual premium income of more than 3,000,000 reichsmarks. Two of the 11 life companies also have an annual premium income exceeding 3,000,000 reichsmarks. The total premium income in Sudetenland is estimated at from 12,000,000 to 14,000,000 reichsmarks in life, and about 30,000,000 reichsmarks in other branches.

In Slovakia a similar concentration took place. The number of companies was reduced from 63 to 44 and after the establishment of an independent Slovak state, a further drastic curtailment occurred. These 12 companies are now officially classified in four groups.

- (1) Slovakian group:
Karpattia, Pressburg.
Slovakische Versicherungs A. G., Bratislava.
Tatra Versicherungs A. G., Bratislava.
- (2) German group:
Donau-Concordia Allg., Vienna.
Donau-Concordia Life, Vienna.
Allg. Elementar, Victoria, Berlin.
Ostmaerkische Volksfuersorge, Vienna (which also took over the portfolios of the Swiss-owned Anker of Vienna).
- (3) Bohemian-Moravian:
Allg. Ver A. G. Bruenn, Prague.
Europaeische Gueter, Prague.
Landesversicherungsanstalt, Bruenn.
- (4) Italian group:
Moldavia-Generali Securitas Allg. Vers.
Anstalt, Prague-Trieste.
Riunione Adriatica, Trieste.

All other companies, including the powerful Slavia of Prague, with a premium income of 132,000,000 kroner in 1940, had to transfer their business to those selected 12 firms.

No genuine Czech company exists any longer in Bohemia proper. The Prager Staedtische, backed by German reinsurance, has absorbed no less than five important Czech companies, namely the Versicherungsanstalt, the Allgemeine Assekuranz, Linde, Patria, and Prager Lloyd. A new life insurance company, the Star Life of Prague, was organized in October 1942 by the Deutscher Ring of Hamburg and Vienna. It succeeded the Vienna Phoenix in the important position that company formerly held in Bohemia. High Nazi officials are represented on the board; the president is Mr. Strauch, the deputy leader of the German labor front, and the general manager is Mr. Kratochwill of Hamburg.

Notwithstanding this Germanisation, or perhaps because of it, business is very bad, as the Deutsche Volkswirt admits on December 4, 1942 in a special article on "The high costs of Protectorate-insurance."

Denmark.—On April 9, 1940, when Denmark was invaded, 53 British and 11 German companies were authorized to transact business in Denmark. According to the latest available report of the superintendent of Danish insurance, the British companies then had a premium income of 10,774,000 kroner more than three-fourths of the total premium income written by foreign companies. The largest company was the London Guarantee & Accident, which had a premium income of 3,509,000 kroner; the General Accident of Perth came next with 1,030,000 kroner. There was also considerable exchange of reinsurance business between Denmark and Great Britain; Den-

mark itself had three professional reinsurance companies of international reputation.

After England and Denmark became technical enemies, the Danish State Insurance Department prohibited free activity on the part of the British and French companies in the country. In expectation of an invasion and consequent severance of foreign relations, shadow agreements had been inserted into the treaties; all of the larger British agencies had made provisional agreements transferring their business to Danish companies in case of invasion. These agreements went into operation with the sanction of the Danish insurance authorities and without disturbance by the Germans. The Scandinavia of Copenhagen thus took over the Danish business of the Royal Exchange, the Norwich Union Fire, the North British & Mercantile, the Northern Assurance, the London & Provincial Marine & General, and also that of La Providence Fire of Paris.

It was intended that the portfolios of the other British companies should be pooled into a new company. The negotiations took so long, however, that those offices which could not transfer their portfolios to individual Danish companies, were finally liquidated.

Since then, the local supervisory authorities seem to have been allowed to carry on without much interference by the Germans. The Danish insurance companies apparently prefer to remain self-contained and to accumulate risks between themselves rather than to seek assistance from abroad.

There are good reasons for this lack of German interference in the case of Denmark. The biggest Danish insurance asset, the Danish fleet and its cargoes, was in Allied hands when Germany invaded Denmark, while practically the entire marine business was reinsured in or retroceded to London. Now the Danish companies have to pay not only their own claims but also those of their reinsurer, and consequently, they have to advance to their customers the full reinsurance sums for the Danish fleet, at least until the war is over. Provisions were made that part of the loss reserve, which relates to ships-hull business, will only be liquidated when the war is over and the ship owners in Denmark can recover their vessels now serving with the Allies. The Danish marine companies are practically in a state of bankruptcy. War-risk insurance is conducted through two state institutes with a capital of 80,000,000 kroner (hull) and 40,000,000 kroner (cargo). The guarantee capital of these institutions has been officially declared as lost.

The Germans found the Danish fire business in a somewhat better situation. Although the greater part was reinsured with English and French companies, these companies had deposited a premium reserve with reinsuring offices in Denmark. With German approval, the Danish direct companies formed a pool which accepted those treaties previously held by British and French reinsurers and the co-insurance placed with Danish agencies of British and French companies. The pool is reported to constitute a dangerous accumulation of target risks. As the Germans do not seem to have accepted retrocessions in any substantial amounts, the loss to Danish capital will be severe should a bombardment or conflagration take place.

The existing German facilities in other branches, such as the Magdeburg Fire Insurance Co. which also holds the controlling interest of the Nord og Syd and other German agencies admitted to transact business in Denmark before the war, absorbed a considerable portion

of profitable Danish business. The biggest Danish reinsurance company, the Scandinavia, which took over important British portfolios, is now reportedly dependent on the Munich Reinsurance Co.

According to the latest figures (*Neue Zuercher Zeitung*, December 19, 1942) all English companies have now been liquidated; 19 German, 15 Swedish, 10 Norwegian, 7 Swiss, and 5 Dutch companies are admitted to transact business in Denmark.

France.—Before the outbreak of the war, France was a favorite country for British business. According to a comprehensive survey which appeared in the *Frankfurter Zeitung* on February 17, 1943, English companies held nearly half of the French portfolios in 1939, amounting to 90 billion francs. It is estimated that accumulated British funds in France amounted to £20,000,000, though, of course, there were certain offsetting liabilities. Neither the British nor the French have ever published official figures on the premium income, but it is known that the French marine market was completely dependent on London and that London absorbed a considerable proportion of the French fire business. On the other hand, no shadow agreements were negotiated between London and Paris offices because a collapse of France was considered impossible.

When France fell, all British insurance offices were closed both in the occupied and unoccupied areas. The assets then frozen amounted to 600,000,000 francs according to German sources.³² The Vichy Government took the "low cash position" of the companies as a pretext for closing those in then unoccupied parts of France. An early decree entrusted the continuance of life, motorcar, and workmen's compensation policies to administrators and provided for the cancelation or suspension of all other insurances. A marine-insurance pool which, since 1941, functions on a corporate basis by establishing a marine-insurance exchange somewhat along Lloyd's principles, was hurriedly set up after the armistice, and backed by German reinsurance facilities. German and Italian offices were opened in all important ports, the Gerling Konzern has representatives at Bordeaux and Le Havre, Aachen-Munich at Bordeaux, Havre, and Nantes, and the Italian Vittoria all along the Mediterranean coast.

The replacement of former British business offered a suitable starting point for German penetration throughout France. An agreement was made with the French Insurance Department in Vichy and the German Central Organization of Insurance Carriers, whereupon a blanket concession was issued for the opening of new agencies of German companies in France. A dozen German offices were thus opened, among them Nordstern which acquired most of the former British business. In 1941, Nordstern sold in France over 21,000,000 francs in premiums compared with none in 1939.³³ The Germans also insisted that every insurance office in France or Algiers must represent at least one German insurance company. The British business seems to have been distributed between the German and Italian companies in the ratio of two-thirds to one-third.³⁴

³² *Frankfurter Zeitung*, February 17, 1943.

³³ Confidential information.

³⁴ Recent reports indicate that in some instances, wholesale transfers of British portfolios to newly admitted foreign branches of German companies have taken place. For example, Colonia administers the Dutch interests of the *Gresham Life Assurance Society* and the French interests of the *Norwich Union Life Insurance Society* in Paris (*Deutscher Volkswirt*, Dec. 4, 1942). *Volkstuersorge Lebensversicherungs A. G.*, Hamburg, is in charge of enemy portfolios in Alsace-Lorraine, Luxembourg, France, Holland, and Belgium (*Deutscher Volkswirt*, Nov. 20, 1942).

An agreement was then signed by the German Central Organization of Insurance and its French counterpart, whereby all British business was to be distributed between German and Italian companies to the exclusion of the French, in order "to avoid further interference by the authorities" as the Germans put it.

Since then the number of Axis and Axis-controlled companies which have entered France has increased to 80. The Germans also compelled the cancelation of all reinsurance agreements with companies not friendly to the Germans and the placing of the business with German companies.

The Comité d'Assureurs Français, run by influential but reactionary, unreliable, and opportunistic French insurance executives who act on German advice, has become the instrument for the regimentation of all the multiple French insurance companies. The committee acts as the French counterpart of the official German insurance group; admission to membership is now a prerequisite for doing business in accordance with the law for the exercise of professional activities in France. Decrees of August and September 1942 provide that no insurance employee, agent, or salesman may be hired by any French insurance concern without prior consent of the committee.

Vichy French legislation has shown favoritism to Germany in other instances. A decree of September 15, 1941, provides for compulsory minimum premium rates, to which have to be added a surcharge of 25 percent. For companies which have operated in France less than 3 years, the increase is only 15 percent and for companies which took over portfolios of "withdrawn companies" (companies of enemy countries) the increase is only 10 percent. This method of rating gives a decided advantage to German companies in securing business, and by fixing minimum tariff rates the Germans moreover made sure that the business they are writing will not be unprofitable.

An outstanding feature of the German insurance penetration into France is that the German interests, having taken the cream of the French business by absorbing the former British accounts, are now reluctant to penetrate further. German companies leave the bulk of the remaining French business to French competitors. In general the German companies consider the French insurance market to be a highly competitive field lacking in energy and enterprise, and unable to create an insurance-minded public with its antiquated methods.

Taken as a whole, insurance business in France is described as "very good."³⁵ Part of the increase must be regarded as a reflection of inflation. Local companies also show drastic increases in share capital.³⁶

The method of increasing the capital is not stated but many French insurance companies and banks in pre-war days were known to have built up large hidden reserves by evaluating their properties at the pre-1914 gold value of the franc; probably the present increases are nothing more than revaluation of assets and liabilities.

³⁵ *Frankfurter Zeitung*, Feb. 17, 1943. Two Swiss life insurance companies increased their French income in 1941 from fifty-five to two hundred and sixty-three million francs. The total fire-premium income rose 40 percent in 1941 to 560,000,000 francs in 1943.

³⁶ The issued capital of the Soleil Capitalisation has been raised from 10,000,000 francs to 40,000,000 francs and the capital of three other Soleil companies has been raised from 12,000,000 francs to 48,000,000 francs. The capital of the Algie Capitalisation has been raised from 10,000,000 francs to 40,000,000 francs; that of the Algie Vie from 3,000,000 francs to 30,000,000; of the Algie-Incendie from 7,200,000 francs to 28,200,000 francs; and of the Algie-Accidents from 8,000,000 francs to 32,000,000 francs. The capital of Cie. Generale de Reassurances has been quadrupled to 60,000,000 francs and that of the Cie. Generale de Reassurances Vie doubled to 30,000,000 francs.

Alsace-Lorraine.—French and British insurance interests were very active in Alsace-Lorraine. For example, the Strassburg flour mills and port installations, the ore and steel mills around Metz, and the extended potash plants near Mulhouse were always regarded by the British as among the most profitable risks. Every French insurance carrier was automatically concessioned to operate in Alsace-Lorraine, and after 1918 no German company was allowed to operate there except in the inland marine field (Rhine shipping). When the Germans reentered Alsace in 1940, they fell heir to one of the most profitable enemy insurance agglomerations in occupied territory. The solution applied was simple and radical; all French and British insurance companies were treated in the same way, i. e., their concessions were automatically canceled as of June 15, 1940.

Policyholders were not permitted to cancel their contracts or select a company of their own choice. Supplementary insurance and covenants had to be concluded with the German enterprise to which the policy was transferred.

For a short period, premiums were collected by the Central Office for Foreign Insurance established in Strassburg, which then distributed the pending policies among purely German offices as follows:

1. The portfolios of Les Industriels Francais, Roubaix; L'Industrielle du Nord, Lille; L'Union-Incendie, Paris; Caledonian Insurance, Edinburgh; The Legal Insurance Co., Ltd., London; the Motor Union Insurance Co., Ltd., London; Northern Assurance Co., London; and Western Assurance Co., Toronto, were transferred to the Aachener, Aix-la-Chappelle.

2. The portfolios of the L'Abri, Paris; La Fonciere-Incendie, Paris; La Fonciere-Transport, Paris; La Providence-Accidents; La Providence-Incendie, Paris, and Prudential Insurance Co., Ltd., London, were transferred to Agrippina, Cologne.

3. The portfolios of Alliance Regionale, Paris; La Nationale-Incendie; La Nationale Risques Divers, Paris; L'Urbaine et La Seine, Paris; Alliance Assurance Co., Ltd., London; Commercial Union Assurance Co., Ltd., London, and Phoenix Assurance Co., Ltd., London, were transferred to Allianz, Berlin.

4. The portfolios of L'Abeille, Paris; Almelo, Paris; La Cite Accidents, Toulouse; Compagnie d'Assurances Generales, Paris; Le Nord, Paris; La Paix, Paris; La Participation, Paris; La Prevoyance, Paris; La Solidarite, Paris; Eagle Star Insurance, London; Guardian Assurance, London, were transferred to the Deutsche Sachversicherungs-Aktiengesellschaft, Hamburg.

5. The portfolio of La Concorde, Paris, was transferred to Erste-Allgemeine Unfall, Vienna.

6. The portfolios of Le Recours, Paris; Lloyds, London; Norwich Union, Norwich, were transferred to Gerling, Cologne.

7. The portfolios of Assurance Generale des Eaux, Lyon; Compagnie General d'Assurances, Paris; L'Europe, Paris; La France, Paris; Le Secours-Incendie; Le Secours-Accidents, Paris; and Royal Insurance Co., Ltd., Liverpool, were transferred to Gothaer, Gotha.

8. The portfolios of Compagnie d'Assurances Maritimes, Paris, and La Galmontoise, Paris, were transferred to Kraft, Berlin.

9. The portfolio of Rhein and Mosel, Strassburg, was transferred to Mannheimer, Mannheim.

10. The portfolio of La Protectrice, Paris, was transferred to Riunione Adriatica di Sicurtà, Trieste.

11. The portfolios of La Cordialité, Paris; Lloyd Continental Français, Roubaix; Le Monde-Incendie, Paris; La Paternelle-Incendie, Paris; Le Patrimoine, Paris; La Sequanaise, Paris; British General Insurance Co., Ltd., London; Liverpool and London and Globe, Liverpool; London Guarantee and Accident, London; The National Insurance Co., Glasgow; Pearl Assurance Co., Ltd., London, were transferred to Victoria, Berlin.

12. The portfolios of La Confiance, Paris; La Flandre, Roubaix; La Metropole, Paris; La Preservatrice, Paris; Atlas Insurance, London; Employers Liability, London; Gresham Fire and Accident, London, and Law Union and Rock were transferred to Wuertembergische, Stuttgart.

13. The portfolios of L'Aigle, Paris; Alsatia, Strassburg; Phenix, Paris; Soleil, Paris; Sun Insurance Office, London; Union Insurance, London, and Yorkshire Insurance Co., Ltd., New York, were transferred to Zentraleuropäische, Berlin.

It will be noted that the Rhein & Mosel and the Alsacienne group, the leading local companies of more than 100 years' standing, were abolished or taken over. Alsace is one of the areas in which complete Germanization of insurance has taken place, for the obvious reason that the local companies could not be trusted to fall in line with the policy pursued by the new masters.

Hungary.—Foreign insurance influence was always strong in Hungary, where aside from 23 national companies, 34 foreign companies were admitted, writing 37.5 percent of the total business in 1940. Germany was then represented by only 14 companies which wrote only 10 percent of the total premium income. With the exception of the Donau-Concordia, none of the German companies attained a premium income of more than 2,000,000 pengoes. The best policies in Hungary were held by 11 active British companies which specialized in industrial risks. Practically the entire sugar and milling industry and the major part of the textile industry was insured with British companies which could operate more cheaply than their competitors and with higher profits because of the selective risks which they took.

Numerically and quantitatively the Italian influence was the strongest; Italian companies earned more than 20 percent of the total premium income. The Generali and the Riunione were represented both by agencies and by controlling stock ownership in local companies; namely, the Providencia and the Fonciere. The Italian Istituto Nazionale owned the controlling interest in the Astra.

The business advantages realized from the multiple annexations, "aryanization," and confiscations which were recently undertaken in Hungary have accrued chiefly to the Italians who, the Germans were aware, were more generally acceptable in Hungary. After the occupation of Czechoslovakia, the Generali took over the Moldavia of Prague; and the Fonciere, the portfolios of the Boehmische-Maehrische, the Merkur, and the Linde companies, all of Prague. The Transylvanian (formerly Roumainian) business was upon German request taken as a whole from Roumanian companies and given to

Italian firms, and to a lesser extent, to German agencies operating in Hungary.³⁷ After the completion of the Yugoslav campaign, the Fonciere increased its premium income to 20,400,000 pengoes in 1941 (1940: 16,700,000 pengoes) and absorbed the business, other than life, of the Rossija-Fonciere, Belgrade.

When relations with the British were severed, British agencies continued to operate, but they had to reinsure 100 percent with German and Italian agencies. Following these reinsurance commitments, a definite transfer of portfolios took place in 1942. The Erste-Allgemeine, an affiliate of the Generali, took over the portfolios of the Sun and Economic, while the Fonciere got the Royal Exchange. The Budapest agency of the Allgemeine-Elementar, Vienna, which formerly had belonged to the Commercial Union, was taken over by the Colonia concern. The portfolios of the Alliance, the Guardian, the Liverpool and Globe, and the Lancashire were transferred under global representation to the Generali. The policyholders were compelled to consent to these transfers which were, however, subject to the approval of the superintendent of insurance.

German agencies decreased in number rather than increased after Hungary became an Axis satellite, though there are a few instances of indirect expansion by acquisition of stocks. Thus, the Volksfuersorge of Hamburg secured the controlling interest in the Hungarian Life & Annuity Co. The First Hungarian General Insurance Co. of Budapest, in addition to the two British companies which it absorbed, took over the Klausenburger, the Zagreb, the Prager Boehmische, the Bruenn, the Domov, and the Slovak. The First Hungarian is now reported to be controlled by Nordstern interests.

It must be admitted that the Axis insurance expansion is also accompanied by organizational reforms which are an improvement over the highly competitive and uncontrolled practices of Hungarian insurance industry. The number of licensed insurance carriers has been reduced from 73 in 1926 to 33 at the end of 1942; foreign agencies shrank from 42 to 16.³⁸ Many unsound mushroom firms have been eliminated and the admittance of new carriers is temporarily closed (except for new German and Italian branches). Under German directives, the Decree No. 5900 of October 9, 1942, on State Insurance Supervision has been promulgated, requiring strong financial guaranties from the companies. A minimum capital of 500,000 pengoes is now necessary for all insurance enterprises and guaranty reserves must be kept in proportion to the premium income. No reduction of these reserves is permitted even if the premium income should subsequently decline.

Hungary seems to have become more insurance-minded. Fire and casualty premium income increased 22 percent in 1941 and now totals 92,400,000 pengoes, of which 32,600,000 were earned by foreign companies. Nevertheless, the sharp price inflation in the country considerably nullifies what appear to be gains in premium income.

Greece.—Insurance in Greece is hardly developed. Marine business comprises the largest part of what little business there is, and three-fourths of the total premium income went to foreign companies, practically all of them British agencies. Since the occupation, the Greek agents of British companies have made themselves independent and

³⁷ Nachrichten f. d. Aussenhandel, October 24, 1942.

³⁸ Frankfurter Zeitung, January 10, 1943.

have taken over individually the risks formerly written by their principals. As these risks exceeded by far the agents' economic resources, German and Italian reinsurance companies stepped in and covered a major percentage of the British risks by reinsurance. New licenses to transact insurance business were issued to the Agrippina of Cologne and the Victoria of Berlin. Generally, the Axis insurance companies have shown little interest in becoming further involved by taking over the former British business directly, for the claims ratio is obviously bad and the business unprofitable: "More than in any other country the insurance business in Greece is darkened by price inflation, which has completely overthrown traditional concepts of value."³⁹

For the same reasons the occupation authorities also suspended the State Reinsurance Institute which was established in 1940 as a reinsurance monopoly. The institute was liquidated in 1942 when German and Italian offices absorbed that portion of the reinsurance which they deemed profitable.

Low Countries: Holland and Belgium.—Prior to the invasion, the insurance situation in Belgium and Holland was alike in that the absence of state supervision made the Belgian and Dutch markets the least regulated in the world. Both countries were overrun with insurance offices, totaling over 700 in Holland and over 500 in Belgium in 1939; among this number were about twice as many foreign firms as domestic companies.

Germany had only a small share in these markets, although many German companies, particularly the Victoria, maintained large offices and staffs. As these concerns for years did little business, there is suspicion that they were only a front for espionage.

German reinsurance interests in the Low Countries, however, had firmer roots. One of the foremost Belgian fire-insurance companies reinsured with the Munich, and for many years before the invasion, German companies had successfully picked up the business in which British and American concerns were not interested. Three of the four professional reinsurance companies in Holland were in Axis hands. The Univeersele was 100-percent owned by the Francona of Berlin, and the Duitsche-Nederland was an internal reinsurance office of the Gerling Konzern of Cologne. In 1939 Italian Generali interests formed another reinsurance company, the Algemeene Herverzekering, with a share capital of 1,000,000 guilders fully paid, of which 90 percent was subscribed by the Erste Allgemeine of Vienna, which in turn is a subsidiary of the Generali, while only the least important firm, the Netherland Herverzekering, was Dutch-owned. Soon after the foundation of this reinsurance company, the Erste Allgemeine disposed of its share holding and announced that three-fourths of the capital was held by Dutch interests and only one-fourth by the Generali. A Nazi on the board, Mr. A. Schaefer, was replaced by a Fascist, Count Volpi di Misurata, chairman of the Generali.

Notwithstanding these footholds, Axis interests held only a negligible share of the reinsurance business; all the profitable industrial and commercial risks were by and large placed in London, both directly or indirectly, with small parts going to Switzerland, Scandinavia, and France. British offices were also firmly entrenched in the

³⁹ Frankfurter Zeitung, May 23, 1942.

Belgian and Dutch colonial business which, before the invasion, was very profitable.

The severance of relations between the Low Countries and London resulted in a great loss to the British offices of income from direct and reinsurance business. Although neither Belgium nor Holland had required deposits except in life insurance, to be made with their governments, fairly substantial cash balances were built up and maintained. There were also losses in holdings since British insurance companies had substantial capital interests invested in local companies.

Apart from their own organizations, the Royal Exchange of London owned the Amsterdam-London Insurance Co., the London & Lancashire Insurance Co. operated the Noord Zuid, and the Sun Insurance Office, the Hollander Brand of 1808.

A heavy influx of German agencies followed immediately after the invasion. In 1942 there were 40 German agencies in Belgium and 54 in Holland, as compared with 16 and 27, respectively, in early 1940. At first, the Germans hoped for collaboration and permitted the local authorities to carry on without much interference, even letting them make their own arrangements for the liquidation or transfer of the rich portfolios of the 71 and 50 English companies, which had been active in Belgium and Holland, respectively. Obviously, the Germans expected that the business which had formerly gone to British companies, would find its way voluntarily to the newly established German agencies. The presidents of the Amsterdam and Rotterdam Chambers of Commerce, to whom the liquidation of the British and French companies was entrusted, and the Contact Commission, composed of executives of Dutch organizations and established to find replacements for the former British facilities, did not, however, work to the satisfaction of the Germans. Dutch commercial firms immediately founded new national companies to take over the business of British companies. Risks, which could not be written in the open market at Amsterdam and Rotterdam, were successfully absorbed by the newly established Vereenigde Assurantiebedrijven Nederland, set up with a capital of 5,000,000 guilders in which all the Dutch insurance companies participated but from which foreign companies were excluded.

"There are still plenty of people in Holland believing", complained the Nazi insurance press (Neumanns, November 27, 1940), "that the old days of unlimited competition will come back. In 1941 the majority of Dutch companies has taken reinsurance in Holland with other Dutch companies, hoping that, when the old times return, these treaties will return to their English friends."

The screws were considerably tightened after 1941 when a reorientation of the Dutch insurance market was ordered. This resulted not only in the transfer to the Germans of the business of English companies, but, in addition, 50 percent of the Dutch major and medium business was given to German companies. The Germans also issued an official "recommendation" to Dutch representatives and brokers to place part of their risks with Italian companies now operating in Holland.

At the same time, State supervision of insurance following the German pattern was introduced. All Dutch insurance companies dealing with insurance against fire, storm, burglary, and water damage on a mutual basis must now register with the Insurance Council

(Verzekeringskamer); applications for the foundation, liquidation, and amalgamation of such companies have to be approved by this council, which, while it has been in existence for many years, has only now been given powers which enable it to exercise actual control.

In Belgium, local companies are likewise now subject to governmental regimentation under a new decree of June 19, 1942, issued by the Belgian Commissar of Economics, Victor Leemans. The newly established Groupement des Assurances is a counterpart of the German Reichs Versicherungsgruppe; membership is a prerequisite for transacting insurance business.

In Belgium, as in Holland, local companies were prevented from taking over valuable contracts. The Nordstern of Berlin obtained the greater part of the British and the better part of the Belgian business. The Victoria of Berlin and the Aachen & Munich Fire, which previously had offices but no business in Belgium, were rewarded by large contracts formerly held by the British, while the reinsurance business previously conducted by Lloyds is now handled by the Munich pool.

Luxembourg.—After the last war, German insurance companies neglected the Luxemburg insurance field where there were only three national companies, Le Foyer, La Luxembourgoise, and Terra, all other companies being Belgian, French, or British.

Effective as of May 10, 1940, all concessions for insurance business in Luxembourg were canceled, whereupon the portfolios of the Belgian agencies, whose aggregate value was more important than the total business of national companies, were compulsorily transferred to German concerns. The portfolio of the Belgian Assurance Liégeoise was absorbed by Agrippina, the Proprietaries Reunis Belges, by the Gladbacher Fire, the Garantie Belge by the Koelnische Glas, while four French, two Swiss, and one Belgian company were merged with the Provincial Fire of Berlin.

On December 1, 1941, however, the whole insurance industry was concentrated in two new organizations, one for life insurance and the other for other than life. At the present time the Swiss, Belgian, and French influence in Luxembourg has been completely eliminated leaving only the two public companies and a few purely German companies.

Norway.—Before the German invasion, the Norwegian market was highly competitive. Of the 37 domestic companies, Christiania General (or "Storebrand" as it is known colloquially in Scandinavia) actually contributed 33 percent of the gross and 35 percent of the total net income. The greater part of its business was not Norwegian; it had wide international connections of which an important American account was one.

There were also about 70 foreign companies operating in Norway, among them 28 British, 16 Swedish, 10 Danish, 5 Swiss, and 4 German.

British influence was preeminent. Five of the leading eight companies were British: Cornhill, Hansa, Commercial Union, Royal Exchange, Arbejdsgivernes, Ulykkesforsikring, Liverpool & London & Globe, Motor Union & Car & General.

The Norwegian hull business was completely dependent upon London, and all marine facultative risks were placed in England; the Norwegian War Risk Institute also insured 67 percent of its pooled risks in London.

The Norwegian insurance industry has been ruined in the course of the prolonged struggle for Norway, that country's resistance after occupation and the raids by the British, together with the loss of 80 percent of the fleet to the Allies. It is, therefore, not astonishing that so far the Germans have shown little inclination to take over the few remnants of Norwegian insurance. War risk marine insurance was provided for by the Norwegian Cargo and Hull Institutes. The Cargo Institute on April 9, 1940, had a surplus, including that of reinsurance, of 15 million kroner whereas the risks of the institute are now estimated at 150 million kroner and it is not known how great its loss will ultimately be. The Norwegian Hull War Risks Insurance Institute, organized in 1935, is practically the only institute in the world organized on a mutual basis and without state support or guarantee. It had a premium income of 130 million kroner in the period September 1, 1939, to April 9, 1940. The sums insured on April 9 were 2,774 million kroner, divided over 1,563 risks.

Under German orders, a pool, the Norsk Krigsforsikrings For Skib/U, was created to take over the portfolios formerly held by the British in order to cover whatever was left of the Norwegian ships. The pool is now supported by German insurance companies.

Other war risks formerly covered in London were similarly pooled. In May 1940, a war-risk-insurance pool covering buildings and plants was established, the Norsk Krigsskadetrygden for Bygninger. It includes all fire-insured fixed objects in Norway and is open to voluntary insurance of such risks as are not insured against fire. In the same way, a scheme was set up for insuring movable objects formerly insured in London against war risks. These risks are now covered by the A/S Norsk Varekrigsforsikring Av 1938. Finally compulsory insurance exists for commodities, in excess of 2,000 kroner fire insurance value.

The claims ratio for war loss has been exceedingly high. German sources reveal damages to buildings in the amount of 140 million kroner for 1940 alone, although this sum does not include damages incurred at Narvik, Harstad, and Bergen. The claims experience in other branches is not better.

The Norwegian Insurance Institute reports that there has been an increase in burglary claims and that a further increase would have to be expected if the food situation showed no improvement. New business in personal accident insurance has ceased almost entirely. Glass insurance, too, has felt the effect of the invasion: transport of material and heavy tanks, especially through the streets of Oslo, has shaken buildings and probably caused many claims; losses from stone throwing have also become more frequent. The purchase tax has raised prices of glass by 11 percent, making losses even higher.

The hitherto strong international relations of the Norwegian insurance industry have now broken down. The Christiania General has transferred its American business to an American subsidiary, the Christiania General of New York.

As a result of the enforced concentration of the Norwegian reinsurance market on Scandinavia and the continent of Europe, foreign business has been unsatisfactory, particularly in view of the bad claims ratio in Sweden, Germany, and Italy.

The powerful Norwegian Association of Insurance Offices is now headed by Mr. H. Sommerfeldt, general manager of the Norden.

Mr. N. L. Bugge, general manager of the Idun Life has been elected vice chairman while the branch members now are: Mr. Reidar Brekke, general manager of the Trondhjem (fire), Mr. A. Loken, general manager Loken & Co. (life); Mr. Th. Wikbotg, general manager of the Vega (marine), and Mr. Per Hansson, general manager of the Christiania General (Storebrand), (accident).

In line with the German program of exploiting Norwegian resources for the German war economy, insurance companies were recently required to contribute 50 million kroner to finance industrial development in Northern Norway (Embassy Report, Stockholm, of March 18, 1943).

Poland 1. General government.—The two leading Polish insurance companies were the Warta and the Warschaw which together wrote nearly 70 percent of the total reinsurance business accepted by the Polish market. The Warta, as an associate office of the Powszechny Zakland, the Polish state fire-insurance office, regularly enjoyed a profitable fire business, largely retrocessions on premiums.

Few foreign-insurance companies were active in Poland. The Germans had one agency, the Aachen & Munich, and there were two Italian agencies, Assicurazione Generali and Riunione. British interests were represented by three agencies: Alliance, Royal Exchange, and Prudential. The agencies of the Austrian Anker and of the Bavarian Insurance Bank were identified as belonging to the sphere of influence of the Swiss Reinsurance Co.

The former British and Polish business is now completely in the hands of German and Italian companies. Under a concession system, 29 insurance licenses were issued, among them seven to German and two to Italian companies. Furthermore, emergency licenses for the coverage of specific risks, presumably war-industry risks, were issued to certain German companies. These licenses are not concessions to transact business in Poland but only to write a specific insurance contract under the limitations stated in the license.

The remaining Polish companies are economically and financially completely dependent upon Axis reinsurance because their banking accounts are frozen and their resources and guaranties are invested in now valueless Polish Government bonds. German commissioners who replaced the former trustees, complete the total enslavement and bankruptcy of the Polish insurance business. Even the concessioned German agencies do little business.

The Germans had to grant a moratorium to all insurance concerns for the payment of their contractual obligations. This moratorium is still in force; payments of loans and installments are permitted only to a maximum of 20 percent. Claims on policies concluded prior to September 1, 1939, are not paid. Until further order the conclusion of new life-insurance contracts is suspended.

Poland 2. Annexed territories.—In the incorporated western parts of Poland, now called Danzig, West Prussia, Wartheland, and East Silesia, there were formerly active 27 Polish insurance companies and seven foreign companies—two German, two Italian, and three French. In this area, even nominal Polish and foreign influence has been eliminated and the entire insurance business has been Germanized with the exception of a small share which went to the Italians. The companies authorized to operate are: Allianz und Stuttgarter Verein, Erste Allgemeine Unfall und Schaden, Magdeburg Feuer, Magde-

burg Hagel, and the Riunione Adriatica; these have been authorized for all nonlife classes, the two first-named German companies and the Riunione Adriatica also for accident and motor. The Hammonia has been authorized for glass insurance only and the Volksfuersorge for life. The Lebensversicherungsanstalt Westpreussen has been authorized to transact life, accident, and motor insurance; the Danziger Feurzozietaet is allowed to handle all other classes in the said territories. Upon decision of the Trustee for Public and Private Insurance for Danzig (West Prussia), the portfolios of the following Polish and English companies were transferred.

1. Portfolio of Vesta, Posen to the Lebensversicherungsbank A. G., Danzig.
2. English Prudential in Warsaw to the Allianz, Berlin.
3. The Polish Przesoronsz, Warsaw to the Gotha.
4. The Polish Vita-Kotivica, Warsaw to the Deutscher Ring, Hamburg.
5. The Polish Postal Savings Bank, Warsaw to the Volksfuersorge, Hamburg.
6. The Polish Europe, A. G., Warsaw to the Victoria, Berlin.
7. The portfolio of the Patria, Warsaw to the Allianz.
8. The portfolios of the Generali-Port-Polonia to the Erste-Allgemeine, Vienna.

It should be noted that the German companies which took over British and Polish life policies guarantee the payment only of such policies as are issued to certified Volksdeutsche (people of German stock). Policies of other insured persons are exchanged for paid-up policies only to the extent that funds are available from the companies taken over; these funds must be considered as lost, however, because they consist of Polish Government securities, which Germany refuses to recognize.

Similarly, with the incorporation into the German Reich of the territories of the former Polish corridor as well as Upper Silesia, the insurance business of Polish and English companies formerly operating in those portions of Poland have been placed under the trust and supervision of German and Austrian (Italian) companies. Mr. Goebel, formerly president of the Schlesische Provinzial Feuerversicherungssocietaet, is the new trustee of private insurance in East Upper Silesia. The following companies were allowed to continue operations: Silesia of Bielitz (associate of Anglo-Elementar), now Allgemeine Elementar Vienna which, in turn, is owned by Colonia,⁴⁰ and Aachener und Munchener, Bayerische Versicherungsbank, and Riunione Adriatica, all of Kattovice.

The German and Austrian companies are liable for the management of all fire, burglary, and hail insurance policies which they take over for Volksdeutsche. In other branches the liabilities of the German companies are limited to the assets of the countries taken over. The following portfolios have been transferred:

- Prudential to Aachener und Munchener.
- Przezornose to Aachener und Munchener.
- Generali-Port-Polonia to Allianz und Stuttgarter Verein and Erste Allgemeine Unfall Schaden, Vienna.

⁴⁰ Deutscher Volkswirt, December 4, 1942.

Patria to Allianz und Stuttgarter Verein and Erste Allgemeine Unfall Schaden, Vienna.

Warsaw to Allianz und Stuttgarter Verein and Erste Allgemeine Unfall Schaden, Vienna.

Europäische Gueter to Europäische Gueter, Berlin.

Orzel to Magdeburger Feuer and Magdeburger Hagel.

Piast to Riunione Adriatica.

Powszechny Zaklad (Cenl. Mutual) to Schlesische Provinzial Feuersozietät.

Vesta Fire to Schlesische Provinzial Feuersozietät.

Poznansk-Warsawska to Schlesische Provinzial Feuersozietät.

Florjanka to Schlesische Provinzial Feuersozietät.

Apparently, the same German companies which took over the business of the Polish and English companies in Danzig and West Prussia have taken over the corresponding portfolios in East Upper Silesia. The only exception to this absorption is the business of the semiofficial Powszechny Zaklad and of the Vesta and the Poznanska-Warsawska, which in East Upper Silesia was transferred to the Schlesische-Provinzial Feuersozietät; Danzig-West Prussia business was transferred to the Danziger Feuersozietät and/or the Lebensversicherungsanstalt Westpreussen.

The following companies seem to have come under Russian occupation: Bialostockie of Bialystok, Dnister of Lwow, and the Karpatia Life of Lwow. It must be assumed that, when the Germans retook the area from the Russians in June 1941, these companies suffered the same fate as the Polish companies in the General Government.

In the Ukraine, the "Versicherungsaustalt Ukraine" (VAU) has been set up under a recent decree of the Reich Commissioner. It is a public institution and for that area no private insurance carriers are admitted to operate in the territory. Intended to act as the successor of the Russian Monopoly Insurance "Gosstrach," VAU has met with considerable difficulties in starting operations as the reports and operational data on the evaluation of risks were destroyed by the Russians (Frankfurter Zeitung, April 23, 1943).

Portugal.—Seventy-five insurance companies operate in Portugal, of which 32 are national companies, 27 British, 6 French, 4 Spanish, 4 German, 1 Swiss, and 1 Danish. All but 1 of the British companies transact fire insurance, 9 carry life insurance, and a varying number are active in other insurance branches.

As in Spain, the present period is marked by three trends:

1. Increasing activities of Italian companies;
2. Influx of some German companies; and
3. Local efforts to create an internal reinsurance market which has a tendency to be independent of Munich and London.

Two new reinsurance companies were founded in 1941—the Equitate, an associate of the Ultra-Marine, and the Continental. The Continental was formed with a share capital of 1,000,000 escudos with 500,000 escudos paid up. It has a premium income of 2,600,110 escudos in 1941. Mr. A. Castello Branco is the chairman; Mr. C. Forcada, vice chairman; and Mr. J. M. Sunyer is a founder director. The latter is also general manager of the Nacional de Reaseguros, which was founded in 1939 with an issued capital of 3,000,000 pesetas

with 1,500,000 pesetas paid up, and a premium income of 5,982,941 pesetas. The chairman is Mr. S. Fuentes Pila.

The dangers facing these young and necessarily inexperienced insurance companies are evident. The last war taught that reinsurers of this type must seek protection from leading companies or perish, because they have to limit their activity to their home country, thus lacking that international spread of business which is essential to the establishment of sound reinsurance.

The fact remains, however, that the German reinsurance market, for all its technical efficiency, does not seem to have been willing or able to provide the cover required to prevent a few new reinsurance companies from coming into existence.

A new decree on the nationalization of foreign controlled Portuguese insurance firms is in preparation (*Nachrichten fuer den Aussenhandel*, April 16, 1943) which may disclose the existence of other insurance ties with Germany.

Rumania.—In 1939, 23 insurance companies operated in Rumania with an annual premium income of 1,369,146,000 lei.

The two biggest life companies were the *Asigurarea Romaneasca* and the *Generala* with a premium income of 104,015,000 and 86,318,000 lei, respectively. The leading companies in fire insurance were the *Dacia Romania* and the *Generala* with a premium income of 61,171,000 and 58,850,000 lei, followed by the British Sun with 47,070,000.

Although only 4 companies were admittedly associates of foreign companies, more than half of the remaining 19 companies were known to have intimate business relations with foreign companies either by way of reinsurance or through foreign participation in their share capital. The chief shareholder in the *Dorna Vatra* was the Rumanian representative of the Sun Insurance office. The English Sun Insurance and Norwich Union Fire operated very active branch offices. English interests were behind the *Brittana*, the *Metropola*, and the *Caledonian Romana*, which was founded by the *Caledonian of Edinburgh*.

Italian interests are associated with the *Generala*, *Agricola-Fonciera*, *Steaua Romaniei*, while the *Riunione Adriatica* works directly in Rumania. There were French interests behind the *Nationala*, the *Franco-Romana*, and the *Cie. Europeenne d'Assurances des Marchandises et des Bagages S. A.*

Constant infiltration of German interests has taken place since 1938. In addition to the existing *Victoria* and *Allianz* agencies, the Germans have acquired the *Agronomul*, a subsidiary of the *Magdeburg*. The *Brittana*, which was formerly owned by the *Anglo-Elementar*, *Vienna-Commercial Union*, London, was acquired by *Colonia* interests shortly before the outbreak of the war when the *Commercial Union* disposed of its sharcholdings in the *Austrian company* on behalf of the Germans.

The *Allianz* owns the *Transsylvania* which was founded as early as 1801 and has been identified with German nationalistic movements in *Transylvania*. During 1939 the share capital in the *Transsylvania* was increased from 8,000,000 to 20,000,000 lei, with the help of the *Munich Reinsurance Co.*

When Rumania officially became an Axis ally, the pace of the regrouping accelerated. English and French interests were eliminated

to the benefit of German, rather than Rumanian, interests. The majority of the Franco-Romana shares changed from French ownership to the Nordstern, Berlin. The Nationala, which was owned by the L'Union of Paris, was bought out by the Wiener Staedtische (a member of the Munich group). There was a merger of the Transylvania and the Agronomul, the two insurance enterprises in that part of Rumania which is populated by Germans.

The Brittana which changed its name to "Allemaia" holds at the present time a particular position in the Rumanian insurance economy as it leads the Rumanian pool which provides coverage for major risks, formerly written in London. The Rumanian pool is reinsured in Germany and Scandinavia.

In 1941 a German brokerage firm, Jauch & Huebener of Hamburg,⁴¹ acquired the Dorna Vatra, organized by the Sun Insurance of London. It has taken over the business of the Sun and the portfolio of the Norwich Union. Furthermore, the Dorna Vatra now ranks at the top of the Rumanian companies, for its combined life premium income of 160,000,000 lei exceeds by far any corresponding figures for that part of Europe. In 1941 its income increased four times. The head of the Rumanian firm is said to be Dr. Zeisack, of Jauch & Huebener, allegedly a figurehead for Von Ribbentrop. According to the Frankfurter Zeitung of January 27, 1943, Dorna Vatra now has changed its name to Vatra Dorna. A branch will be opened in Galatz.

German capital has also founded two new insurance companies, the Danubia S. A. R. of Bucharest and the Wiener Allianz S. A. R., each with a capital of 12,000,000 lei. Reciprocal clearing treaties for insurance payments and a pool for the cartelisation of rates for inland and ocean marine transports, established by the Germans, materially facilitate the Axis expansion.

The two big Italian concerns are represented by their subsidiaries, Riunione and Generali. They have, furthermore, participations in the Dacia Romania (in which there is also German interest) and in the Agricola Fonciera. Although the activities of the Italians have considerably increased, it does not appear that they have opened additional offices.

The list of topranking companies for 1941 demonstrates abundantly the extent to which the Germans and Italians have in one year's work succeeded in sidetracking local interests. Dorna Vatra, now the leading company with a premium income of 220 million lei, is followed by the Generali with 208 millions, the Dacia with 164 millions, the Asigurea Romanei with 117 millions, the Nationala with 117 millions, and the Adriatica with 105 million lei premium receipts.

The total premium income of all companies in 1941 amounted to 1,512 millions lei, 1,018 millions lei derived from nonlife and 494 million lei from life premium receipts. The Axis has little reason to be proud of these figures since it is clear that the sharp decline in life insurance stems from a decline of public confidence in the value of the lei. The increase in casualty and fire premiums, on the other hand, is more than compensated for by the price inflation. "The

⁴¹ Jauch & Huebener play also an important role in other countries. They have now agencies in their own name in Vienna, Prague, Budapest, Bucharest, Paris, Brussels, Amsterdam, Madrid, Milan, Genoa, and Rome (Deutsche Volkswirt, Dec. 4, 1942).

total would be much higher," apologizes the official *Nachrichten fuer den Aussenhandel* (October 12, 1942), "if the Jewish property, estimated at over 4,000,000,000 lei by the Rumanian custodian, would be insurable."

The *Frankfurter Zeitung* (May 23, 1942) gives a more correct picture when it complains that "the insurance business in Rumania suffers in all branches from the strong price inflation which has taken place since the outbreak of the war, reducing the incentive for life insurance and resulting in heavy under insurance in fire and casualty insurance."

Again, as late as March 1943, the *Nachrichten fuer den Aussenhandel* (issue of March 26) lamented the lack of insurance understanding in rural districts and stressed the importance of more adequate insurance coverage for the national economy.

Recently the Rumanian Government has shown considerable activity in setting up public insurance institutes. Thus, a State health insurance system is under preparation. A Government fire-insurance monopoly is already established with which all buildings and farms must be insured. In view of the predominantly rural character of the country, this step constitutes a material restriction of the activities of private insurance companies in Rumania, and one wonders whether these measures are not planned as countermeasures to the establishment of German companies in Rumania, particularly the *Vatra Dorna*.

In this connection it is interesting to have the German magazine, *Die Bank*, of December 2, 1942, complain that such "Romanization" is hardly compatible with sound insurance principles.

Spain.—In 1941 the total fire premium income of all Spanish insurance companies increased 22.4 percent to 105,888,000 pesetas but its position is considered unsatisfactory. The increase in fire-insurance premiums since 1935, it is pointed out, has been only 14.55 percent, whereas prices in general have gone up by 250 percent. The underwriting position is considered unsatisfactory; furthermore, the claims ratio is about 50 percent in spite of the fact that the year included claims resulting from the Santander catastrophe.

The market consists of 40 home and 46 foreign companies (including 22 British companies). The share of the foreign companies in the business was 30,921,000 pesetas or about 30 percent, an amount similar to the total of 1940. French companies were first with approximately 12 percent of the business, followed by the Italians with 4.5 percent, the British with 3.5 percent, and the Germans with 3 percent, while other countries wrote the remaining 7 percent. The biggest business unit in Spanish insurance is the *Union & Fenix Espagnol*, a dual Franco-Spanish company with head offices in Madrid and Paris. Lately it has had a home premium income of 18,097,000 pesetas and with *La Catalana* (13,677,500 pesetas, premium income) has written over three-tenths of the entire Spanish business. The *Union & Fenix Espagnol* owns the controlling interest of *La Minerva*, Madrid, and in 1941 established a new reinsurance company, the *Compania Espagnola de Reaseguros*, which is particularly interested in the French business and directly accepts business in Paris if there is any reluctance to contact with Madrid.

Reinsurance companies were exempted from the prohibition to form new companies imposed by the decree of October 19, 1940, a

measure undertaken to free the Spanish market from foreign reinsurance ties. The decree was directly aimed at curbing London and Lloyds.⁴² Aside from Union & Fenix Espagnol promotion of the Cia Espagnola de Reaseguros, at least two more companies have been founded as a result of the decree: the Consorcio Espagnol de Reaseguradores, and the Nervion Reaseguros. The Nervion was founded by La Polar, of Bilbao, with an authorized capital of 5,000,000 pesetas with 2,000,000 pesetas subscribed and fully paid. It was registered in Bilbao on September 13, 1940, but its authorization dates from February 14, 1941. In view of the large capital required, there is some question whether these new companies were promoted solely by Spanish capitalists.

Italian insurance interests are very active and successful in Spain. Aside from the branch offices of the important Italian concerns, there are in Barcelona the Anonime de Accidentes (subsidiary of Anonime Fortuni of Milan) and the Caja de Prevision y Socorro (an associate of Assicurazione Generali of Trieste).⁴³ These companies have been on the proclaimed list and British War Trade List since July 1942. Recently the Compañia Hispano-Americana has been organized; unconfirmed reports that Generali is backing Hispano-Americana are currently under investigation. The executive staff of this company is made up of a group of Spanish officials from companies in Catalonia, Aragon, Mallorca, and the Banco Vitalicio (on proclaimed list). The Hispano opened branch offices in Lisbon under the name of Compagnia Europa de Seguros, and has under consideration plans for another branch in Switzerland. The main purpose of the Hispano is the penetration of Latin-American business through procuring reinsurance treaties and establishing subsidiary companies. To the latter end, a branch has been organized in Buenos Aires under the name of "Compagnia Hispano-Americana de Seguros." The Madrid executive, Señor Juan Millet Maristang, has in addition, successfully negotiated a deal in Chile under the name of "Consorcio Español de Seguros." It is made up of no less than five important Chilean companies, all of which have been merged into the Consorcio: La Espagnola, La Thorsia, La Vasconia Consolidada, La Catalana, and La Territorial. It is believed that representatives of the parent, Hispano, intend to enter the Mexican market.

Another group, the Aurora of Bilbao and Madrid, is equally busy in South America, where in addition to its existing affiliates in Mexico and Buenos Aires, it is about to obtain a concession for a new company with a national Argentine front, the Atlantide of Buenos Aires. There is evidence that these undertakings are backed by the Swiss Reinsurance Co. of Zurich. The reports that the Munich and Italian concerns are behind the scene need further verification.

So far the Germans have not been overanxious to open new agencies in Spain where the Italian insurance interests are well regarded and well entrenched. Only the Victoria reports a sharp increase in premium receipts, which rose from 4.4 million pesetas in 1940 to 8 million in 1941.

Sweden.—Although direct activities of Swedish companies in foreign countries and of foreign companies in Sweden have never been important, the Skandia and the Svea of Stockholm were leaders in

⁴² Frankfurter Zeitung, July 8, 1942.

⁴³ Review, London 1942—p. 283.

the considerable reinsurance business. Their share amounted to 45 and 60 percent, respectively, of the total reinsurance business.

At present, while Swedish reinsurance relations with Allied countries outside of Europe are constantly decreasing, there is no proportionate increase in favor of the Axis. Swedish companies, moreover, are rarely reported as making direct contracts in Germany or placing reinsurance, including marine insurance, in Germany. The only Swedish company which owned substantial holdings in German concerns, the Svea, is reported to have recently disposed of its 1,500,000-krona share in the Mannheim Life Insurance Co. of Hamburg, allegedly owing to a conviction that Germany is going to be defeated.⁴⁴ Svea's interests in Austrian companies has been sold to German companies before the outbreak of the war.

The degree to which Swedish companies participate in the Munich pool is unknown. Recent reports indicate that 1942 was the worst year which Swedish fire insurance ever experienced, because of the sharp increase of fires and claims. Charcoal driven cars alone caused damage to an amount of over 8,000,000 krona.⁴⁵

Switzerland.—Switzerland still holds one of the most prominent positions in the international insurance business, chiefly because of the Swiss Reinsurance Co. of Zurich, which ranks immediately after the Munich in the importance and volume of its business. Organized in 1867 by the Helvetia of St. Gall, Credit Suisse and the Banque Commerciale of Basel, the Swiss Reinsurance has, particularly since World War I, become the most dangerous competitor of the Munich.

At the latest stockholders' meeting, July 27, 1942, the Swiss Reinsurance Co. announced a premium income of 300,810,000 francs in 1941 compared with an income of 268,810,000 francs for 1940. The greater part of the losses were suffered in the Italian business and in South America but, on the whole, the 1941 results largely compensated for the bad years 1939-40.

These figures do not include the premium income of the numerous affiliates of the Swiss Reinsurance Co. abroad, including the Bayerische Rueckversicherungsbank of Munich, the Compagnie Française de Reassurances of Paris, the Mercantile & General of London, and the Anker of Vienna which are fully owned subsidiaries operating independently abroad. The United States branch of the Swiss Reinsurance Co. has organized the North American Fire & Marine Reinsurance Corporation of New York, which was inactive during 1940 and whose registration seems merely to reflect shadow arrangements against emergencies. The Swiss Reinsurance Co. has in addition intimate treaties with the Atlantida of Buenos Aires, with Anahuac and Aurora of Mexico,⁴⁶ with Peruvian, Argentine, and Brazilian companies, and as a result gets the lion's share from retrocessions with the state insurance monopolies in Uruguay, Brazil, Chile, and Turkey.

As yet there is no evidence of undue German pressure to take over Swiss reinsurance business. On the contrary, the absorption and equalization of risks accumulated by German companies from occupied countries requires such enormous capital resources that the Swiss companies have been called upon to participate in the German expansion. Swiss membership in the Munich pool (see the European

⁴⁴ American Legation, Stockholm, to State Dept., Aug. 21, 1942 (485224), Aug. 22, 1942 (286236).

⁴⁵ *Neue Zuercher Zeitung*, November 23, 1942.

⁴⁶ Confidential information.

Reinsurance Cartel, below) is also used by the Germans as a publicity factor to demonstrate German good will in distributing the fruits of conquest among all continental countries.

Neither are there signs that the Germans are seeking to exclude Swiss direct insurance, which appears to operate comparatively undisturbed except for evidence that Swiss offices have been barred from sending account statements outside and that political reasons have motivated the exclusion of Swiss companies, in the interest of German military security, from certain annexed territories such as Luxembourg, Alsace-Lorraine, and Poland. The business of the Swiss life insurance companies in Germany also goes on undisturbed, which is the more remarkable since these four Swiss concessionaries in Germany draw so largely from German policyholders that their German income exceeds the combined income of all Swiss life insurance companies in Switzerland.

Direct insurance in Switzerland is almost completely national and is partly monopolized by public offices. Direct foreign business is entirely insignificant, less than 1 percent of the total direct home business as compared with about 33 percent before World War I and compared with the activities of the Swiss companies abroad which derive 90 percent of their income from foreign sources.

Recently, La Patenelle Vie has transferred nearly all its portfolio to the Vita of Zurich. The Swiss portfolios of Berlinische Life, La Confiance, and La Fonciere have dwindled to less than 40 customers. All 3 have renounced their Swiss concessions. The Norwich Assurance of London still transacts accident insurance, but its life portfolio, consisting of only 2 policies, is in liquidation.⁴⁷

Four important Swiss concerns are on the British and American blacklists. The National of Basle was on the proclaimed list in World War I and recently La Suisse of Geneva has been added. The Union Reinsurance Co. of Zurich has been identified as a subsidiary of the Munich. The retirement of Dr. W. S. Kisskalt, vice president of the Munich, from the board of the Union in 1939 could not save the company from being blacklisted, nor has the retirement of Mr. W. Forstreuter of Berlin, Robert Gerling of Cologne, and Hans Harney of Duesseldorf prevented the blacklisting of the Universale of Zurich as a subsidiary of the Gerling concern.

On the other hand, in August 1939 the New Insurance & Reinsurance Co. of Zurich, invited the German shareholder company, the Cologne Reinsurance, to cede its shareholding to Swiss shareholders so that the Swiss character of the company could be preserved. The shares were acquired by the Societe Suisse d'Assurance de Mobilier of Berne and the Helvetia Swiss Fire Insurance Co. of St. Gall. With the retirement of the two German members of the board of directors, Dr. W. Bierlein and Herr W. Labes, the board of directors became entirely Swiss.

Turkey.—In 1941 the premium receipts of the Turkish insurance companies sharply increased to a total of Turk £8,367,660 as compared with Turk £5,484,310 in 1940.

Under the Turkish reinsurance regulations, all insurance companies, both national and foreign, operating in Turkey have to reinsure with the Turkish State Monopoly. The State Monopoly retrocedes 90

⁴⁷ Confidential information.

percent of its income abroad. For many years 50 percent went under a long-term treaty to the Swiss Reinsurance Co. of Zurich. For the remaining 40 percent, a similar treaty was originally concluded with the firm of Willis Faber & Partners, Leadenhall, London, a sister enterprise of Willis Faber & Huebner of Hamburg. Until 1939 the London office was the reinsurance representative in Great Britain for the Tokio Marine & Fire, Tokio; the Meiji Fire, Tokio; the Mitsubishi Marine & Fire, Tokio; the Taisho Marine & Fire, Tokio; and the Assicurazioni Generali, Trieste. It is understood that since the outbreak of the war, the whole Turkish business has been retroceded to the Swiss Reinsurance Co., which derives very satisfactory profits from its relations with the Turkish Monopoly Office: an underwriting profit of 55.8 percent was shown in 1940, in contrast with a deficit of 26.7 percent in 1939 and a profit of 50.1 percent in 1938.⁴⁸

Yugoslavia.—This market has always been in foreign or foreign-controlled hands, and the 20 local companies never acquired a significant business.

The portfolios of the French companies (Union Paris had a big Yugoslav account) were taken over by the Wiener Stadtische⁴⁹ and the Danubia, both belonging to the Munich group. German interests took over the former British portfolios, and furthermore set up a Central Association for Private Insurance with two branches, one for life and one for nonlife insurance.

Italian interests, which were always strong, are now predominant. Aside from the numerous agencies which the Generali and Riunione maintain in every city, Generali acquired the Beogradska Zadruga while the Riunione obtained the business of Sobija and the Rossija Fonciere. "Nova Horatska" of January 8, 1943, announces a new decree denying the right of operation in Croatia to insurance companies whose headquarters are in foreign countries. The affairs of these companies are to be turned over within 3 months to successors selected by the Government. Foreign companies with subsidiaries in Croatia must make application within 15 days for permission to continue operation. Italy holds the keys for further insurance developments under an agreement by which the Generali and Riunione hold an option for "essential changes, new establishments, and capital increase in the insurance industry."⁵⁰

THE EUROPEAN REINSURANCE CARTEL: INSURANCE AND THE NEW ORDER

The vast expansion of insurance operations in occupied countries would not have been possible if the German companies, unaided, had attempted to carry the load. Insurance penetration, because of the lack of diversification between the carriers, may prove costly. The danger that the invader would reap losses rather than profits increased in direct proportion to the decrease in the number of British facilities in the occupied and neutral countries. The absence of the British firms from the field was felt the more acutely because Lloyd's and certain London companies had constituted the chief market for excess loss coverage, conflagration, and catastrophe protections. Axis companies alone are not able to absorb these risks.

⁴⁸ Review, London, March 6, 1942.

⁴⁹ Frankfurter Zeitung, March 10, 1943.

⁵⁰ Suedost Economist, November 13, 1942.

The accumulation of insurable valuables in industrial plants had in peacetime become so large that one-third to one-half of the fire-insurance coverage was going to London firms because the continental companies were not able to cover the risks. Such risks have not diminished but have increased since the outbreak of war, for the war has created increased activity, rises in prices, and new businesses which have their origin in the German occupation. Burglary insurance, too, has increased in risk through this same concentration of valuables. Air hazard and war hazard have added to the risks involved in carrying third party, personal accident, and life insurance.

The increased risks brought about by the war constitute ample justification for the caution displayed by the German companies in expanding their business. They also explain the comparative lack of interference with the business of the neutral Swedish and Swiss companies. Neutrals in the insurance field have been invited to participate and are participating in an ingenious new organization, the Vereinigung zur Deckung von Grossrisiken (Association for the Coverage of Large Risks), established by the Munich and combining business organization with Nazi ideology.

The Vereinigung is a form of cartel which regulates all European reinsurance. It is administered by the Munich Reinsurance Co. with the support of Italian and Swiss reinsurers. The fact that neutral interests participate is advertised as "a constructive contribution to collaboration" and an indication that the neutrals recognize the new order.⁵¹ The Italians participate in the scheme as full-fledged partners.⁵²

The president of the association is Dr. Schmitt who is also president of the Munich board, and the board is made up of leading figures from European insurance companies including representatives from Sweden, Switzerland, and France. The association is something entirely new in the field of insurance. It does not cover any risks but rather functions as a central clearing office for the distribution of insurance risks which cannot be covered within individual countries. The extent to which each company shall participate as to the risk and the amount is fixed individually on either an individual-risk basis or a fixed-quota contract. The new cartel is designed to replace Lloyd's activities on the continent through an allocation of risks according to the ability of each country to absorb its own risks. Should a country not be able to assume its own risks, the cartel will arrange for their distribution among its members on a quota system. Such a reinsurance monopoly necessarily acquires considerable power through its control over requisitionable funds and taxable profits.

All European companies except those covering life insurance can participate in the pool and many of them do. By the inclusion within the pool of companies covering all classes of insurance, the required diversity of risk and carriers is obtained for the proper distribution of reinsurance, with the result that casualty companies can, for example, assist in carrying the burden of a fire risk and vice versa. Such an arrangement is more easily executed on the continent than in the United Kingdom or in the United States, where insurance carriers are rigidly classified into three groups: fire-marine, casualty, and life.

⁵¹ Dr. Noeltling, *Deutscher Volkswirt*, March 28, 1941.

⁵² The Istituto Nazionale has been authorized to participate by Public Act No. 184, April 17, 1942 (*Gazzetta Ufficiale*, No. 67, March 23, 1942).

Any national pools which were formed to fill the gap left by the loss of British facilities will sooner or later be dissolved or merged with the association. The Germans have from the very beginning discouraged the formation of these local pools, pointing out that the various pools formed in Italy, France, and Norway violate the fundamental rules upon which the equalization of risks is based, i. e., the underwriting capacity of the local companies is not great enough to cover excess losses in addition to average business. Sound insurance policy in Europe rests upon the widest possible distribution of risks among companies operating over an extensive geographical area and handling different varieties of insurance. Neither increase of stock capital nor drawing on open or silent reserves is sufficient protection in the long run. Through the Munich pool, the European insurance market has been unified, concentrated, and coordinated; its existence might have been a change for the better if it were not dominated by Nazi aspirations.

Operational data on the actual working of the pool have so far not been available. It may be safely said, however, that given time the pool will be the instrument through which German insurance and reinsurance will endeavor to control the insurance business in both neutral and occupied Europe. Since the Germans prefer to use ostensibly legal means, widespread control cannot quickly be established. The Germans know well that profits rather than premiums are the vital factor in insurance, a truth which will cause them to scrutinize each new acquisition and make their selections with caution. The pace of penetration is and will be accordingly slow.

SIGNIFICANT DATA ON THE PRE-WAR GERMAN ECONOMY

I. INTRODUCTION

The statistical tables in this report, though subject to several reservations, provide a good basis for analysis of the pre-war German industrial economy.

The statistics must, however, be interpreted with great care for several reasons:

(a) Some of the most important tables, and the maps, have been taken directly from *Die Deutsche Industrie* (published 1939), which was prepared by the Reichsamt für Wehrwirtschaftsplanung (Reich Office for War Economics Planning). In the interests of military secrecy this agency organized the data in a manner designed to conceal information that might be useful to German military opponents. As will be noted, aircraft and explosives do not appear in the lists of industrial products, even though Germany was reporting exports of powder and airplane parts in the year covered by the report. Either the items were concealed by grouping certain industries and using misleading names to cover them, or figures were adjusted in a manner revealed only to the initiate.¹

(b) The data in *Die Deutsche Industrie*, the result of a census of manufactures similar to that made regularly in the United States, are for the year 1936. While this is one of 2 years in which German statistics covered the Saar but no forcibly annexed areas, it was not a "normal" year. In no year between the wars was the industrial production of Germany of a "normal" character. Increasingly, throughout the period, the German industrial capacity was being developed, concentrated, and expanded in accordance with a program whose sole objective was world domination by economic and military aggression.² Moreover, in March of 1936, Germany began the re-fortification of the Rhineland, and not long thereafter to try out its new military equipment in Spain.

As a result of the German objectives the national industrial productive capacity was lopsided in character. As early as 1928 the capacity for producing capital goods and certain consumption goods (such as chemicals) was well in excess of legitimate needs of the country for domestic use and the volume of exports reasonably to be expected; on the other hand, the capacity to produce goods that would have improved the low German standard of living remained disproportionately small. (It was adequate, however, to meet the

¹ Comparison with the classifications ordinarily used for German industry indicates that explosives may have been concealed in part under *Zündwaren-und Glündstrumpfindustrie* (fuses, matches, and other ignition devices, also gas-mantle industry). Part of the airplane production may be hidden in the figures on the automobile industry. See tables V and XXV.

After the last war it was admitted—when it became advantageous to Germany to do so—that production figures had been rigged for several years. The rigging was done in a systematic manner so that published statistics could readily be interpreted by persons acquainted with the system. It seems probable that the method used in connection with critical items in *Die Deutsche Industrie* is relatively simple and that it does not distort the general picture as revealed by the statistics.

² See sec. II.

demand, which was limited by the low buying power of the population.)

(c) The industrial activity that was at times impressive was largely the result of investment in production facilities and equipment; of subsidized exports; of reparations in kind and purchases made in Germany with reparations funds that the creditors were otherwise unable to transfer; and, particularly in the 1930's, of military constructions and orders for military supplies and equipment.

While the figures show Germany's productive capacity and the predominance of certain kinds of industrial activity in a period of preparation for war, they do not provide a blueprint for what a future Germany must manufacture to maintain itself. For example, a Germany that was not preparing for war need not concentrate its efforts on an industrial machine and machine-tool industry. A Germany determined to find exports market by collaboration in raising the European standard of living might instead export large quantities of heating and cannery equipment, plumbers' supplies, washing machines, and similar products.

(e) Likewise, the maps and also table VI, the only one in this compilation indicating the distribution of industry and the geographical importance of the various political subdivisions in providing manufactures for the export market, are more a measure of the past than of the future. They offer only limited assistance in estimating the results of cutting off this or that border region, since all but the extractive industries might well be developed in regions other than those where they were planted in the days of poor communications. For example, there would be ample economic justification for redevelopment of the German iron and steel industry along the Baltic, rather than in the Ruhr; coal could be carried to meet Swedish iron ore rather than the ore to the coal.³

(f) It is almost impossible to translate Reichsmark values into dollars, owing to the great variations in the value of the Reichsmark. The mark, officially offered at 40 cents in 1936, was sold at various discount rates—as much as 30 percent in some markets and occasionally more.

II. GERMAN INDUSTRIAL PLANNING AND SUBSIDIZATION OF INDUSTRY

The German industrial development and production cannot be properly evaluated without a knowledge of the manner in which they were planned and promoted, even before the war of 1914–18.

They were not the result of free market demand and unguided private investment. In the decades immediately preceding the war of 1914–18 the iron, steel, and chemical industries, as well as certain others useful to war, were built up by governmental aid of various kinds that was in effect a subsidy.

Yet in spite of this attention to cannon makers and war-chemical manufacturers, Germany paid singularly little attention to war economics before the war of 1914–18 was declared. This neglect has been ascribed to the expectation of early victory for Germany.⁴

³ See sec. III for further comments on table VI in connection with the extractive industries.

⁴ See *Economic History of Europe, 1760–1939*, E. L. Bogart.

After Germany was stopped in the first battle of the Marne a Kriegsrohstoffamt (War Raw Materials Office) was set up under Walter Rathenau, president of the Allgemeine Elektrizitäts Gesellschaft. Later, when the High Command became aware of the increasingly critical character of the supply situation, Rathenau was succeeded by a military officer who enlarged the scope of operations. In 1916 a Waffen- und Munitionsbeschaffungs-Amt (Arms and Munitions Procurement Office, called WUMBA) was established within the Ministry of War. This was the first step in the Hindenburg program for total war mobilization, in which the High Command was to direct the whole of the national economy, rather than compete with the civilian sector for supplies. Eventually the Ministry of War had a Labor Allocation Office (Arbeitsersatzamt), a War Food Office (Kriegsernährungsamt), and a Fabrikationsamt (Office of Manufactures).⁵ The program included measures for the consolidation of plants in order to save transportation and labor. No sector of the national economy was neglected. While the new system accomplished a great deal, it was initiated too late to influence the outcome of the war. But the High Command had been deeply impressed by the program.

The German General Staff was officially abolished by the Treaty of Versailles but actually continued in existence. Its chief center of operation was the Reichsarchiv (National Archives), where, it was announced, some former war leaders were engaged in writing a historical study of the recent war. They did publish some volumes on the military events, but their primary work was analysis of the cause of the defeat and planning for the next war. Few defects were found in German arms and military strategy; the main weakness discovered was in the field of war economics. At a very early period it was determined that part of the Officers' Corps must be trained in this subject. Under the treaty all military schools were to be abolished. They were closed but at the same time the underground General Staff opened a new academy in the Technische Hochschule (Institute of Technology) at Berlin-Charlottenburg. This old institution had not only some of the best engineering faculties of the country but also one of the best economics staffs.⁶

Carefully selected officers and officer-candidates were sent to the Hochschule for a course of studies that included the efficient use of industrial manpower, the economics of raw materials, production management, industrial standardization, and war financing. In time the course came to include 1 year of practical experience in plant management.

From the beginning the General Staff worked closely with the leaders of German industry. This collaboration was not new. The principle of industry as an instrument of the state was well established.⁷ The relationship was fortified by numerous intermarriages among the leading industrial families and the land-poor aristocracy (the Junkers).⁷ The latter had long had a near monopoly of positions in the Officers Corps and of the high positions in the civil adminis-

⁵ See BEW RR-1, The War Economics and Armament Office of the German High Command.

⁶ See Allen Property Custodian's Report (U. S. Government, 1919) for an account of the manner in which certain German corporations operating in the United States acted secretly in the military interest of their government before 1917.

⁷ The marriage of Bertha Krupp to Gustav von Bohlen und Halbach is an example of such alliances. An excellent discussion of the Junkers and their position in the government is contained in the British Basic Handbook: Germany, Part I (Ministry of Economic Warfare, 1944).

tration, both state and national, a situation not greatly changed under the Weimar Constitution.

The plans of the General Staff branch that on the eve of war emerged as the Wehrwirtschaft- und Rüstungsamt (War Economics and Armament Office) embraced these measures:

(a) The freeing of Germany from war debts and reparation payments.

(b) The reorganization of industry essential to war; the expansion of its capacity; the equipment of all plants with labor-saving machinery to lessen the vulnerability of industry to wartime shortage of manpower.

(c) The development of domestic resources to the maximum, and of synthetic substitutes for critical materials not to be found in Germany, or nearby.

(d) The stock-piling of critical materials that could not be developed in Germany.

(e) The rebuilding of the merchant marine and the building up of an air fleet;

(f) The construction of strategic highways and the unification and equipment of the railroads;

(g) The institution of controls well in advance of the outbreak of war to prevent confusion in the critical period of initial attack.

Too little information is available to judge precisely the extent to which the German General Staff and its industrial collaborators planned and promoted certain situations in the years immediately after the war and to what extent they merely took advantage of them in putting their program into effect.⁸ But the staff's operations were already so apparent at the end of 1923 that Brig. Gen. John H. Morgan of the disarmament commission⁹ was able to state:

Germany has now got, ingeniously camouflaged, that economic General Staff which was the dream of Rathenau * * * and the whole of the key industries of war—coal-tar products, sulfuric acid, nitric acid, aluminum, and all the rest—have been reorganized, subsidized, and controlled to this end. The whole of German industry and production have been reorganized by some astute and able brain with a view to making her independent of overseas supplies of material in the next war * * *. Even her rolling stock for ordinary commercial traffic has been altered to a new type capable of immediate conversion to troop trains.

Later Morgan said General von Seeckt was the director of the secret rearmament, that the Government of the Republic was collaborating fully with him, and that members of his economics staff were planted in key positions in Government agencies, including the Ministry of Finance.

⁸ The British Basic Handbook: Germany, Part I has a summary of the political events of the period, including the manner in which Ludendorff set up a republic to provide the "democratic government" that the Allies were demanding for Germany and that might obtain better peace terms than the Imperial Government could; and the manner in which the German oligarchy, in furtherance of its objectives, played on Allied sentimentality, cupidity, fears, jealousies, and ambitions. This source also relates the manner in which the inflation was used to build up vast industrial empires, to rid the country of its debts—at the price of ruin for the middle class that did not understand the techniques of managed bankruptcy, or was not in a position to take advantage of them. On the results of the inflation see also *The Recovery of Germany* (James W. Angell, 1932) and Bogart, *op. cit.*

For further details on the collaboration between German industrialists and the High Command, subsidies to industry, and other aspects of the secret rearmament, see *Germany Between Two Wars* (Lindley Fraser, 1946, Oxford University Press).

⁹ "Disarmament of Germany and After" (*The Quarterly Review*, London, October 1924), also *The Present State of Germany*, a lecture delivered at the University of London in December 1923 and published as a book a few months later. General Morgan was exceptionally well informed on the subject, having spent 4 years in Germany as Deputy Adjutant-General of the Inter-Allied Military Commission of Control and as Deputy-President of the Effectives Sub-Commission whose function it was to demobilize the old army and to limit the new. In the latter position he extensively studied army procurement in an attempt to learn how large the German Army really was.

Morgan also said:

Germany is in many respects far better prepared, industrially speaking, for a great war than she was in 1914. Profiting by the inflation of the mark, her great industrialists have renewed and enormously extended their plant; and instead of scrapping and dismantling war factories erected during the war for munitions * * * (Germany) has "converted them"; all these establishments are capable of reconversion, for the simple reason that the amount of plant used for war manufacture which we could condemn and destroy as utilizable for nothing else was an infinitesimal proportion of the whole—one of our experts put it as low as 5 percent.¹⁰

Late in 1923, after the Allies had been persuaded that review of the reparations question was to their advantage, the mark was abruptly stabilized. In addition to the gains listed by Morgan, inflation had furthered the long-range plans of the General Staff and their industrial collaborators in other ways. The Government, the great corporations, and the railways had emerged free of debt. Moreover, Germany had—used the proceeds of foreign speculation (in the mark) from 1919 to 1923 to meet the current deficit in her balance of trade, to make reparations transfers, and to build up a small volume of foreign holdings. At a rough estimate, from one-half to two-thirds of these operations eventually cost her literally nothing.¹¹

But the Dawes plan, which was adopted in August 1924, was even more useful in furthering the long-range plans of Germany. In addition to setting up a schedule of reparations payments that were to rise gradually (with about half the revenue to be derived from taxes on beer, alcohol, and other commodities that were state monopolies), the plan provided that Germany's obligations would end with payment in marks to the Allied representative in Germany; it was up to the creditors to find a way to transfer the moneys. As a result large sums were spent in Germany, thus stimulating German industrial production, especially in the machine and tool industry. Further, the Dawes plan arranged for the flotation of large governmental loans abroad.

With confidence in German economic stability thus confirmed, foreign agents of German big business had no difficulty in obtaining large loans in foreign markets. German states and municipalities also shared the inflow of investment funds. Certain foreign industrial corporations added to it by establishing branches in Germany. A large part of the foreign money, derived above all from the United States, was used in capital construction. For example, American money was used to expand the facilities of Vereinigte Stahlwerke as well as for a super-highway bridge over the Rhein.

While some of the construction was undoubtedly initiated without special guidance from the General Staff, nonetheless that body had a great deal to do with how foreign and domestic funds were spent.

As early as 1926 graduates of the new type of military academy were active in the industrially important army corps areas, where they became the technical advisers of the Kreis commanders and worked closely with the industrialists. Among their functions was the "rationalization" of industry; they brought the latest advances in tech-

¹⁰ For other details of the disarmament fiasco see *Une Expérience de Désarmement* by the French General C. M. E. Nollet, head of the Inter-Allied Military Commission of Control, and *Confidential Report Re Some Difficulties of the Inter-Allied Military Control Commission* (Department of Justice, War Division, October 1944). A popular account of this and other phases of Germany's preparation for the current war is found in *Germany Will Try It Again* (Sigrid Schultz, 1944); this account is undocumented and its style is emotional but the facts as stated are fully confirmed by more scholarly studies. After the spectacular successes of 1937-40 had made secrecy seem no longer necessary, the German military journals related some of the activities of the underground General Staff, fully confirming and adding to the statements made in 1923 by General Morgan.

¹¹ Angell, *op. cit.*

nology and production methods to the attention of manufacturers and promoted research on such matters as the synthetics Germany must have safely to enter another war. They later took credit for having accelerated the development and production of synthetic petroleum, for increasing the production and improving the quality of rayon, rayon staple, aluminum, and magnesium, for improving the methods of working low-grade iron ore, and for greatly expanding the capacity of the machine-tool industry. In many cases Government funds were used to stimulate the desired activities. The corporations concerned often received freight rebates, tax exemptions, and similar favors in return for their collaboration.

The various stimulants caused great activity in the manufacturing industries; this was unfortunately misread as a sign of sound economic recovery.

By 1928 Germany had lulled the Allies to the point where they agreed again to review the reparations question. The Paris Conference, which began in May 1929, drew up the Young plan; although this specified that Allied economic "supervision" should be ended, the Germans refused to sign unless French troops were withdrawn from the Rhineland. Under Allied pressure, France reluctantly agreed.

Before Germany could take advantage of the new terms, the international economic collapse occurred.

While the negotiations were in progress in Paris the flow of foreign investments was checked; after October 1929 it practically stopped. There were large withdrawals of capital from Germany. The decline in foreign trade was accelerated as one country after the other pushed up tariff barriers to protect its own industries. This last was especially serious for Germany because of its dependence on other countries for raw materials and for part of its foodstuffs. For a time short-term loans were used to finance the German trade deficit. When German corporations found difficulty in meeting interest payments and foreign creditors seemed likely to obtain control of power plants and mills built with borrowed funds, the Government bought out the debtors and took title to the whole or to a majority of the stock.¹² Some Germans also became interested in converting their holdings in Germany into foreign assets. To prevent further flight of capital foreign exchange controls were initiated in July 1931. To all intents and purposes Germany had become a bankrupt.

Not long after exchange control was established some German concerns initiated barter arrangements, the exporters acting directly as importers or in cooperation with importing firms. The exchange control resulted in the blocking of foreign as well as domestic funds in Germany. Citizens of other countries could obtain funds owing to them only in the form of reichsmarks. As foreigners became doubtful about the length of time that would elapse before the funds could be turned into foreign money at their full value, they began to offer their claims at substantial discounts. The Government took advantage of this situation by allowing German exporters under certain conditions to accept the blocked marks as part of the proceeds of their foreign sales. Importers were also enabled to use the blocked accounts to advantage. The net result was that German exporters were able to

¹² This action was hailed as "socialist nationalization" by certain parts of the population. In most cases after the Allies had accepted the "moratorium" on German debt payments and had evidenced no disposition to take action to insure their resumption the properties passed back to private ownership.

sell their goods abroad profitably at lower foreign prices than they would have done under the regular foreign exchange procedure.¹³

The next development was the application of the principles of this system to all trade between Germany and such other countries as could be persuaded to make exchange-clearing agreements. Each agreement called for the establishment of a special account in the Reichsbank and one in the central bank of the contracting country. All trade between the partners was cleared through the two accounts. Other types of arrangement were worked out for trade with countries that were valued as customers but unwilling to set up central clearing houses to handle trade with Germany.

In 1934 the Germans extended control of foreign trade. The Government was to determine what should be exported and imported. In many cases where it was desired to use the exports to accumulate foreign exchange, the Government subsidized the exports to enable the underselling of trade competitors.

In carrying on trade under the new system the German control agency would, with some exceptions, authorize imports of goods in specified quantities and categories only on condition that the seller accept payment in the form of mark credits placed to his credit in a special account. The marks used in the special accounts of various types were called aski, a name derived from *Ausländer Sonderkonten für Inlandszahlungen* (foreigners' special accounts for inland payments). Such marks could be used only for the purchase of German goods for export to the country in which the holder of the account belonged. The aski had various values, differing even in sales to the countries concerned.

The new trade system was at first welcomed by countries unable to find export markets for their large food and raw material surpluses. Such countries also usually lacked foreign exchange with which to buy manufactures they needed. But after Germany had been established as a buyer it gradually dropped back in its shipments of the manufactures desired by these countries. The creditor countries were notified that the types of goods they desired were not available. Others, perhaps little desired by the creditors, were offered instead. Thus they were forced to take what Germany was willing to send or go without payment. This led to the widely publicized exchanges of military trumpets, harmonicas, and typewriters, for raw materials and agricultural products of southeastern Europe and South America. Ultimately, the governments concerned, unable to find retailers for the goods they had accepted, paid for the exports to Germany.

Such countries as England and France could afford to refuse sales when German payment was not forthcoming and German trade therefore tended to move to the more helpless regions.

The trade policy, especially in the 1930's based solely on preparation for war, involved the curtailment of production of civilian goods, the export of goods that did not handicap the rearmament program, the forcing of such goods on customers without regard for their desires, and the sale at any price of goods that would aid in the accumulation of dollars, pounds, and Swiss francs. These measures in turn created a wholly abnormal pattern of industrial production in addition to the distortions resulting from the accelerated pace of the rearmament pro-

¹³ See *Foreign Trade and Exchange Controls in Germany* (United States Tariff Commission Report No. 150, second series, 1942). This is one of the best studies that has been made on the subject.

gram. The policy also wrecked the very foundations of normal foreign trade for Germany by destroying the good faith on which international trade has been built. That the German oligarchy should so wholly disregard results seriously affecting the future was significant of the extent to which it believed that it would before long be able to determine the rules of the game.

While the international economic collapse that began in 1929 must have caused various changes in the operational program of the underground General Staff, it did not in any way block it. In 1926, on suggestion of the Heereswaffenamt (the Army Arms Office), which directed the field operations of the new military economics officers, leading industrialists had been invited to join a Statistische Gesellschaft (Statistical Association). The innocuous title hid the organization's objective, which was to bring the officers and industrialists together to work out details of the long-term program. Later, General Thomas, the head of the War Economics and Armament Office, wrote:

The cooperation necessary for preparation of an economic organization * * * was initiated under difficult circumstances, but later produced satisfactory results * * *. The great tasks and aims of economic organization were already recognized by men in important positions.¹⁴

Even with the country an international bankrupt, public funds were still used to support research and build up production facilities for the synthetics essential if Germany was to enter a war. For example, the General Staff was especially concerned with the problem of animal foodstuffs, the lack of which had been a principal cause of the food shortage in 1918. In 1931 a representative of the Ministry of War visited the pioneer plant making a protein foodstuff from wood; subsequently the national treasury granted a considerable sum for further research and development on these lines. At intervals officers checked progress of the work.¹⁵

In 1933 the economics section of the General Staff came above ground inconspicuously as the Wehrwirtschaftsstab (War Economics Staff) in the Ministry of War; in 1938 it became the Wehrwirtschaft-und Rüstungsamt im Oberkommando der Wehrmacht. But even in the first years of its public existence, representatives of the staff—graduates of Berlin-Charlottenburg—held key positions in the Government. The four-year plan, launched by the Hitler government as a National Socialist inspiration to make Germany self-sufficient, was actually the final phase of the General Staff's program of preparation for war.¹⁶ Colonel von Schell became coordinator of the motor-vehicles section of the Office of the Four-Year Plan. Colonel Fritz Loeb the head of the raw materials division, and Lieutenant General von Hanneken guided the iron and steel industry.¹⁷ General Thomas,

¹⁴ See RR-1, op. cit. For later work of the economics staff, especially its role in time of war, see *Military Affairs* (Fall, 1941), *Infantry Journal* (March 1942), and *Military Review* (March 1941).

¹⁵ See *German Synthetic Cattle Feed* (Department of Justice, War Division, 1943). See also *Wissen und Wehr Monatshefte*, 1932, and public statements by Erwin Schaefer, vice president of the American Wood-Sugar Co., who was managing director of the German plant from 1931 to 1934.

¹⁶ As early as 1923 some Army officers had picked the Nazis as the group that was to rid them of the Republic. But the Officers' Corps as a whole, as well as the industrialists, hoped to find a less motley group of leaders. In 1929, at the time the Young plan was being drawn up, Hitler was able to convince the leaders of the Ruhr that the socialist aspects of his platform were only rabble-rousing devices and that he could control the party. The Ruhr thereafter began to give large sums to the Nazis. I. G. Farben remained distrustful though not unfriendly until the purge of 1934, which rid the party of its leading swashbucklers and also of certain elements that had taken the socialist promises seriously. See I. G. Farbenindustrie as an Instrument of Nazi Militarism, a special confidential report by Sydney B. Redeker, an American service officer, who was stationed for 10 years at Frankfurt-am-Main; also see *The Nazi Dictatorship* (F. L. Schuman).

¹⁷ Von Hanneken's brother-in-law, Karl Lange, was the manager of the association of the machine industry and later became its official director.

who headed the economics staff in its later years, became director of the Herman Göring Works when Government corporation was set up to develop the low-grade iron ores of the Reich.

An illustration of the manner in which control of the industrial economy and of the population was tightened, in accordance with the long-term plans for preparation for war, is found in the textile field. During the last 2 years of the war of 1914-18 the shortage of textile fibers constituted a major problem. The final stage of the General Staff's plan called for a rapid expansion of the artificial fiber production capacity, above all that of rayon staple. At the same time the population had to be accustomed to the use of artificial fibers in goods for which natural fibers are more satisfactory. Shortly after the four-year plan was announced textile manufacturers were persuaded and bullied into pooling their funds for construction of fiber plants; public moneys were allotted for the same purpose; textile manufacturers were ordered to use specified quantities of rayon filament and staple with natural fibers in various kinds of goods; and an elaborate propaganda campaign was launched to convince the public that rayon materials were modish and that rayon staple was really a superior type of natural fiber, not merely ersatz. Thus by the time Germany was cut off from overseas sources of natural fiber the population had learned to use the substitutes and the best methods of caring for them.

Industrially, the results of this program are found in the 700-percent increase in rayon production by 1939.¹⁸ This in turn caused a great increase in the production of chemicals, and of the materials from which they are made. But rayon production greatly in excess of probable peacetime needs was only one of several activities that made the figures on German industrial activity of the 1930's even more abnormal than those of the 1920's. Thus, in the 20 years between the wars it is almost impossible to find any years for which the available figures give much guidance on the minimum rate of industrial activity necessary to maintain the German population.

III. COMMENTS ON THE TABLES AND CHARTS

The tables in this compilation are roughly divided into several groups but all are interrelated. The first group (I through VI, as well as table XXV¹⁹) is concerned with the rate of German production of manufactures, the comparative importance of the industrial groups, their roles in the national economy, the nature of some of the stimulants to industrial activity, and the geographical distribution of manufacturing in 1936. The last is illustrated by nine maps.

Tables VII through IX are concerned with the distribution of the labor force of the Altreich (the Germany of 1937, including the Saar but excluding Austria and other annexed areas) by industry, size of establishment, and, in the manufacturing industries, by compensation status.

Tables X through XII show official estimates of the German national income in selected years, the proportion of the national income coming from wages and salaries paid by the manufacturing industries, and the standard of living of the German wage earners.

¹⁸ United States production increased about a third in this period.

¹⁹ Placed at the end because of its bulk.

Tables XIII through XVIII concern foreign trade, both by value and volume.

Tables XIX through XXI show the reparations payments made by Germany after the last war, capital movements into and out of Germany between the wars, and German foreign indebtedness in the period of "economic recovery."

Table XXII gives figures on the size and capitalization of German corporations.

Tables XXIII and XXIV contain a few United States figures for purposes of comparison.

Table I is an index to the volume of German manufactures in the year of greatest economic depression between the wars and in the last year before general war began. As can be seen, all but one of the industries were much more active in 1938 than in 1929; and, as in other countries, in 1932 the consumption-goods industries were much more active than the capital-goods industries. While 1932 was a depressed year, Germany was nonetheless still carrying on a considerable volume of export trade, in part as a result of the new trade techniques it was developing.

The rate of output in the capital goods industries in 1932 is of special interest because, though production was still abnormally stimulated (see sec. II), the stimulation was much less than it had been in the 1920's and was to be in the following years. It will be noted (see table III) that in 1929 (the base year for the production index of table I) Germany produced 16 million tons of steel. This was only 2.2 million tons less than was made by the larger Germany of 1913, when it was building armament energetically in preparation for war. The Germany of 1937 had produced 19.4 million tons of steel and in 1938 was still increasing production not only to support current military operations but also to prepare for greater ones. Throughout a good part of 1938 German arms were engaged in Spain; in March German troops moved into Austria; and in October they entered Czechoslovakia.

TABLE I.—*German industrial production index, by industries, 1932, 1938*

(1929=100) ¹

	1932	1938 ²		1932	1938 ²
All industries, including food.....	58.2	123.6	Motorcycles.....	17.4	69.5
All industries, excluding food.....	53.3	126.2	Coal.....	63.7	112.8
Capital goods industries.....	44.3	131.7	Electric power.....	76.7	174.6
Consumption goods industries.....	79.3	109.4	Chemicals.....	55.4	138.3
Pig iron.....	29.3	138.2	Cotton.....	93.4	120.6
Steel ingots.....	35.5	142.7	Linen.....	74.5	157.9
Nonferrous metals.....	61.9	144.1	All textiles.....	85.7	116.3
Machines and machine tools.....	39.2	142.3	Shoes.....	82.2	114.2
Motor cars.....	31.4	220.3	Furniture.....	67.8	109.0
Trucks.....	23.8	208.6	Radios.....	(³)	(³)

¹ In the source the base used was 1928; figures have been converted to use 1929 as a base in order to enable comparison with other indexes in this compilation.

² It has not been discovered to what extent the figures were adjusted in accordance with changes in the national boundaries after the return of the Saar and the annexation of Austria and parts of Czechoslovakia.

³ No index figure given for 1929. The production index figures for 1932 and 1938, respectively, against the 1928 base, were given as 119.2 and 327.8.

Source: Statistik des In- und Auslands, XIV, 1939-40, which took them from the reports of the Institut für Konjunkturforschung.

Table II should be compared with tables I and III. It will be noted in several cases, notably in mining and textile production, that a greater volume of production was achieved in 1938 than in 1929 with fewer workers and fewer total hours of work. This would seem to indicate increased mechanization. Table II like table I provides guidance on the industries most active in times of economic depression.

TABLE II.—*Indexes of (a) numbers of wage earners employed and (b) total number of hours worked, 1929, 1933, 1936, 1938*

EMPLOYMENT, BY INDUSTRIES

Year	Grand total ¹		Mining		Iron and metal production		Iron and steel		Machinery		Electrical engineering		Building material	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1929	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1933	65.8	60.8	63.3	56.9	61.1	53.9	59.8	52.3	58.8	52.7	55.6	49.0	64.1	60.4
1936	98.2	96.5	73.0	73.2	111.0	112.0	89.4	88.6	118.5	122.2	92.7	94.8	105.2	105.0
1938	112.9	114.0	87.5	89.9	130.6	143.1	112.8	113.7	151.7	183.4	134.7	136.7	115.4	117.2

Year	Construction		Wood		Textiles		Clothing		Food		Drinks and tobacco	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1929	100.0	(2)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1933	39.9	(2)	59.2	55.2	81.3	76.8	71.6	66.6	92.3	85.3	88.9	85.4
1936	129.7	(2)	84.7	82.4	92.8	87.0	85.6	79.4	102.6	97.6	99.0	95.3
1938	145.7	(2)	96.8	94.7	98.3	97.1	93.2	89.5	107.3	104.0	99.6	97.4

¹ Includes certain industries not covered in the table.

² Not available.

Source: Year Book of Labor Statistics, 1941, International Labor Office.

Table III summarizes a good part of the figures officially and routinely released on German industrial production by volume. They show near-peak production for almost all mineral mining of importance except potassium salts and sodium chloride (ordinary salt). The figures also afford some information on the extent to which German manufacturing is dependent on foreign sources of raw materials. It will be noted that although Germany imported large quantities of iron ore to supply its mills in years of great industrial activity, the iron content of ores mined in Germany in 1937 was equal to 70 percent of the pig iron produced in 1932. (See table XVII for iron ore imports in various years.)

The figures on coal are of special significance. The output of 1913—190 millions ton of Steinkohle²⁰—represented the results of rapid development of the mines. The total output in 1900 had been only 109 million tons, a peak figure to that date. At the time the Versailles Treaty was signed the loss of the coal fields of Lorraine and of Polish Silesia was considered a heavy blow. But by 1929 a smaller Germany was mining more Steinkohle than the larger Reich had mined in 1911. In 1937 the output was still higher and, with the Saar mines back in German hands, the total production again approached that of the larger Germany of 1913. In each case the rapid rise to a new production peak was a prelude to war.

²⁰ Steinkohle consists primarily of bituminous coals but includes some semianthracite.

In addition, after 1919 there had been rapid development of the brown coal fields—largest in Central Germany near the upper Elbe but present in various parts of the country. The brown coal output of 1937 had a utilizable heat value equal to more than 40 million tons of Steinkohle.²¹

TABLE III.—Data on German production by volume, selected years

[Figures after 1934 include output of the Saar; in 000 metric tons unless otherwise noted]

Year	Steinkohle	Brown coal	Coke	Gas coke	Benzol	Coal tar	Petroleum	Gas produced in gas works (million cubic meters)	Electric power generation (million kilowatt-hours)
1913	190,109	87,233					121		
1929	163,441	174,456	39,421	4,888	386	623	103	3,385	30,651
1930	142,699	146,010	32,700	4,726	336		174	3,195	29,103
1931	118,640	133,311	23,025	4,335	245		229	2,990	25,788
1932	104,741	122,647	19,338	4,264	209		330	2,810	23,460
1933	109,962	126,794	20,945	4,253	232	1,024	239	2,740	25,654
1934	124,857	137,274	24,485	4,229	270	1,172	318	2,746	30,727
1935	143,015	147,381	29,556	4,409	350	1,447	429	2,822	36,697
1936	158,380	161,337	35,861	4,866	421	1,853	445	2,953	41,800
1937	184,513	184,709	40,921	5,345	529	2,228	451	3,192	48,969

Year	Pig iron	Iron content of ores mined in Germany ¹	Steel	Sulfur content of pyrites mined in Germany	Sulfuric acid	Total copper milled	Copper content of ores mined in Germany	Total lead milled	Lead content of ores mined in Germany	Total zinc milled	Zinc content of ores mined in Germany
1929	13,239	2,080	16,023	150.0	1,704	91.9	29.1	124.2	60.5	108.4	142.5
1932	3,932	443	5,624	75.3	935	167.9	30.9	106.6	51.0	45.0	75.3
1933	5,247	828	7,454	81.6	1,207	162.2	29.4	122.2	53.7	50.8	104.4
1934	8,717	1,372	11,696	96.9	1,307	168.6	26.0	124.0	58.9	71.4	131.7
1935	12,846	1,849	15,144	117.5	1,574	189.1	28.3	128.3	60.7	124.1	140.9
1936	15,302	2,259	18,756	122.2	1,765	208.3	28.1	153.4	68.6	136.4	156.5
1937	15,960	2,759	19,356	179.5	2,050	224.1	28.1	173.2	78.9	163.8	165.6

¹ The iron content of the ore dropped steadily from 33.1 percent in 1932 to 28.2 percent in 1937.

Source: Energiequellen der Welt, Schriften des Instituts für Konjunkturforschung, Berlin, 1937, and Statistisches Jahrbuch für das Deutsche Reich, 1938.

Table IV shows the relation of investment in construction and replacement in Germany to the total German national income. While not all funds so invested were accumulated in Germany, the total of German funds invested outside Germany after 1931 were on the whole greater than the foreign funds invested in Germany. (See table XX.) The figures provide some gauge of the extent to which general German industrial activity at various periods was stimulated by abnormal investments in construction.

As table IV shows, a considerable part of the investments in construction in 1936 went into public works, presumably from public funds. A good part of the public funds came from direct and indirect taxation. It has been estimated that the percentage of the private national income absorbed by direct taxes rose from 18 percent in 1929 to 25 percent in 1936.²²

²¹ Brown coal is an unconsolidated type of lignite with high water content. On a dry basis it runs about 4,200 to 5,000 BTU's to the pound. Part of this is lost, however, because of the need for ridding the coal of moisture. The usual conversion ratio is 2 tons of Steinkohle to 9 of brown coal, though under exceptional conditions the utilization can be improved.

²² German Financial Policies, 1932-1939 (K. E. Poole, 1940).

Comparison of this table with table X, shows that before 1933 the amount invested each year in capital construction and replacement was only a little less than the total paid out in wages and salaries in the manufacturing industries; and that after 1933 the total investments exceeded the total wages and salaries.

The third part of table IV is of special interest. It shows that in the years 1933-36 inclusive an increasingly large proportion of the investment in construction and replacement was in the capital goods industries, whose capacity was already much in excess of the country's ability to utilize their products.³³

TABLE IV.—*German investments in capital construction and German defense expenditures*

A. NATIONAL INCOME AND FUNDS USED FOR CAPITAL CONSTRUCTION, 1928-38¹

[In billion reichsmarks]

Year	Total national income	Total for new construction and replacement	Proportion of construction investment to total national income	Year	Total national income	Total for new construction and replacement	Proportion of construction investment to total national income
1928 ²	75.4	13.7	18.2	1935	58.6	11.6	19.8
1929 ²	75.9	12.8	16.9	1936	64.9	13.8	21.3
1933 ²	46.5	5.1	11.0	1937	71.0	14.0	22.5
1934 ²	52.7	8.1	15.4	1938 ³	77.0	19.0	24.7

B. DISTRIBUTION OF FUNDS INVESTED IN CONSTRUCTION IN 1936⁴

	Percent
Public works (including railways, canals, highways)	7.6
Dwellings (including worker housing at new plants)	1.9
Power plants, gas and water works .....	.5
Construction for agricultural and silvicultural purposes .....	.85
Industrial construction and replacements	2.1
Small shops and plants (handcraft), commercial, and other facilities .....	.85
Total	* 13.8

C. DISTRIBUTION OF ANNUAL INVESTMENT IN GERMAN INDUSTRY, 1933-36⁵

[Billion RM]

Year	1933	1934	1935	1936 ⁶
All industry	0.557	1.067	1.658	2.084
Capital goods industries .....	.309	.707	1.243	1.593
Consumption goods industries .....	.248	.360	.415	.491

¹ Economic conditions in Germany in the middle of the year 1939, issued by the Reichskreditgesellschaft, Berlin.

² Without the Saar.

³ With Austria.

⁴ Includes replacements; see pt. A of this table.

⁵ Die Deutsche Industrie.

⁶ Provisional.

³³ In 1940, when the United States was already preparing for war, the total expenditures for construction of all kinds were equal to about 14 percent of the national income (as against 21.3 percent in Germany in 1936). Slightly more than a quarter of the United States total was spent for public works. Such work included highway construction.

TABLE IV.—*German investments in capital construction and German defense expenditures—Continued*D. DEFENSE EXPENDITURES¹

[In millions of dollars]

Year	1932	1936	1939
Great Britain.....	426.1	846.9	1,817.1
France.....	509.2	834.4	1,800.2
Germany.....	253.5	3,600.0	4,500.1

¹ Economic History of Europe, 1760-1939, Ernest L. Bogart.

Table V summarizes the tables of Die Deutsche Industrie as they relate to the distribution of employment, of wages and salaries, of value added by manufacture, and of value of exports among the various branches of the manufacturing industries. It should be kept in mind that the German census of manufactures omitted small establishments in many branches. (See table IX, pt. B, for the distribution of workers by size of establishment and table XXV for categories of establishments not included in the census).

It should also be noted that the German census of manufactures includes several branches of industry not covered by the census of manufactures in the United States—namely, mining, construction, and electric power and gas production. (See table XXV for a breakdown of the categories summarized in table V).

In view of the character of German industrial activity in 1936, the figures showing the proportionate distribution of employment among the industries should be compared with those of table VIII, which shows the occupations of the German labor force as declared to census-takers in 1933 and 1939. Perhaps of most interest is the trend away from the lighter industries, which, however, is much less in extent than would be expected from the trend in investments in industrial construction and replacement. (See table IV, C.)

The figures in table V on the proportionate distribution of employment and of the value of exports by the various industries also provide points of interest. For example, the chemical industry, with only 2.2 percent of the total employment in the manufacturing industries accounted for 11.7 percent of the value of all exports in 1936. In the chemical industry as a whole, wages and salaries constituted only 27.9 percent of the value added by manufacture.

This table also indicates the industries in which wages were lowest, highest, and average. For example, the textile industry, employing 11.2 percent of the total in the manufacturing industries, accounted for only 9.2 percent of all wages and salaries—a sum equal to that paid to the 7.1 percent of the working force in the mining and related industries.

The industries covered by the census of manufactures provided 96.9 percent of the value of all German exports in 1936. Die Deutsche Industrie estimated that the exported products of all manufacturing industries accounted for only 11.4 percent of the total value added by manufacture.

Of the various branches of the manufacturing industries, the extractive, those based on the products of the extractive, and the chemical

industries were the most nearly independent of imported raw materials. This group accounted for 26.9 percent of the value of all manufactured exports; 18.3 percent of all value added by manufacture.

TABLE V.—*Main branches of German industry: Value added by manufacture, value of exports, employment, wages, in percent, of Reich total, 1936*¹

Manufacturing industries	Percent of total industrial employment	Percent of salaries and wages (grand total)	Percent of value added by manufacture (in all industries)	Percent of value of Reich industrial exports
Mineral, mining and related industries.....	7.1	9.2	6.5	9.8
Liquid fuel industry.....	.4	.6	.7	.8
Extraction and processing of stone, clay, etc., and related industries.....	7.1	6.1	5.1	3.6
Extraction and processing of stone, clay, etc.....	5.1	4.3	3.6	1.0
Ceramics industry.....	1.1	1.0	.8	1.2
Glass industry.....	.9	.8	.7	1.4
Metal and chemical industries.....	33.0	41.3	38.4	64.3
Iron and steel industry.....	2.5	3.7	3.4	3.5
Nonferrous metals industry.....	.9	1.3	1.6	3.0
Foundry industry.....	2.2	2.5	2.1	.9
Iron and steel products industry.....	5.5	5.8	5.2	8.4
Metal ware and allied industries.....	2.8	2.6	2.3	4.9
Machine and tool industry.....	7.0	9.0	7.6	14.6
Iron and steel constructions.....	1.8	2.4	1.6	2.2
Automobile and bicycle industry.....	2.1	2.8	2.4	2.5
Electrical equipment industry.....	3.7	5.0	4.4	5.8
Fine mechanical and optical goods industry.....	1.2	1.4	1.1	3.0
Chemical industry.....	2.2	3.4	4.5	11.7
Chemical-technical industry.....	1.1	1.4	2.2	1.8
Construction and minor industries.....	15.4	9.0	12.5	.9
Other industrial.....	37.0	33.8	36.8	20.6
Pulp, paper, and bookbinding industries.....	1.3	1.4	1.3	2.3
Printing and paper products industries.....	3.6	4.0	2.9	1.4
Leather industry.....	2.5	2.2	1.9	1.9
Rubber and asbestos industry.....	.7	.9	.8	.8
Saw milling and allied industries.....	1.4	1.0	.9	.1
Woodworking and allied industries.....	3.2	2.7	2.1	1.3
Textile industry.....	11.5	9.2	8.3	9.8
Clothing industry.....	2.9	2.2	2.2	1.3
Oils, fats, fodder, and animal byproducts industries.....	.5	.6	1.2	.3
Spirits industry.....	.4	.3	.7	0
Food processing and tobacco industries.....	6.9	6.1	8.7	1.3
Electric power and gas industries.....	2.1	3.2	5.8	.1
Total.....	100.0	100.0	100.0	100.0

¹ "Value added by manufacture" is the value of the finished product minus the cost of materials, fuel, purchased energy, containers, and contract services; elimination of these items overcomes the duplications resulting from the use of the products of one industry as the materials of another. The "value added by manufacture" includes the amount paid in wages and salaries, the rent on capital, profit (if any), and so on.

It is a highly useful index for certain purposes, such as evaluating the comparative importance of various types of industry to a country and of various industries to a region.

Source: Die Deutsche Industrie.

Table VI and the nine maps show the regional distribution of the German manufacturing and extractive industries as of 1936. As previously noted, the value of these is chiefly historical. The pattern has unquestionably been altered by the redistribution of industry during the war. Although the wartime transfers did not by any means reach the maximum possible, practically all industries except

the extractive could have been moved to other sites or rebuilt elsewhere. The inland waterway system and the character of much of the terrain make such transfers much more feasible in Germany than in many other countries. After the last war, for example, when a considerable part of the German textile industry was lost with Alsace-Lorraine, a capacity greater than that which had been lost was built up in the remaining German territory.

Map 3 shows the geographical distribution of the mineral mining industry (Bergbau) and its related branches,²⁴ as well as that of the iron and steel industry in 1936.

According to *Die Deutsche Industrie*, in 1936 the total value of the products of the German mineral mining industries (including briquettes but no coke) was 2,801 million reichsmarks. The "value added by manufacture in this industry was 2,042 million reichsmarks, or 6 percent of the total for all industries."²⁵ Coal accounted for 88 percent of the value of all minerals mined in 1936, and the value of the brown coal and brown coal briquettes alone for 28 percent of the total value of the products of the mineral industry.

Percentage of total value of minerals extracted in 1936, selected areas

Political subdivision:	Percent of total value of minerals mined and processed in Altreich
Westfalen ¹	27.75
Rheinprovinz ²	24.05
Provinz Sachsen ³	10.10
Oberschlesien	6.75
Saar	4.99
Land Sachsen	4.94
Niederschlesien	3.70

¹ Westfalen includes the upper part of the Ruhr Valley.

² Rheinprovinz, which is largely west of the Rhine, includes some territory east of the river north of Koblenz. (See unnumbered map in front of this publication). It will be noted that the lower part of the Ruhr Valley is in Rheinprovinz. The boundaries of Rheinprovinz are not coincident with those of "the Rhineland," which was a region set up in 1918 for purposes of the occupation. This Rhineland included some land east of the Rhine that was not part of Rheinprovinz.

³ Provinz Sachsen has recently been divided into Provinces Halle-Merseburg and Magdeburg. The use of the same name for a Land (state) and for a Prussian Province was formerly a source of much confusion.

Eleven percent of the grand total for minerals came from the brown coal and brown coal briquettes of Provinz Sachsen and Land Sachsen, where it was the foundation of the great chemical industry graphically indicated on map 5. Likewise, it provided much of the power for other important industries of the region (see particularly maps 2, 4, 6, and 8).

The relative importance of the brown coal regions has greatly increased since 1936, when the total output was 161 million tons. Although the Steinkohle tonnage has not exceeded its pre-war peak, 248.8 million tons of brown coal were mined in the Altreich region in the year ending in March 1943; nearly half the increase came from Central Germany west of the Elbe.

²⁴ See part I of table XXV for a complete list of the industries in this group.

²⁵ This is less by 0.5 percent than the figure shown in table V because the value of the products of the cokeries was subtracted.

TABLE VI.—*Value added by manufacture and value of foreign exports by Länder and provinces in which they were fabricated, 1936*

Länder provinces	Value added by manufacture, total production		Value of foreign exports	
	Value, million reichsmarks	Percent of Reich total	Value, million reichsmarks	Percent of Reich total
Rheinprovinz.....	5,184.7	15.2	967.4	20.9
Land Sachsen.....	3,489.2	10.2	522.4	11.3
Westfalen.....	3,312.8	9.7	520.4	11.2
Berlin.....	2,983.7	8.7	313.0	6.8
Provinz Sachsen.....	2,148.6	6.3	222.9	4.8
Württemberg und Hohenzollern.....	1,871.3	5.5	225.6	4.9
Hannover.....	1,542.1	4.5	168.5	3.6
Nordbayern.....	1,400.1	4.1	185.1	4.1
Baden.....	1,260.4	3.7	191.1	4.0
Südbayern.....	1,222.4	3.6	87.5	1.9
Brandenburg und Grenzmark Posen-Westpreussen.....	1,175.2	3.4	83.2	1.8
Hessen-Nassau.....	1,132.9	3.3	233.6	5.0
Thüringen.....	1,002.3	2.9	166.4	3.6
Niederschlesien.....	987.1	2.9	62.7	1.4
Schleswig-Holstein.....	680.1	2.0	58.2	1.3
Land Hessen.....	653.0	1.9	128.0	2.8
Hamburg.....	546.3	1.6	90.2	2.0
Pfalz (Westmark).....	545.9	1.6	117.5	2.5
Saarland.....	454.2	1.3	77.4	1.7
Oberschlesien.....	449.7	1.3	48.6	1.1
Pommern.....	391.7	1.1	13.6	0.3
Ostpreussen.....	350.2	1.0	16.9	0.4
Mecklenburg.....	241.2	0.7	5.4	0.1
Oldenburg.....	136.2	0.4	13.9	0.3
Other.....	1,024.7	3.0	99.4	2.2
Total.....	34,186.0	100.0	4,618.9	100.0

Source: Die Deutsche Industrie.

Tables VII and VIII provide summaries of the distribution of the labor force of the Reich. In one respect they are seriously defective: they do not show the distribution of non-German workers. In 1933, 683,000 non-Germans were in the Reich, a considerable part of them from Poland, Czechoslovakia, and Jugoslavia. In spite of the large-scale unemployment in the country, many of these foreigners were working in German mills and mines. In addition, there was immigration of laborers at the time of harvest.

Attention has already been called to the trend in reported occupations. The German system of training for the trades as a prerequisite for admission to them might make an extensive retraining program necessary if the character of the industrial production is changed after the war.

In view of Nazi patronage practices, as well as the character of the higher civil service even before the Nazis were placed in power, the 1939 figures on employment in government services offers food for thought. It will be noted that the numerous employees of the Nazi party who were not in government service are unaccounted for—unless they are included in the category “personal services.”

TABLE VII.—*Labor force of Germany, censuses of 1933 and 1939*

[Aldreich including the Saar]

Industry	1933		1939	
	Number	Percent	Number	Percent
Total population.....	66,029,000		69,316,000	
Total labor force, including unemployed.....	¹ 32,622,100	100.0	² 34,247,600	100.0
Agriculture, forestry, fishing.....	9,388,100	28.8	8,984,900	26.2
Manufacturing industries, including handcraft workers:	13,235,400	40.6	14,602,700	42.6
Mineral mining and related industries.....	757,700	2.3	733,600	2.1
Extraction and processing of stone, clay, etc.....	615,400	1.9	654,400	1.9
Metal and chemical industries.....	3,486,600	10.7	5,041,500	14.7
Construction.....	2,022,500	6.2	2,375,200	6.9
Other industries.....	6,166,000	18.9	5,782,400	16.9
Without definite occupation.....	187,100	.6	15,600	
Trade, finance, transportation.....	5,993,600	18.4	6,071,500	17.7
Trade and finance.....	4,422,400	13.6	4,174,900	12.2
Transportation and shipping.....	1,571,200	4.8	1,896,600	5.5
Government and personal services.....	2,724,500	8.3	³ 3,230,000	9.5
Government.....	1,698,400	5.2	² 2,220,900	6.5
Personal services.....	1,026,100	3.1	1,009,000	3.0
Domestic service.....	1,280,500	3.9	1,358,500	4.0

UNEMPLOYMENT IN GERMANY, BY INDUSTRY, 1933

Industry	Labor force	Unemployed	Percent
Total.....	32,622,110	5,899,258	18.1
Agriculture, forestry, fishing.....	9,388,139	309,968	3.3
Manufacturing industries and handcraft workers.....	13,235,357	² 4,232,878	32.0
Trade, finance, transportation.....	5,993,580	927,253	15.5
Government and personal services.....	2,724,538	245,595	9.0
Domestic service.....	1,280,496	183,564	14.3

¹ Includes 5,899,258 unemployed.² Does not include 369,000 uniformed servicemen.³ No information available on distribution of unemployment among the branches of the manufacturing industries.

Source: Data for 1933 from Statistisches Jahrbuch für das Deutsche Reich, 1938, p.p. 26, 28-29; data for 1939 from Wirtschaft und Statistik, Sonderbeilage, No. 19, 1941.

TABLE VIII.—*Labor force in German manufacturing industries, 1933 and 1939 censuses*¹

[Altreich including the Saar]

Manufacturing industries	1933	Percent	1939	Percent
Total, including unemployed	² 13, 235, 400	100.0	14, 602, 700	100.0
Mineral mining and related industries	757, 700	5.7	733, 600	5.0
Extraction and processing of stone, clay, etc.	615, 400	4.6	654, 400	4.5
Metal and chemical industries	3, 486, 600	26.4	5, 041, 500	34.5
Iron, steel and nonferrous metals	493, 400	3.7	683, 400	4.7
Iron, steel and metal products	969, 000	7.3	1, 051, 400	7.2
Machines, machine tools, vehicles, etc.	1, 110, 100	8.4	1, 976, 300	13.5
Electrical equipment (also installation)	406, 400	3.1	639, 500	4.4
Fine mechanical and optical goods	143, 600	1.1	192, 900	1.3
Chemicals and chemical products	364, 100	2.8	498, 000	3.4
Construction	2, 022, 500	15.3	2, 375, 200	16.3
Other industries	6, 166, 000	46.6	5, 782, 400	39.6
Pulp, paper, paper boxes, bookbinding, etc.	252, 100	1.9	263, 100	1.8
Printing and photography	286, 900	2.2	249, 500	1.7
Leather and linoleum ³	161, 400	1.2	158, 500	1.1
Rubber and asbestos industry	73, 500	.6	77, 900	.5
Sawmill products, furniture and other products of wood	873, 000	6.6	834, 400	5.7
Musical instruments and toys ⁴	70, 200	.5	53, 700	.4
Textiles	1, 119, 600	8.5	1, 134, 900	7.8
Clothing	1, 487, 900	11.2	1, 334, 700	9.1
Foodstuffs (human and animal), tobacco, liquor	1, 644, 300	12.4	1, 462, 600	10.0
Electric power and gas industries	197, 100	1.5	213, 100	1.5
Without definite occupation	187, 100	1.4	15, 600	.1

¹ Figures cover workers in home shops as well as those in factories, etc. "Labor force" includes owners active in industry, as well as salaried and wage-earning employees.

² Includes 4,232,900 unemployed.

³ In census of manufactures, linoleum is included as a product of the "Chemical-technical industry."

⁴ In census of manufactures, musical instruments and toys are included in the "Metalware industry."

Source: Data for 1933 from Statistisches Jahrbuch für das Deutsche Reich, 1938, pp. 26, 28-29; data for 1939 from Wirtschaft und Statistik, Sonderbeilage, No. 10, 1941.

Table IX contains three sets of statistics that to some extent overlap. It seems quite probable, for example, that at least some of the home-workers of section A who were engaged in the manufacture of clothing were attached to the clothing factories and also numbered among the employees of the plants covered by the census of manufactures (part C). It will be noted that part C shows the larger establishments had 155,334 working proprietors and family members aiding them.

Part B breaks down employment by the size of the working staff. In general, the census of manufactures did not cover establishments with less than ten workers.

Unfortunately, data on the size of the working staffs is not available for a year after 1933. By the time the war began the government had begun to force the smaller producers out of business in order to concentrate labor in the most productive establishments.

TABLE IX.—*Employment in industry by size of establishment and compensation status*A. HOME WORKERS IN THE ALTREICH, SEPT. 15, 1937¹

	Number
Employed in own home.....	448, 613
Employed by others in home work.....	108, 564
Family members regularly assisting.....	45, 272
Foreign helpers in home work.....	74, 562
Total.....	² 677, 011

B. NUMBER OF PERSONS EMPLOYED, BY SIZE OF ESTABLISHMENT, 1933³

[Includes Saar]

Size of staff	All establishments, total employed ⁴	Manufacturing establishments, total employed
1 to 5 persons.....	5, 837, 551	3, 074, 093
6 to 10 persons.....	1, 159, 627	681, 796
11 to 50 persons.....	2, 121, 483	1, 293, 342
51 to 200 persons.....	2, 130, 978	1, 436, 015
More than 200 persons.....	3, 541, 234	2, 666, 955
Total.....	14, 790, 823	⁵ 9, 152, 201

C. DISTRIBUTION OF PERSONS ENGAGED IN MANUFACTURING, BY COMPENSATION STATUS, 1936^{6,7}

	Working proprietors and family members aiding them	Sales staff ⁸	Technical professional employees	Wage earners	Total
Numbers.....	155, 334	592, 552	360, 540	6, 841, 767	7, 950, 103
Percent of total by class.....	1.9	7.5	4.5	86.1	100.0
Percent of males.....				78.8	79.0

¹ Source: Statistisches Jahrbuch für das Deutsche Reich, 1938.² Of the total, 26.5 percent were engaged in manufacture of textiles and 43.3 percent in the manufacture of clothing; thus a grand total of 69.8 percent were directly or indirectly dependent on a supply of textile fibers.³ Source: Statistisches Jahrbuch für das Deutsche Reich, 1938; after 1935 the German statistical agency adjusted the industrial census figures to include the results of a census made in the Saar in 1935.⁴ This category includes establishments doing nonagricultural gardening and care of animals, the fisheries, manufacturing establishments of all kinds, and trade, communications, financial, and tourist establishments.⁵ Includes 320,926 persons in cleaning establishments; this category is not included in the census of manufactures.⁶ Source: Die Deutsche Industrie.⁷ Figures applicable only to establishments covered by census of manufactures. (See last table for omitted categories in various branches of industry.) It will be noted that some home workshops are included in the census. (See sec. A of this table.)⁸ Compensation status of persons in sales services not specified.

Table X, part A, shows the relation of the value added by manufacture in Germany to the national income in various years. It will be noted that in the years of highest pre-war industrial activity the value added by manufactures was equal to about half the national income, but was equal to only about 35.1 percent in 1933.

No completely comparable sets of figures are available for the United States, because the census of manufactures of the United

States omits several categories covered by the German census—namely, the mineral, power, gas, and construction industries. If, however, these categories are subtracted from the 1936 German manufactures, the value added by manufacture for the remaining group in that year was equal to 40 percent of the German national income.

The only recent year for which salaries, wages, and numbers of workers in the United States are available for the group of industries covered by the German census is 1939. In the United States this year was not as industrially active as 1936 was in Germany. But in 1939 in the United States the portion of the national income paid in salaries and wages in the manufacturing industries was about the same (20.6 percent) as it had been in Germany (20.5 percent) in 1936. Moreover, this share of the German national income was distributed among 1.3 percent of the population, whereas in the United States it was shared by 8.3 percent of the population. This is one of the bits of evidence of the relatively poorer position of the employee in the German manufacturing industries that is not reflected in a comparison of the average compensation paid in each country.

The lower rate of compensation in Germany is also borne out by comparison of the figures on the proportion of the value added by manufacture going to employees of the manufacturing industries in the two countries. As table X shows, in the year of greatest industrial activity before the war became general, the German workers received only 42.4 percent of the value added by manufacture (as against 51 percent in the United States in the industrially active year of 1937, 46.1 percent in 1929, and 47.1 percent in 1939).

The disparity in the return to the worker is even greater if the higher degree of mechanization in the United States is taken into account. This can be measured by the consumption of electrical energy in the same group of industries in the two countries, which was:

Germany (1936), kilowatt-hours per worker.....	4,410
United States (1937), kilowatt-hours per worker.....	7,859

Since the greater consumption of electric power calls for a higher investment in mechanical devices, it would be expected that the relative compensation per worker would be lower in the United States than in Germany. As has been shown, this was not the case.

TABLE X.—*German national income, total wages and salaries paid in manufacturing industries, and value added by manufacture, specified years*^{1 2}

A. NATIONAL INCOME IN COMPARISON WITH VALUE ADDED BY MANUFACTURE,
1933-38 *

[In billion reichsmarks]

Year	National income (1)	Value added by manu- facture (2)	(2) as per- centage of (1)
1933.....	46.5	16.3	35.1
1934.....	52.7	22.8	43.3
1935.....	58.6	27.0	46.1
1936.....	64.9	34.2	52.7
1937.....	71.0	35.9	50.6
1938.....	77.0	39.6	51.4

See footnotes at end of table.

TABLE X.—*German national income, total wages and salaries paid in manufacturing industries, and value added by manufacture, specified years—Continued*B. WAGES AND SALARIES PAID IN MANUFACTURING INDUSTRIES AS A PROPORTION OF THE NATIONAL INCOME¹

[In billion reichsmarks]

Year	National income (1)	Total industrial wages and salaries (2)	(2) as percentage of (1)
1929.....	75.9	16.4	21.6
1932.....	45.2	7.4	16.4
1936.....	64.9	13.3	20.5
1937.....	71.0	15.2	21.4
1938.....	77.0	16.8	21.8

C. WAGES AND SALARIES IN RELATION TO THE VALUE ADDED BY MANUFACTURE

[In billion reichsmarks]

Year	Total industrial wages and salaries (1)	Value added by manufacture (2)	(1) as percentage of (2)
1936.....	13.3	34.2	38.9
1937.....	15.2	35.9	42.3
1938.....	16.8	39.6	42.4

¹ Figures for manufacturing industries applicable only to the establishment covered by census of manufactures; in some categories it did not include shops having only a few workers or a very small volume of annual business. See table IX for number of workers in all manufacturing industries by size of establishment and last table for size of establishments not covered in the census of manufactures.

² Figures before 1935 are for the Reich without the Saar; figures for 1938 include Austria.

³ Source: Die Deutsche Industrie.

⁴ Source: Wirtschaft und Statistik, 1939.

Table XI provides additional data on the distribution of salaries and wages in various years and confirms the increasingly large part played by the capital goods industries.

It will be noted that in spite of the greatly increased volume of production in 1938 the total paid out in wages in the manufacturing industries was not much larger than it had been in 1929. German official statistical agencies provided figures (see pt. A, table XII) to show that under "National socialism" there was great improvement in the buying power of the mark in relation to the cost of living. The figures, however, are not convincing, for various reasons. (See comments on table XII.)

TABLE XI.—*Income of German wage and salary earners, percentage in industry and in capital goods industries, 1929, 1932, 1937, 1938*

[Million reichsmark]				
WAGES				
	1929	1932	1937	1938
Reich total wages.....	23,339	11,320	21,350	23,754
Industrial total wages.....	13,273	5,387	12,127	13,436
Percent industrial.....	57	48	57	57
Capital goods industries.....	9,450	3,178	9,004	10,063
Consumption goods industries.....	3,823	2,209	3,123	3,373
Percent of industrial total in capital goods industries.....	71	60	74	76

SALARIES				
	1929	1932	1937	1938
Reich total salaries.....	7,649	5,766	8,983	9,864
Industrial total salaries.....	3,080	1,980	3,070	3,390
Percent of industrial.....	40	34	34	34
Capital goods industries.....	2,130	1,300	2,220	2,490
Consumption goods industries.....	950	680	850	900
Percent of industrial total in capital goods industries.....	69	66	72	74

Source: *Wirtschaft und Statistik*, Apr. 2, 1939.

Table XII is concerned with the standard of living of German wage earners in comparison with that in two other highly industrialized countries. Particularly noteworthy is the large proportion of the German family income spent for food that, as the last part of the table shows, was much inferior in quality to that of wage earners in the United States. The deficiency is evident above all in the lesser consumption of meat, fish, and dairy products and in the greater use of the cheaper breadstuffs. The lesser consumption of fruit and vegetables is also typical of the poorer diet.

The price of agricultural products rose 21.5 percent between 1933 and 1937. But according to the index the retail price of foodstuffs rose only 6.8 percent. Since governmental subsidies were not used to hold down retail prices to the extent indicated by the index, the validity of the index is open to question.

In connection with the rising cost of clothing it should be kept in mind that quality had considerably deteriorated between 1933 and 1938 because of the compulsory increase in the use of the less durable rayon fibers.

The smaller proportion of the family income spent for shelter in Germany should be examined from the standpoint of the character of the shelter. In December 1942 the *Frankfurter Zeitung* contained an article in which it was estimated that, at the beginning of the war, 10.4 percent of the dwellings of Germany had been unsanitary and overcrowded (that is, they had had two or more persons living in each room). In the United States it was estimated that only 9 percent of the occupied units had 1.51 or more persons per room in 1940. Comparable figures on sanitary facilities are not readily available but it is well established that a much larger proportion of the dwelling units in the United States have private bathtubs and showers.

Thus the lower buying power of the German wage earner not only seriously limited his ability to support a healthy consumer goods industry but also had its effect on certain branches of the capital goods industry.

TABLE XII.—*German cost-of-living index, expenditures by wage earners, and quantities of foodstuffs consumed by wage earners in Germany, the United States, and Great Britain*

A. GERMAN COST-OF-LIVING INDEX, 1929, 1933, 1936, AND 1938

[1929=100]

	Food	Fuel and light	Clothing	Rent	Combined
1933.....	73	90	62	96	77
1936.....	79	89	70	96	81
1937.....	79	89	73	96	81
1938.....	78	88	76	96	82

B. DISTRIBUTION OF EXPENDITURES BY WAGE EARNERS, GERMANY AND THE UNITED STATES

(Germany 1937, United States 1934-36 average)

	Germany ¹	United States ²
	Percent	Percent
Food.....	46.9	33.5
Rent.....	13.1	17.1
Furnishings.....	4.2	3.8
Fuel and lights.....	5.1	7.1
Clothing.....	9.3	10.6
Miscellaneous.....	21.3	27.9
	99.9	100.0

C. AVERAGE ANNUAL CONSUMPTION OF FOODSTUFFS BY WAGE EARNERS—GERMANY, THE UNITED STATES, AND GREAT BRITAIN ³

[In kilograms]

	Germany	United States	Great Britain
Foodstuffs.....	134.9	126.7	141.0
Meat and fish.....	41.9	74.5	48.1
Fats and oils.....	14.1	13.5	9.5
Dairy products.....	120.5	158.8	147.7
Fruits and vegetables.....	212.5	270.3	135.6

¹ Average income 2,163.06 RM.

² Average income \$1,745.

³ Germany 1937, United States 1934-36 average, Great Britain 1937-38.

Source: Year Book of Labor Statistics, 1941, International Labor Office.

Table XIII is the first of five dealing with German foreign trade. This table gives the over-all picture through the years. Table XIX should be consulted for the value of reparations deliveries. It should be kept in mind that the changing value of the mark is not reflected in the statistics on value.

TABLE XIII.—Value of German foreign trade, selected years, 1910–37¹

[Million reichsmarks]

	General imports ²	General exports ²	Imports for consumption ²	Exports of German products	Net imports (+) and exports (–) of bullion and coin
1910	9,535	8,080	9,834	7,475	+206
1911	10,380	8,774	9,706	8,106	+183
1912	11,572	9,684	10,692	8,957	+183
1913	11,655	10,892	10,770	10,097	+335
1920	(*)	(*)	3,929	3,709	-----
1921	(*)	(*)	5,732	2,976	-----
1922	(*)	(*)	6,290	6,187	-----
1923	(*)	(*)	6,150	6,102	–3
1924	(*)	(*)	9,083	6,552	+148
1925	13,652	9,964	12,362	9,290	+679
1926	11,220	11,101	10,001	10,414	+579
1927	15,839	11,746	14,228	10,801	+216
1928	15,729	13,007	14,001	12,276	+935
1929	14,027	14,215	13,447	13,483	–422
1930	10,852	12,656	10,393	12,036	–52
1931	6,957	10,116	6,727	9,599	–1,007
1932	4,878	6,056	4,666	5,739	+65
1933	4,395	5,140	4,204	4,871	–427
1934	4,627	4,406	4,451	4,167	–218
1935	4,243	4,452	4,159	4,270	+101
1936	4,455	5,001	4,218	4,708	+9
1937	5,716	6,172	5,468	5,911	–9

¹ From 1925 on, the figures of exports are inclusive of deliveries on reparations accounts. Deliveries ceased in 1932.² Includes goods in transit.³ Includes industrial raw materials.⁴ No statistics on transit trade were compiled in this period, possibly because of the large quantities of relief supplies moving through Germany.

Source: United States Foreign Commerce Yearbook, 1939.

Tables XIV and XV mirror the changing pattern of German trade and the results of the new trade techniques of the 1930's. But in view of the changing volume of foreign trade and the changes in the value of currencies on the international money market, the figures on value from year to year are less significant than the percentage figures of Table XVI.

TABLE XIV.—German merchandise imports, by principal countries, 1929–39¹

[Value in million reichsmarks]

Country	1929	1930	1931	1932	1933	1934	1935 ²	1936	1937	1938
France (and Alsace Lorraine)	642	519	342	190	184	177	154	99	156	144
Saar	202	164	112	89	116	167	26	-----	-----	-----
United States	1,790	1,307	791	592	483	373	52	232	282	405
United Kingdom	865	639	453	258	238	206	256	264	309	283
Union of Soviet Socialist Republics	426	436	304	271	194	210	215	93	65	47
Switzerland	318	255	165	92	83	116	114	106	94	103
Spain	252	210	146	99	87	100	118	98	136	128
Northern Europe:										
Sweden	350	304	158	95	103	134	153	192	232	262
Denmark	371	296	183	122	104	101	119	154	165	172
Norway	143	106	61	52	73	69	94	88	91	99
Finland	116	85	43	26	37	42	41	46	70	89
Southeast Europe:										
Yugoslavia	61	75	40	29	34	36	61	75	132	108
Hungary	89	82	55	36	34	64	78	93	114	110
Rumania	211	237	102	74	46	59	80	92	180	140
Poland (excluding Danzig)	339	237	111	59	56	54	59	58	68	95
Italy	443	365	268	181	166	185	188	209	221	247
South America:										
Argentina	745	403	209	192	149	152	143	119	295	216
Brazil	215	156	123	81	69	77	177	131	186	214
Chile	122	56	42	24	20	36	52	59	81	91
World total	13,447	10,393	6,727	4,667	4,204	4,451	4,159	4,218	5,468	5,449

¹ Excludes transit shipments.² From Feb. 18, 1935, figures cover the Saar.

Source: International Trade Statistics, 1930–39, League of Nations.

TABLE XV.—*German merchandise exports, by principal countries, 1929–38*^{1 2}

[Value in million reichsmarks]

Country	1929	1930	1931	1932	1933	1934	1935 ³	1936	1937	1938
France (and Alsace Lorraine).....	935	1, 149	834	483	395	282	253	255	313	217
Saar.....	143	169	139	89	84	73	7			
United States.....	991	685	488	281	246	158	32	172	209	149
United Kingdom.....	1, 306	1, 219	1, 134	446	406	383	375	406	432	351
Union of Soviet Socialist Republics.....	354	431	762	626	282	63	39	126	117	32
Switzerland.....	627	628	542	412	352	295	257	226	231	207
Spain.....	218	188	140	91	86	88	106	69	67	96
Northern Europe:										
Sweden.....	476	494	425	228	191	198	207	230	277	267
Denmark.....	483	477	370	165	145	140	142	182	218	208
Norway.....	227	207	162	100	85	80	87	91	139	123
Finland.....	188	137	91	45	44	43	49	54	78	82
Southeast Europe:										
Yugoslavia.....	153	172	95	43	34	32	37	77	134	118
Hungary.....	147	118	84	47	38	40	63	83	111	110
Rumania.....	164	137	93	64	46	51	64	104	130	149
Poland (excluding Danzig).....	343	250	141	71	56	39	48	53	73	103
Italy.....	602	484	341	223	227	246	278	241	317	306
South America:										
Argentina.....	371	287	174	90	100	87	97	98	147	147
Brazil.....	210	121	67	48	77	75	119	133	177	161
Chile.....	100	100	39	8	8	12	32	49	56	60
World total.....	13, 483	12, 036	9, 599	5, 739	4, 871	4, 167	4, 270	4, 768	5, 911	5, 257

¹ Not including transit shipments.² Include war reparations in kind.³ From Feb. 18, 1935, included the Saar.

Source: International Trade Statistics, 1930–39, League of Nations.

Table XVI indicates the extent to which various countries turned to Germany for their manufactures. Above all, however—the figures on the percentage of exports to Germany from each country are of significance because they are a very good measure of Germany's importance to other countries as a buyer of their products—above all, their surplus raw materials.

While it was nearly always possible for a buyer of manufactures to make a choice of foreign markets (except under the trade system Germany built up with certain countries in the 1930's), sellers met high competition abroad. Therefore, Germany's dependence on foreign sources of raw materials for its industries—cotton, wool, jute, iron ore, petroleum, hides, timber—became one of its best cards in preventing measures that would have made it militarily impotent. This situation was responsible, for example, for the anomalous recommendation made by the commission set up on instigation of the French Ministry of War to survey the domestic productive capacity after the German plans for military aggression were becoming clear. The commission reporting early in 1938 recommended that the French purchases of foreign coal be linked with the sale of French iron ore. Germany, a major supplier of coal to France, had also been a major consumer of French iron ore but was turning increasingly to Sweden for this commodity.

TABLE XVI.—*Germany's share in the total trade of her trading partners*

[By Value]

	Percent of imports from Germany	Percent of exports to Germany		Percent of imports from Germany	Percent of exports to Germany
France:			Greece:		
1929.....	12.0	9.5	1929.....	10.6	25.6
1932.....	12.7	8.6	1932.....	11.9	18.7
1937.....	8.3	6.5	1937.....	30.2	32.1
Belgium:			Hungary:		
1929.....	12.3	12.1	1929.....	33.2	42.1
1932.....	17.1	10.6	1932.....	38.0	45.3
1937.....	11.6	11.2	1937.....	44.2	36.4
Holland:			Bulgaria:		
1929.....	30.8	22.9	1929.....	29.8	42.4
1932.....	31.2	21.6	1932.....	31.9	41.0
1937.....	21.5	16.1	1937.....	58.0	47.1
Switzerland:			Argentina:		
1929.....	27.1	20.2	1929.....	11.5	10.0
1932.....	28.9	16.9	1932.....	9.7	8.8
1937.....	24.7	18.4	1937.....	10.4	6.3
Sweden:			Brazil:		
1929.....	30.8	15.2	1929.....	12.7	8.8
1932.....	29.3	9.5	1932.....	9.0	8.9
1937.....	23.1	16.0	1937.....	23.9	17.0
Denmark:			Venezuela:		
1929.....	32.9	19.9	1929.....	9.2	4.7
1932.....	25.9	13.2	1932.....	12.4	2.1
1937.....	24.5	18.8	1937.....	15.0	2.0
Norway:			Chile:		
1929.....	24.4	13.0	1929.....	15.5	8.6
1932.....	21.3	12.1	1932.....	14.7	13.7
1937.....	16.5	13.1	1937.....	26.1	9.5
Italy:			Colombia:		
1929.....	14.8	14.8	1929.....	14.4	2.1
1932.....	15.7	14.2	1932.....	15.4	4.1
1937.....	23.0	17.2	1937.....	13.5	12.4
Czechoslovakia:			Peru:		
1929.....	45.2	37.9	1929.....	10.0	6.1
1932.....	40.8	33.5	1932.....	10.7	7.2
1937.....	19.7	21.0	1937.....	19.7	13.7
Turkey:			Uruguay:		
1929.....	17.5	13.8	1929.....	10.0	15.6
1932.....	25.3	15.1	1932.....	10.5	15.8
1937.....	43.7	38.5	1937.....	11.3	13.4
Rumania:			United States:		
1929.....	36.6	37.0	1929.....	5.8	7.8
1932.....	28.6	18.7	1932.....	5.6	8.3
1937.....	40.1	27.1	1937.....	3.0	3.7
Yugoslavia:					
1929.....	33.0	24.1			
1932.....	31.0	33.4			
1937.....	33.6	35.2			

Source: *Economist*, Nov. 5, 1938, p. 264.

TABLE XVI.—*Germany's share in the total trade of her trading partners*—Continued
GERMANY'S SHARE OF THE TOTAL EXPORTS OF COUNTRIES OF THE BRITISH EMPIRE

Unit of Empire	Years	Percent of value of total exports going to Germany	Unit of Empire	Years	Percent of value of total exports going to Germany
United Kingdom ¹	1929	4.7	Malaya (continued).....	1936	2.0
	1932	4.0	Australia.....	1928-29	6.9
	1937	4.1		1931-32	4.1
Canada.....	1929	3.4		1936-37	2.9
	1932	1.5	New Zealand.....	1929	2.2
	1937	1.18		1932	.8
India.....	1929	9.3		1937	1.4
	1932	6.2	Union of South Africa.....	1929	9.5
	1937	5.7		1932	8.0
Malaya.....	1929	2.5		1937	12.8
	1932	2.2			

¹ These percentages are based on the value of products of the United Kingdom and do not cover the reexport trade, a good part of which consisted of colonial products.

Germany's share of the United Kingdom's reexport trade in selected years was:

	Percent
1930.....	10.9
1933.....	19.9
1937.....	9.7

Source: British Empire Unit, Bureau of Foreign and Domestic Commerce, Department of Commerce. Computed from figures in Foreign Commerce Yearbook.

Table XVII, which gives the value and quantity of certain commodities imported in selected years after 1928, emphasizes primarily the raw materials and semi manufactures needed at critical periods. It will be noted that in 1937 and 1938, Germany was bringing in greatly increased quantities of certain materials, such as rubber, jute, and wool, that had to come wholly or largely from extracontinental sources. The size of the imports of motor fuel and lubricating oil in 1937 and 1938, almost blueprinted Germany's military intentions. The table as a whole can be fully interpreted only in connection with the volume of German exports.

TABLE XVII.—*Imports into Germany of certain important commodities, in specified years, 1929 to 1938*

(Quantity in thousands of metric tons; ¹ value in millions of reichsmarks)

Commodity	1929	1933	1934	1937	1938
Imports from all countries—total value.....	13,446.8	4,203.6	4,451.0	5,468.4	5,449.3
Livestock; value.....	149.7	30.9	33.3	107.5	113.0
Percent of total value.....	1.1	.7	.7	2.0	2.1
Animal food products; value.....	1,544.5	432.5	385.7	479.7	479.1
Percent of total value.....	11.5	10.3	8.7	8.8	8.8
Vegetable food products; value.....	2,943.1	869.9	827.5	1,135.2	1,171.8
Percent of total value.....	21.9	20.7	18.6	20.8	21.5
Special semiluxury articles; value.....	743.3	296.4	296.7	322.7	346.9
Percent of total value.....	5.5	7.1	6.7	5.9	6.4
Raw materials and semimanufactures; value.....	6,301.4	2,069.0	2,332.2	2,976.5	2,890.8
Percent of total value.....	46.9	49.2	52.4	54.4	53.0
Wool and other animal hair:					
Quantity.....	204.6	197.9	180.1	128.2	166.1
Percent of total value.....	5.5	6.3	7.2	5.2	4.9
Cotton, raw, dyed, carded, combed, bleached, etc.:					
Quantity.....	476.8	473.3	399.5	349.6	352.8
Percent of total value.....	6.1	7.3	5.8	5.0	4.0

¹ Except livestock, for which the units is 1,000 head.

TABLE XVII.—Imports into Germany of certain important commodities, in specified years, 1929 to 1938—Continued

(Quantity in thousands of metric tons; value in millions of reichsmarks)

Commodity	1929	1933	1934	1937	1938
Raw materials and semimanufactures; value—Con.					
Jute, flax, hemp, etc., raw and semimanufactured:					
Quantity	250.4	213.4	225.6	265.7	261.2
Percent of total value	1.4	1.6	1.6	2.1	1.8
Hides and skins and furs, undressed:					
Quantity	138.8	151.9	168.9	157.7	135.2
Percent of total value	4.1	4.4	4.1	4.3	2.9
Logs for the manufacture of wood pulp:					
Quantity	2,533.9	2,472.3	3,018.3	1,663.2	1,674.6
Percent of total value	.7	1.1	1.4	.8	.9
India rubber, gutta-percha, and balata gum, raw or refined:					
Quantity	59.1	60.5	72.2	123.2	96.2
Percent of total value	.8	.6	1.0	2.1	1.4
Coal (anthracite):					
Quantity	7,925.1	4,234.6	4,971.4	4,696.6	5,078.8
Percent of total value	1.2	1.4	1.5	1.1	1.3
Iron ore:					
Quantity	16,952.8	4,571.6	8,264.6	20,620.9	21,927.5
Percent of total value	2.3	1.4	1.9	4.1	5.2
Manganese ore:					
Quantity	390.3	131.9	224.7	554.2	425.8
Percent of total value	.2	.1	.1	.4	.3
Copper ore:					
Quantity	438.1	240.9	324.9	555.6	663.9
Percent of total value	.2	.1	.1	.4	.4
Lead ore:					
Quantity	79.5	105.2	82.0	126.8	141.3
Percent of total value	.2	.3	.2	.4	.3
Zinc ore:					
Quantity	178.9	79.1	127.3	146.3	185.0
Percent of total value	.2	.1	.1	.1	.1
Chrome ore:					
Quantity	41.7	47.7	77.0	132.2	176.4
Percent of total value	.1	.1	.1	.1	.2
Nickel ore:					
Quantity	13.8	34.5	37.6	20.0	34.2
Percent of total value	.1	.2	.2	.2	.2
Bauxite:					
Quantity	387.0	239.1	326.5	1,313.2	1,184.6
Percent of total value	.1	.1	.2	.5	.5
Tin ore:					
Quantity	10.1	.4	.6	6.6	6.0
Percent of total value	.1			.1	
Silk and rayon, raw, and silk and rayon floss, etc.:					
Quantity	16.7	15.2	21.3	8.8	8.9
Percent of total value	1.7	1.5	1.8	.8	.8
Yarn of wool and other animal hair:					
Quantity	23.1	10.3	8.9	6.7	7.1
Percent of total value	1.4	.8	.8	.5	.5
Cotton yarn:					
Quantity	33.2	15.2	18.6	20.2	20.9
Percent of total value	1.4	1.0	1.0	.9	.8
Lumber and timber:					
Quantity	4,492.4	1,280.7	2,545.7	2,623.8	2,615.8
Percent of total value	2.9	1.7	3.0	3.5	3.7
Pig iron, scrap, and waste:					
Quantity	560.1	431.7	607.7	762.9	1,629.4
Percent of total value	.3	.4	.6	.8	1.4
Aluminum:					
Quantity	14.2	2.8	6.4	7.1	18.9
Percent of total value	.2		.1	.1	.3
Copper and copper scrap:					
Quantity	262.1	207.1	228.6	262.5	358.4
Percent of total value	3.0	2.4	2.2	3.2	3.3
Nickel and nickel scrap:					
Quantity	4.5	4.5	5.4	3.4	4.0
Percent of total value	.1	.3	.3	.1	.1
Lead and lead scrap:					
Quantity	136.8	48.7	48.6	73.3	75.3
Percent of total value	.5	.2	.2	.4	.3
Tin and tin scrap:					
Quantity	17.5	14.9	13.5	10.3	12.1
Percent of total value	.5	.8	.8	.5	.5
Zinc and zinc scrap:					
Quantity	137.2	100.6	107.4	70.7	74.9
Percent of total value	.5	.5	.5	.3	.3

TABLE XVII.—Imports into Germany of certain important commodities, in specified years, 1929 to 1938—Continued

(Quantity in thousands of metric tons; value in millions of reichsmarks)

Commodity	1929	1933	1934	1937	1938
Raw materials and semimanufactures; value—Con.					
Motor fuel and lubricating oils:					
Quantity.....	2,758.9	2,702.4	3,157.9	307.3	4,967.0
Percent of total value.....	2.7	3.1	3.1	4.2	4.9
Manufactures; total value.....	1,764.8	504.9	575.6	396.6	396.7
Percent of total value.....	13.1	12.0	12.9	7.3	7.3
Fabrics of wool and other animal hair:					
Quantity.....	4.6	1.6	1.7	1.7	1.9
Percent of total value.....	.8	.4	.4	.4	.4
Cotton fabrics:					
Quantity.....	9.9	4.4	4.9	5.2	5.3
Percent of total value.....	.8	.6	.5	.4	.4
Leather:					
Quantity.....	11.8	6.7	6.3	6.4	7.5
Percent of total value.....	.9	.7	.7	.6	.6
Bars and wrought iron:					
Quantity.....	674.0	395.2	653.9	255.2	269.3
Percent of total value.....	.8	1.1	1.7	.6	.6
Percent of total imports accounted for by the above commodities.....	72.0	69.0	69.0	73.0	74.0

Source: Monatliche Nachweise über den auswärtigen Handel Deutschlands, summarized as above in Foreign-Trade and Exchange Controls in Germany, Report No. 150, United States Tariff Commission. The Tariff Commission's report includes further details on agricultural imports.

TABLE XVIII.—Index of prices, German imports and exports, 1925–38

Year	Index of prices (1927=100)		Year	Index of prices (1927=100)	
	Of German imports	Of German exports		Of German imports	Of German exports
1925.....	111.6	104.2	1932.....	51.1	68.8
1926.....	101.7	100.7	1933.....	45.9	61.8
1927.....	100.0	100.0	1934.....	44.7	56.4
1928.....	101.8	100.0	1935.....	44.9	52.1
1929.....	101.3	98.7	1936.....	46.3	60.9
1930.....	87.3	92.3	1937.....	50.8	53.2
1931.....	67.3	80.4	1938.....	46.5	54.3

NOTE.—Interpretations of these index figures must take into account the overvaluation of the mark in the later years, and the change in the character of the exports, imports, and trading partners.

Source: League of Nations, Review of World Trade, 1939, p. 74.

TABLE XIX.—German reparations payments, 1925–33

(Value in million reichsmarks)

Year	Repara- tions in kind	Repara- tions not in kind	Total	Year	Repara- tions in kind	Repara- tions not in kind	Total
1925.....	491.9	1,057.0	1,548.9	1930.....	707.4	1,706.0	2,413.4
1926.....	631.3	1,191.0	1,822.3	1931.....	392.7	988.0	1,380.7
1927.....	578.7	1,584.0	2,162.7	1932.....	62.1	160.0	222.1
1928.....	662.8	1,990.0	2,652.8	1933.....	-----	149.0	149.0
1929.....	819.3	2,337.0	3,156.3				

The figures in this table should be compared with the figures on the value of German trade in tables XIII, XV, and XVII.

Source: Foreign-Trade and Exchange Controls in Germany, U. S. Tariff Commission Report No. 150, 1942, p. 63.

Table XX and XXI are of interest chiefly in connection with Table XIX, which gives the total value of the reparations paid after 1924. The extent to which Germany was the victor in the reparations field is clearly discernible.

TABLE XX.—*Capital movements into and out of Germany, 1925-35*

[In million reichsmarks]

Year	New foreign investments in Germany				New German investments abroad				Balance of investments: (+) excess of foreign investments in Germany; (-) excess of German investments abroad
	Stocks and long-term investments	Short-term investments	Other capital movements	Total	Stocks and long-term investments	Short-term investments	Other capital movements	Total	
1925.....	1,136	182	200	1,518	12	75	-----	87	+1,431
1926.....	1,463	178	-----	1,641	87	31	-----	118	+1,523
1927.....	1,920	2,401	15	4,336	155	622	77	854	+3,482
1928.....	3,644	2,170	161	5,975	1,946	835	71	2,852	+3,123
1929.....	1,886	1,376	282	3,544	1,472	611	36	2,119	+1,425
1930.....	2,110	1,191	377	3,678	1,305	1,074	63	2,442	+1,236
1931.....	870	2,682	265	3,817	955	2,205	-----	3,160	+657
1932.....	300	260	-----	560	286	1,013	-----	1,299	-749
1933.....	-----	503	100	603	50	1,250	110	1,410	-807
1934.....	-----	1,310	-----	1,310	200	800	120	1,120	+190
1935.....	67	770	-----	837	100	510	100	710	+127

Source: Statistisches Jahrbuch für das Deutsche Reich, 1932, p. 530; 1934, p. 506; and 1938, p. 562. Comparable data for years after 1935 have not been reported.

TABLE XXI.—*Estimated international capital position of Germany, in specified months, 1925-31*

[In million reichsmarks]

Year	Estimated foreign investments in Germany				Estimated German investments abroad			Net debtor position
	Short-term	Long-term	Other ¹	Total	Short-term	Long-term	Total	
December:								
1925.....	(?)	2,500	(?)	(?)	(?)	(?)	(?)	(?)
1926.....	4,100	4,100	3,500	11,700	3,600	4,500	8,100	3,600
1927.....	6,600	5,400	4,500	16,500	3,900	4,500	8,400	8,100
1928.....	9,000	7,000	5,500	21,500	4,500	4,500	9,000	12,500
1929.....	11,700	7,300	6,000	25,000	5,500	4,500	10,000	15,000
1930.....	10,300	9,200	6,000	25,500	5,300	4,400	9,700	15,800
July 1931.....	8,000	9,000	6,000	23,000	3,500	5,000	8,500	14,500

¹ Principally direct investments by foreigners in German property.

² Not available.

Source: Report of the Committee of Experts appointed on the recommendation of the London Conference (Wiggin Committee), published in The Economist, Special Supplement, Aug. 22, 1931.

TABLE XXII.—*Number of aktiengesellschaften by size of capitalization, 1927, 1936*

Capitalization (in reichsmarks)	1927	1936 ¹	Capitalization (in reichsmarks)	1927	1936
5,000 or less.....	604	93	1,000,000 to 50,000,000.....	2,378	1,738
5,000 to 50,000.....	1,635	501	5,000,000 to 20,000,000.....	540	470
50,000 to 100,000.....	1,367	851	20,000,000 to 50,000,000.....	98	119
100,000 to 500,000.....	3,802	2,418	50,000,000 and more.....	60	50
500,000 to 1,000,000.....	1,482	959			

¹ Total nominal capitalization in 1936 was 19,224.6 million reichsmarks. First in size was I. G. Farbenindustrie with a capitalization of 800 million reichsmarks; second was Vereinigte Stahlwerke with 544 million reichsmarks. In 1942 I. G. Farben's capital was stated as 1,165 million and its total assets as 2,332.8 million reichsmarks. At the beginning of 1939 the Handbuch der Deutschen Aktiengesellschaften stated that the capital of Vereinigte Stahlwerke was 460 million reichsmarks and total assets 2,278 million reichsmarks.

At the end of 1936 there were also 39,249 Gesellschaften mit beschränkter Haftung (limited liability companies). These included some of the largest personal holding companies as well as certain large businesses. Total working capital of these companies was 5,079.8 million, of which nearly 16 percent was in 18 companies.

Source: Wirtschaft und Statistik, February 2, 1937.

TABLE XXIII.—*United States: National income, total wages and salaries paid in manufacturing industries, 1938*A. WAGES AND SALARIES PAID IN MANUFACTURING INDUSTRIES¹ AS A PROPORTION OF THE NATIONAL INCOME

(Millions of dollars):

Year	National income (1)	Total industrial wages and salaries (2)	(2) as percentage of (1)
1939.....	70,829	14,609	20.6

B. WAGES AND SALARIES PAID IN MANUFACTURING INDUSTRIES² IN RELATION TO THE VALUE ADDED BY MANUFACTURE

Year	National income (1)	Salaries and wages (2)	Value added by manufacture (3)	(2) as percentage of (3)
1939.....	83,326	14,649	31,783	46.1
1933.....	42,322	6,619	14,538	45.5
1925.....	55,719	9,564	18,553	51.5
1927.....	71,515	12,830	25,174	51.0
1929.....	70,829	11,630	24,683	47.1

¹ The only year with figures available for categories comparable with the German is 1939. The German manufacturing industry includes the mining, construction, and electric-power industries. Data are not available for all these industries in the same year, so far as the United States is concerned, except in 1939. Even in that year it was necessary to use the wage figure on the electric-power industry for 1937 (\$470,353,000) as no census was taken in 1939.

² Omits construction, power, and mineral industries. (See table II for comparable data on Germany.)

Source: Statistical Abstract of the United States, 1943.

TABLE XXIV.—United States production of coal tar and sulfuric acid with German production (German figures after 1934 include output

A. COAL-TAR PRODUCTION, GERMANY AND THE UNITED STATES

Year	United States, total production	Germany	
		Total production	Stein
	(000 cubic meters)	(000 metric tons)	
1929	2,577	823	
1932	1,150	972	
1933	1,375	1,024	
1934	1,547	1,172	
1935	1,705	1,447	
1936	2,121	1,853	
1937	2,343	2,228	

B. SULFURIC ACID PRODUCTION, SELECTED COUNTRIES

[000 metric tons]

Year	United States	Germany	France	Italy	United Kingdom
1929	4,817	1,704	1,032	835	
1932		935	500	562	
1933	3,127	1,207	563	678	
1934	3,502	1,307	603	818	
1935	4,022	1,574	600	823	
1936	4,323	1,765	788	980	
1937	5,400	2,050		1,027	

Sources: Statistisches Jahrbuch für das Deutsche Reich, 1938, except for figures on which were obtained from the Statistical Yearbook, 1940-41, of the League of Nations.

Table XXV is the detailed basic report of the results of census of manufactures made in 1936, presented, except for a clarification of terms, largely as it was printed in Die Deutsche Statistik. This census, like that made in the United States, omits handcraft shops and workshops. Because of the much larger handcraft shops in Germany, comparisons in some categories therefore be misleading.

It will be noted that certain items were not totaled because they were not done in the first column because the figures are for units rather than for establishments. In the German census an establishment carried on more than one type of production under its own census classification, the units concerned were counted independently. For example, a plant making paper and a plant making steel were counted as two units.

The column containing the amounts paid for materials, containers, and contracted services was not totaled because of overlapping of one branch of industry with others.

Some categories of table XXV require explanation. The steel industry of Germany operates the blast furnace mills but not the foundries.

The iron and steel products industry produces, among other items, small arms, shells, and, probably guns.

Iron and steel constructions include ships, railroad cars, bridges, and building frames.

In Germany "metal" is used increasingly to denote the nonferrous metals. The group "metalware and allied industries" uses primarily nonferrous metals but, as will be noted, it must use others since all manufacture of toys is included.

Results of the official production survey of German industry for the year 1938

Industry groups (and) industrial branches	Number of production units	Number of persons employed	Salaries and wages	Value of material used (raw, auxiliary, and semifabricated), power, fuel, packing materials, and also charges for services performed by persons not belonging to the regular staff	Gross value of products	Value added by manufacture	Industry groups (and) industrial branches
			In 1,000 Reichsmarks 1,219,042	In 1,000 Reichsmarks	In 1,000 Reichsmarks	In 1,000 Reichsmarks 2,234,804	
I. Bergbau.		565,664					Mining (and certain related operations):
Eisenerzbergbau.....	114	15,111	25,531	11,700	53,114	41,414	Iron-ore mining.
Kupfererzbergbau.....	12	8,689	15,260	3,143	11,784	8,641	Copper-ore mining.
Blei-Zinkerzbergbau.....	33	9,469	17,905	10,675	13,035	2,390	Lead-zinc ore mining.
Schwefelkiesbergbau.....	9	489	1,057	1,580	3,062	2,482	Pyrite mining.
Sonstiger Metallerzbergbau.....	15	995	1,499	483	990	507	Other metal ore mining.
Stein- und Kalksabbau.....	45	17,440	42,171	38,840	187,901	149,061	Rock salt and potash mining.
Salinen.....	46	3,196	6,970	11,734	24,926	13,192	Salt pits (brines).
Steinkohlenbergbau.....	238	394,684	857,760	377,460	1,649,060	1,271,620	Steinkohle mining.
Kokereien.....	110	22,986	54,099	553,392	1,745,864	192,472	Coking plants.
Presssteinkohlenfabriken.....	62	2,336	4,647	75,970	97,573	21,603	Briquetting plants (Steinkohle).
Braunkohlenbergbau.....	212	53,152	113,343	48,503	391,227	342,724	Brown-coal mining.
Braunkohlenbrikettfabriken.....	147	32,153	69,651	253,908	399,956	146,048	Brown-coal briquetting plants.
Erdölgewinnung.....	52	3,705	7,694	8,222	47,350	39,128	Crude natural petroleum extraction.
Graphitbergbau u. Graphitaufbereitung.....	11	373	7,556	451	1,700	1,249	Graphite mining and preparation.
Flussspathbergbau und Flussspathaufbereitung.....	30	866	1,169	644	2,947	2,303	Fluorspar mining and preparation.
II. Kraftstoffindustrie.		29,333	76,209			244,968	Liquid fuel industry:

III. Eisenschaffende Industrie.....		155	201, 614	493, 005	1, 198, 354	2, 371, 930	1, 173, 576	Iron and steel industry (includes operation of blast furnaces, rolling mills, steel mills). ¹	
IV. Nicht-eisenmetallindustrie.....								Nonferrous metals industry:	
Kupferhütten.....		15	74, 763	175, 083			536, 331	Copper smelters.	
Blei- und Silberhütten.....		14	4, 462	11, 441	100, 199	117, 360	17, 161	Lead and silver smelters.	
Kupferaffinerien und -elektrolysen (selbständige Betriebe).....		11	3, 810	7, 639	55, 774	67, 378	11, 604	Copper refining and electrolysis (independent works).	
Kupferaffinerien und -elektrolysen (Betriebsabteilungen der Kupferhüttenwerke).....		8	1, 525	4, 048	135, 138	148, 777	13, 639	Copper refining and electrolysis (plants attached to rolling mills).	
Gold- und Silberschmelzeanstalten.....		23	314	620	27, 338	28, 756	1, 418	Gold and silver refineries.	
Zinkhütten.....		12	4, 702	11, 054	117, 544	129, 005	11, 461	Zinc smelters.	
Zinnhütten und Erzinneungsanstalten.....		7	696	1, 955	21, 350	26, 301	14, 951	Tin smelters and detinning plants.	
Tonerdelfabriken und Aluminiumhütten.....		9	7, 287	17, 319	83, 164	161, 930	78, 766	Alumina and aluminum plants.	
Gewinnung von Nickel, Kobalt usw. Herstellung von Ferrolegierungen, Elektrolyse, Karborundum.....		37	4, 201	10, 486	44, 486	80, 225	35, 348	Production of nickel, cobalt, etc.	
Walz-, Press- und Hammerwerke der Nicht-eisenmetallindustrie.....		25	3, 352	7, 975	45, 335	87, 074	38, 739	Production of ferro-alloys, electrocorundum, carbide.	
Herstellung von Warmpressteilen der Nicht-eisenmetallindustrie.....		160	39, 278	90, 740	474, 773	754, 347	279, 574	Rolling mills, forging and hammer mills of the nonferrous metals industry.	
Herstellung von Warmpressteilen der Eisenmetallindustrie.....		31	3, 181	7, 076	31, 066	50, 169	19, 113	Production of hot forged parts made of the nonferrous metals.	
Metallumhüllereien.....		124	1, 483	2, 902	32, 915	43, 517	10, 602	Metal smelting.	
V. Glaserindustrie.....			173, 573	337, 837			710, 581	Foundry industry:	
Eisen-, Temper- und Stahlgießereien.....		319	147, 441	287, 014	286, 870	879, 762	592, 892	Casting of iron, malleable iron, and steel.	
Metallgießereien.....		1, 356	26, 132	50, 823	108, 706	226, 395	117, 689	Metal casting.	
VI. Eisen- und Stahlwarenindustrie.....			439, 980	769, 490			1, 790, 262	Iron and steel products industry:	
Drahtwarenindustrie.....		1, 259	66, 393	112, 267	196, 588	438, 813	242, 225	Wire-goods industry.	
Werkzeugindustrie.....		1, 539	33, 463	53, 764	52, 561	175, 061	122, 499	Tool industry.	
Blechwarenindustrie.....		868	61, 596	96, 892	210, 021	422, 567	212, 546	Sheet-metal industry.	
Schloss- und Beschlägeindustrie.....		417	20, 657	33, 631	42, 612	117, 087	75, 075	Hardware industry (limited to manufacture of locks, handles, hinges, keys).	
Feine Schneidwarenindustrie (einschl. Schlageren).....		925	15, 934	26, 598	23, 144	96, 289	73, 144	Fine-cutlery industry (including production of hammered goods).	
Fahrzeugteileindustrie.....		413	49, 100	95, 352	138, 890	378, 935	240, 046	Automotive and bicycle parts industry.	
Herd- und Ofenindustrie.....		256	26, 290	46, 216	76, 703	175, 641	99, 938	Stove and furnace industry.	
Sonstige Zweige der Eisen- und Stahlwarenindustrie.....		2, 764	166, 637	304, 770	512, 500	1, 237, 289	724, 789	Other branches of hardware industry.	

¹ Not merely companies: count includes all operating units.

² Includes all classes of employees and workers, as well as owners and salesmen.

³ This category covers all manufacture of pig iron and of steel up through rolling of sheets and shapes. It also includes manufacture of all special iron and steel alloys.

Results of the official production survey of German industry for the year 1936—Continued

Industry groups (and) industrial branches	Number of production units	Number of persons employed	Salaries and wages	Value of material used (raw, auxiliary, and semifinished), power, fuel, packing materials, and also charges for services performed by persons not belonging to the regular staff	Gross value of products	Value added by manufacture	Industry groups (and) industrial branches
			<i>In 1,000 Reichsmarks</i> 1,188,747	<i>In 1,000 Reichsmarks</i>	<i>In 1,000 Reichsmarks</i>	<i>In 1,000 Reichsmarks</i> 2,615,311	
VII. Maschinenbau.....	727	89,968	196,143	209,849	656,878	447,029	Machine construction:
Werkzeugmaschinenindustrie.....							Machine-tool industry (excluding shops with less than 5 employed persons).
Textilmaschinenindustrie.....	306	29,430	59,922	65,156	180,732	115,577	Textile-machine industry.
Herstellung von Maschinen und Apparaten für die Papierherstellung, Papierverarbeitung und für das graphische Gewerbe.....	212	24,505	51,915	46,109	146,776	99,667	Manufacture of machinery and equipment for paper, paper-working, and printing industries.
Herstellung von Maschinen für das Bekleidungsgewerbe.....	173	23,023	44,325	39,681	132,872	93,192	Manufacture of machines for garment industry.
Landmaschinenindustrie.....	477	37,280	66,528	123,794	276,699	152,905	Agricultural-machinery industry.
Baummaschinenindustrie.....	84	25,543	56,842	24,514	147,812	123,297	Business machine industry.
Herstellung von Maschinen und Apparaten für Mülerei, Nahrungsmittel- und Genussmittelindustrie u. a.....	438	27,896	55,410	56,313	167,891	112,579	Manufacture of equipment for flour-milling and food-processing industries.
Armaturenindustrie.....	391	28,835	44,191	70,493	175,704	105,211	Industry producing valves and fittings.
Sonstiger Maschinenbau.....	1,709	252,716	666,029	698,359	1,896,763	1,241,405	Other machine construction.

IX. Fahrzeugindustrie.....				Automobile and bicycle industry:			
Kraftfahrzeugindustrie.....				Automobile industry (excluding independent repair shops):			
Herstellung von Kraftfahrzeugen han-	91	166,534	368,894	799,605	1,436,150	636,545	836,362
gern und Kraftfahrzeugaufbauten:	322	37,843	73,849	125,786	266,254	140,468	
Fahrradindustrie und Herstellung von	123	18,543	31,052	66,001	125,350	59,349	
Kindervagen.							
X. Elektroind. Strle.....							
Herstellung von elektrischen Maschin-	1,014	294,201	664,992			1,502,636	
en, Apparaten und Zubeh der Stark-		241,344	552,580	424,651	1,613,250	1,188,999	
und Schwachstromindustrie.							
Kabelindustrie.....	70	29,311	62,515	165,036	347,893	182,847	
Batterie- und Elementenindustrie.....	24	6,461	13,174	14,289	48,342	34,053	
Akkumulatorindustrie.....	55	2,949	5,314	8,660	26,315	11,654	
Glühampen- und Leuchtrohrnindus-	32	4,492	11,815	22,252	51,841	29,389	
trie.	89	9,644	19,594	18,028	73,922	55,894	
XI. Feinmechanische und optische Industrie.....							
Optische, fein und medizinmechanische	1,021	97,101	187,413			367,835	
Industrie.		69,327	146,064	85,094	376,228	291,164	
Herstellung von orthopädischen Erzeug-	409	6,509	9,214	6,944	24,474	17,530	
nissen und hygienischen Bandagen.							
Grossuhrindustrie.....	138	12,342	19,088	19,177	54,567	35,390	
Taschen- und Armbanduhreindustrie..	137	8,923	13,047	11,607	35,358	23,751	
XII. Metallwarenindustrie und Verwandte							
Gewerbe.		223,107	339,980			771,056	
Metallwarenindustrie.....							
Bronzeindustrie.....	1,989	148,593	236,247	389,207	948,728	559,521	
Herstellung von metallischen Überzu-	31	1,038	1,878	6,648	12,457	5,809	
gen.	594	7,023	11,289	13,912	30,241	16,329	
Schriftgessereien.....	24	1,848	5,092	1,981	12,114	10,133	
Herstellung von Stempelapparaten und	130	2,403	4,024	1,186	8,812	7,626	
Gummistempeln.							
Edelmetall- und Schmuckwarenindus-	853	22,691	29,852	46,069	108,665	62,596	
trie.							
Federherstellung.....	59	2,516	3,451	5,887	14,828	8,941	
Bearbeitung von Diamanten, Edel-	959	8,102	10,947	4,639	25,239	20,900	
Halbedel- und synthetischen Edel-							
steinen.							
Kleinstmusikinstrumentenindustrie.....							
Herstellung von Saiten aller Art.....	165	8,020	10,898	12,336	35,802	23,466	
Herstellung von Sprechmaschinen.....	66	1,212	1,400	1,860	5,073	3,213	
Herstellung von Schallplatten.....	18	1,370	1,578	1,138	3,435	2,435	
Spielwarenindustrie (einschliessl. Her-	8	1,228	3,525	1,157	5,855	4,698	
stellung von Christbaumschmuck).	595	18,063	20,799	28,326	74,015	45,989	

Electrical equipment industry.
Manufacture of electrical machines, apparatus, and accessories for electric power, telecommunication, and other purposes.
Cable industry.
Carbon electrode and brush industry.
Nonstorage battery industry.
Storage-battery industry.
Incandescent lamps and light-tube industry.

Fine mechanical and optical industry:

Optical, scientific, and medical instruments industry.
Manufacture of orthopedic goods and medical bandages.
Clock industry (excluding repair shops, independent home shops, and retailers).
Watch industry.

Metal ware and allied industries:

Metal-ware industry.
Bronze pigment industry.
Manufacture of metallic coatings.
Type foundries.
Manufacture of stamping apparatus and rubber stamps.
Precious metal and jewelry industry (excluding home work and repair shops).
Fountain-pen industry.
Cutting of diamonds, precious, semiprecious, and synthetic stones (excluding shops with less than 10,000 Reichsmarks annual turnover).
Small musical instrument industry (excluding hand workshops, etc.).
Manufacture of musical strings, all kinds.
Manufacture of phonographs.
Manufacture of phonograph records.
Toy industry (including Christmas tree ornaments, and excluding repair shops, independent home workers, and retailers).

Results of the official production survey of German industry for the year 1936—Continued

Industry groups (and) Industrial branches	Number of production units	Number of persons employed	Salaries and wages <i>In 1,000 Reichsmarks</i>	Value of material used (raw, auxiliary, and semifabricated), packing materials, and also charges for services performed by persons not belonging to the regular staff <i>In 1,000 Reichsmarks</i>	Gross value of products <i>In 1,000 Reichsmarks</i>	Value added by manufacture <i>In 1,000 Reichsmarks</i>	Industry groups (and) Industrial branches
XIII. Industrie der Steine und Erden.		406,190	871,103			<i>In 1,000 Reichsmarks</i> 1,231,106	Industries extracting and processing stone and earths:
Steinbruchindustrie und Natursteinbearbeitung.	3,495	103,739	139,294	34,156	290,764	256,607	Quarrying and stone cutting and dressing.
Schieferindustrie.	115	5,083	6,449	1,366	12,195	10,830	Slate quarries.
Gewinnung und Aufbereitung von Naturasphaltgestein.	9	874	1,353	2,277	5,675	3,286	Extraction and preparation of natural asphalt.
Mineralathlen- und Aufbereitungsbetriebe.	51	717	1,300	5,544	10,044	4,800	Mineral dressing mills.
Kies- und Sandgruben.	1,209	17,736	26,344	6,438	76,792	70,354	Sand and gravel pits.
Gewinnung sonstiger nutzbarer Mineralien.	116	1,683	1,787	496	4,311	3,813	Extraction of other useful minerals.
Torf- und Bernsteinengewinnung.	106	8,702	9,202	3,290	15,160	11,870	Peat and amber recovery (excluding peat recovery by enterprises doing less than 15,000 Reichsmarks of business annually).
Gewinnung und Aufbereitung von Kreide.	50	845	1,444	929	5,111	4,183	Extraction and preparation of chalk.
Schwerspatgruben.	34	1,673	2,796	1,267	6,138	4,871	Barite mines.
Ton-, Kaolin- und Feldspatgruben.	414	1,673	11,933	2,590	26,918	26,328	Extraction of kaolin and feldspar.
Kalkindustrie.	779	24,961	42,367	39,998	132,314	92,315	Lime industry.
Zementindustrie.	113	19,760	41,504	112,991	265,872	152,881	Cement industry.
Gipsindustrie.	111	2,906	4,445	4,054	13,475	9,421	Gypsum industry.
Mörtelwerke.	42	720	1,528	1,129	9,739	5,610	Plaster works.
Edelputzwerke.	61	502	705	1,768	3,869	2,101	Fine-plaster works.
Ziegelindustrie.	4,124	140,999	167,451	74,745	401,134	326,389	Brick and tile making.
Kalksandsteinindustrie.	249	6,768	9,968	13,646	37,137	28,491	Sand-lime-brick industry.
Bimsbaustoffindustrie.	339	5,395	7,644	12,199	31,064	18,874	Tufa building-material industry.
Schlackenindustrie.	118	4,466	8,069	12,538	28,024	15,488	Slag industry.
Betonwaren- und Betonwerksteinindustrie.	1,699	18,299	25,702	30,881	78,910	48,029	Concrete products and blocks industry (excluding establishments of less than 4,000 Reichsmarks worth of business annually).

Asbestzement- und Leichtbauplatten- Industrie.....	98	4, 024	7, 099	12, 637	34, 340	21, 703	Asbestos cement and light building-slab in- dustry.
Stemholzindustrie.....	223	1, 805	3, 260	4, 264	13, 070	8, 806	Zyolith industry (imitation stone).
Herstellung von Korkstein u. Kiesel- geräten und sonstigen Erzeug- nissen für Temperatur- und Schall- schutz.....	58	2, 276	4, 255	8, 731	19, 938	11, 206	Production of insulating materials from dia- tomaceous earth and other materials, in- cluding cork.
Industrie feuer- und säurefester Er- zeugnisse.....	196	18, 764	35, 422	47, 949	118, 952	71, 004	Manufacture of refractory and acidproof products.
Steinzeugindustrie.....	104	5, 659	10, 769	8, 399	35, 435	27, 035	Stoneware industry.
XIV. Keramische Industrie.....		87, 463	126, 034			255, 342	Ceramics industry: †
Feinkeramische Industrie.....	806	81, 804	113, 264	64, 203	277, 119	212, 916	Fine-ceramics industry.
Schneifmittelindustrie.....	123	5, 659	12, 770	20, 276	62, 701	42, 426	Abrasive industry.
XV. Glasindustrie.....		73, 604	112, 656			237, 568	Glass industry:
Glasflutenindustrie.....	210	59, 331	94, 628	78, 490	298, 386	189, 896	Glass works industry.
Hohlglas veredelnde und Glas ver- arbeitende Industrie.....	492	8, 240	9, 472	13, 369	41, 571	28, 202	Hollow glass finishing and glassworking in- dustry (excluding establishments doing less than 3,000 reichmarks of business annually, and also excluding home workers).
Flachglas veredelnde Industrie.....	378	6, 033	8, 556	15, 342	34, 792	19, 450	Plate-glass finishing industry.
XVI. Sägeindustrie.....		107, 467	134, 400			316, 309	Sawmill industry and related operations:
Sägewerke (einschl. Schwellen- und Mastfabriken).....	4, 926	93, 123	109, 675	361, 175	613, 038	251, 864	Sawmills (including plants making railroad sleepers, poles, and masts, but excluding shops cutting less than 1,000 cubic meters annually).
Hobelwerks.....	100	6, 274	11, 012	51, 713	78, 595	26, 881	Planing mills.
Furnierwerke.....	69	4, 861	7, 687	20, 260	43, 514	23, 254	Veneer mills.
Holsimpragnieranstalten.....	129	3, 209	6, 026	23, 256	37, 566	14, 310	Wood-treating plants.
XVII. Holz Verarbeitende Industrie.....		256, 301	356, 744			729, 930	Woodworking and allied industries:
Sperholzindustrie.....	75	13, 138	19, 162	48, 370	95, 911	47, 541	Plywood industry.
Näbel- und Bauteileindustrie.....	3, 176	132, 827	199, 294	294, 524	680, 384	385, 860	Furniture industry and production of mill- work, including doors, door and window frames, flooring, and other parts used in construction (excluding plants with less than 10 workers).
Klavier-, Harmonium- und Orgelbau- Holzwarenindustrie.....	180	4, 537	8, 269	6, 503	18, 685	12, 182	Piano and organ making.
Holzmeblindustrie.....	1, 498	40, 024	50, 557	68, 053	174, 960	106, 867	Woodware industry (excluding shops whose annual sales are less than 5,000 reichmarks).
Fasholzszerelei und Fassindustrie.....	33	285	409	939	2, 550	1, 611	Wood-flour industry.
Kistenindustrie.....	241	6, 497	8, 716	15, 005	30, 202	16, 197	Stave and barrel industry.
Holzrollindustrie.....	728	11, 742	15, 350	36, 498	67, 331	30, 833	Box industry.
Stuhlrohrfabriken.....	163	1, 393	3, 569	6, 877	3, 569	3, 308	Excelsior industry.
	7	1, 017	1, 795	1, 000	4, 909	3, 849	Chair-cane factories.

† Not including brown and painted ware and crockery made in shops with annual sales of less than 5,000 reichmarks.

Results of the official production survey of German industry for the year 1936—Continued

Industry groups (and) industrial branches	Number of production units	Number of persons employed	Salaries and wages	Value of material used (raw, auxiliary, and semifabricated), power, fuel, packing materials, and also charges for services performed by persons not belonging to the regular staff	Gross value of products	Value added by manufacture	Industry groups (and) industrial branches
			<i>In 1,000 Reichsmarks</i>	<i>In 1,000 Reichsmarks</i>	<i>In 1,000 Reichsmarks</i>	<i>In 1,000 Reichsmarks</i>	
XVII. Holz Verarbeitende Industrie—Con. Korbwaren- und Korbmöbelindustrie Herstellung von Schilfrohr- und Strobgewebe, Flaschenhüllen und Trinkhalmen. Korkindustrie. Borst-, Faserstoff- und Haarzurichtereien. Bürsten- und Pinselindustrie. Herstellung von Waren aller Art aus chemischen Kunststoffen sowie aus natürlichen Schnitz- und Formstoffen.	299 214 104 33 400 642	5,531 1,711 2,318 1,640 12,445 21,176	4,923 1,273 2,859 1,691 14,274 26,820	6,614 3,074 3,780 4,173 29,185 37,588	21,034 6,200 10,407 7,933 61,796 89,755	14,390 3,126 6,628 3,760 32,611 52,167	Woodworking and allied industries—Continued. Basket and wicker-furniture industry. Production of ware woven of reeds and straw, including bottle wrappings and drinking straws. Cork industry. Bristle, fibrous material, and hair-preparation plants. Brush industry. Production of all kinds of wares from chemical plastics also from cut and molded natural materials.
XVIII. Chemische Industrie.....		180,962	455,351			1,533,909	Chemical industry:
Industrie der anorganischen Schwermetalle.	394	28,970	76,006	185,772	424,043	238,271	Heavy inorganic chemicals industry.
Düngemittelindustrie, einschl. Erzeugung von Karbid, sowie technischer Stickstoff- u. Phosphorverbindungen.	124	31,154	87,149	308,423	557,375	258,952	Fertilizer industry, including production of calcium carbide, as well as nitrogen and phosphorous compounds.
Industrie der organischen Chemikalien und Teerfarben.	128	27,684	80,225	192,002	499,107	307,105	Manufacture of organic chemicals and coal-tar dyes.
Pharmazeutische Industrie u. Drogenverarbeitung.	1,043	32,672	76,243	116,195	431,381	315,186	Pharmaceutical and drug industry.
Industrie der Kunststoffe.	109	14,867	35,438	110,241	229,841	119,300	Plastics industry.
Mineral- und Buntfarbenindustrie.	242	8,718	20,144	51,836	104,177	52,341	Mineral dye and stains industry.
Sonstige chemische Industrien.....	365	36,927	86,186	191,802	454,616	242,754	Other chemical industries.

XIX. Chemisch-Technische Industrie.

	107	90,338	190,044	13,106	49,464	742,094	Chemical technical industry:
Zündwaren- und Glnskruppindustrie	107	6,774	9,410	13,106	49,464	36,363	Fuses, matches, and other ignition devices, also gas-mantle industry.
Herstellung von Naturharzprodukten	73	804	1,897	7,886	14,114	6,238	Manufacture of natural resin products.
Herstellung von Knetstoffen	374	3,275	6,060	23,837	45,046	23,119	Adhesives industry (glue, etc.).
Leck- und Lackmittelindustrie	633	13,240	29,819	111,092	226,036	115,634	Paint and varnish industry.
Herstellung von Druckfarben u. Druckzusatzstoffen	64	3,030	8,261	17,115	44,403	27,268	Production of printing inks and printing pastes.
Druckreinigungsindustrie	123	4,801	7,116	13,975	34,308	20,328	Art colors and similar goods.
Wachsteinindustrie	13	3,482	6,415	7,273	18,633	11,361	Lead-pencil industry.
Herstellung von Linoleum, Wach- und Kunstleder und verwandten Erzeugnissen	58	7,759	17,436	51,668	106,052	54,384	Manufacture of linoleum, oilcloth, artificial leather, and similar goods.
Deckpappenindustrie	199	5,317	10,897	66,994	98,554	31,560	Roofing-paper industry.
Wachsveredelungsindustrie	24	430	9,804	6,261	3,492	3,492	Wax-refining industry.
Herstellung von Kerzen und Wachserzeugnissen	878	10,915	17,966	46,896	111,263	64,397	Manufacture of candles and other wax products.
Seifen-, Waschmittel- und Glycerinindustrie	825	552	1,297	5,641	10,507	4,866	Soap, washing powder, and glycerin industry.
Kosmetische Industrie	381	8,744	16,021	36,808	119,850	83,042	Cosmetic industry.
Herstellung von Hilfsmitteln für die Textil- und Lederindustrie	113	3,006	8,013	23,782	63,782	38,000	Manufacture of chemical supplies for the textile and leather industries.
II. Kautschuk- und Asbestindustrie		57,120	118,842			270,392	Rubber and asbestos industry:
Herstellung von Kautschukwaren (ausgenommen Bereifungen und Gummischuhe)	185	31,733	64,671	87,992	221,224	133,233	Production of rubber goods (excluding tires and rubber shoes).
Bereifungsindustrie	24	14,836	34,833	97,305	184,463	87,158	Tire industry.
Gummischuhindustrie	13	4,743	7,237	9,022	23,741	14,720	Rubber-shoe industry.
Herstellung von Kautschuk-Regeneraten, Plastikaten und Präparaten	55	976	2,080	4,553	9,480	4,927	Production of reworked rubber, rubber plastics and rubber preparations.
Herstellung von Gutta-percha- und Balatawaren	6	269	727	1,850	4,255	2,405	Production of gutta-percha and balata goods.
Asbestindustrie	58	4,763	8,794	9,501	37,450	27,949	Asbestos industry.
XXI. Papier-, pappen-, zellstoff- und holzstoffindustrie		99,931	179,921			461,524	Pulp and paper industry:
Holzschleifereien	370	6,111	10,363	56,401	87,875	31,384	Mechanical pulp mills.
Zellstoffindustrie	54	17,895	36,131	134,363	249,307	114,942	Chemical pulp industry.
Papier- und Pappenfabriken	665	75,925	133,427	504,006	819,204	315,198	Paper and board mills.
XXII. Druck und Papierverarbeitung		283,617	533,984			1,001,476	Printing and paper products:
Papierveredelungsindustrie	146	9,502	16,832	77,134	122,000	44,866	Paper-finishing industry (excluding shops with less than 5 workers).
Druckgewerbe	3,106	179,088	381,585	360,929	1,008,738	647,809	Printing industry (excluding shops with less than 10 workers).
Chemigraphisches Gewerbe	181	4,030	9,755	2,196	20,798	18,602	Lithographic and electrotpe works (excluding shops with less than 5 workers).

Results of the official production survey of German industry for the year 1936—Continued

Industry groups (and) industrial branches	Number of production units	Number of persons employed	Salaries and wages	Value of material used (raw, auxiliary, and semifabricated), power, fuel, packing materials, and also charges for services performed by persons not belonging to the regular staff	Gross value of products	Value added by manufacture	Industry groups (and) industrial branches
			In 1,000 Reichsmarks	In 1,000 Reichsmarks	In 1,000 Reichsmarks	In 1,000 Reichsmarks	Printing and paper products—Continued.
XXII. Druck und Papierverarbeitung—Con.							Bookbinderies.
Buchbindereien.....	409	15,989	27,752	31,572	86,756	55,064	Paper-products industry (excluding shops with less than 5 workers).
Papierwareindustrie.....	682	34,187	46,048	135,018	252,412	117,394	Cardboard-working industry.
Pappen verarbeitende Industrie.....	971	38,088	46,419	108,308	205,741	102,438	Wallpaper industry.
Tapezierindustrie.....	38	2,753	5,573	11,287	26,590	15,303	
XXIII. Lederindustrie.....		196,028	292,348			647,416	Leather industry:
Lederfabriken und Gerbereien.....	1,102	45,003	80,615	338,067	561,073	222,006	Tanning and leather factories (including directly attached dressing plants and excluding shops doing hand tanning if not accounted for in handicraft reports).
Lederutrichtereien.....	59	1,604	2,532	7,051	13,071	5,971	Leather dressing shops with less than 5 workers).
Schuhindustrie.....	1,450	102,813	146,089	365,007	647,338	281,732	Shoe industry (excluding makers of gaiters and boot tops and shops making shoe findings with less than 5 workers).
Ledertreibriemenindustrie (Einschl. Herstellung technischer Lederartikel).	340	3,683	6,026	27,151	41,179	14,028	Leather machine-belt industry (including producers of other leather used by industry).
Leder- und Sattlerwarenindustrie.....	1,086	35,323	46,879	130,128	236,447	106,325	Leather goods industry and saddlery (omitting handwork shops with sales of less than 15,000 reichsmarks a year).
Lederhandschuhindustrie.....	215	6,447	8,207	17,928	34,276	16,354	Leather glove industry.
XXIV. Textilindustrie.....		911,716	1,220,744			2,839,746	Textile industry:
Kunstseiden- und Zellwollindustrie.....	27	35,401	65,475	108,088	275,492	166,404	Rayon industry.
Wollwäscherei.....	15	347	496	269	1,263	914	Wool washing.
Wollwäscherei und Wollkammerei.....	6	8,318	15,870	4,002	20,338	28,897	Wool-washing and combing mills.
Kammgarn- und Ramlspinnerei und -zwirnerei.....	106	46,812	63,166	265,036	414,903	149,298	Combed yarn and ramie spinning and twisting.

Reisereien.....	184	3,653	4,600	29,748	45,609	15,860	Rag-tearing plants.
Streichgarnspinnerei und -zwirnerel.....	524	31,696	38,352	242,320	308,718	60,367	Brushed-yarn spinning and twisting.
Baumwollspinnerei und -zwirnerel.....	429	110,172	134,121	478,174	780,641	302,767	Cotton spinning and twisting.
Flachs- und Hanfösterel.....	84	4,706	5,235	9,830	17,951	8,121	Flax and hemp retting.
Flachsspinnerei und -zwirnerel.....	85	11,863	13,105	34,167	58,169	24,002	Flax and hemp spinning and twisting.
Hanf- und Hartfaserpinnerei und -zwirnerel.....	132	10,017	13,164	48,579	81,701	33,121	Hemp and hard fiber spinning and twisting.
Jutespinnerei und -zwirnerel.....	44	11,306	12,401	37,354	66,741	29,388	Jute spinning and twisting (excluding loss than 15,000 reichsmarks of business and also shops paying less than 5,000 reichsmarks in wages).
Seidenweberei.....	261	45,983	70,726	197,433	342,867	145,134	Silk weaving (omitting plants having loss than 15,000 reichsmarks in annual sales and also those with less than 10 looms).
Bekleidungsst-fweberei.....	792	85,303	124,479	497,854	793,833	295,979	Weaving mills making cloth for wearing apparel from wool and mixed wool (omitting small plants).
Weberel (ausgenommen die Weberel von wollenen und! wollhaltigen Oberbekleidungsgeweben).	1,785	219,305	295,566	914,050	1,596,502	682,452	Weaving mills using all types of yarns except silk, wool, and wool mixtures (omitting small plants as for silk, above).
Herstellung von Wirk- u. Strickwaren.	2,607	152,333	170,801	385,341	814,074	428,733	Production of knitgoods. ¹
Nähfaden-, Stopf-, Stick- und Hand-arbeitsgarnherstellung.	82	13,480	18,781	56,898	106,568	49,670	Production of sewing thread, mending yarn, embroidery, and other threads. ¹
Herstellung von Band- und Flechtartikeln, Posamenten usw.	722	26,402	34,463	67,272	155,270	87,999	Production of ribbon, braid, and other trimmings. ¹
Herstellung von Zelten, Planen, Säcken.	300	7,003	9,525	58,016	86,496	28,480	Production of tents, awnings, bags. ¹
Herstellung von Stickereien, Spitzen, usw.	716	12,334	12,471	28,336	71,473	43,137	Production of embroidery, lace, etc. ¹
Filzherstellung.....	39	2,974	4,937	16,506	28,017	11,511	Production of felt. ¹
Industriewattheherstellung.....	55	1,631	2,221	5,956	12,776	6,820	Production of industrial wadding. ¹
Verbandwattheherstellung.....	19	1,120	1,446	4,626	7,690	3,065	Production of surgical wadding. ¹
Rosshaarpinnerei und Stepperei.....	38	1,160	1,699	7,255	12,325	5,070	Horsehair spinning and quilting. ¹
Herstellung von Verbandmitteln.....	134	3,024	3,606	16,349	26,091	9,742	Production of gauze, bandages, etc. ¹
Netzindustrie.....	29	1,517	1,652	3,411	7,368	3,957	Net industry. ¹
Textilwaschungs- und Veredelungsindustrie.	881	61,856	102,734	222,195	438,112	215,918	Textile-finishing industry. ¹
XXV. Bekleidungsindustrie.		229,728	297,500			753,968	Clothing industry:
Bekleidungsindustrie.....	6,698	220,762	284,946	804,650	1,529,850	725,200	Garment industry.
Felzveredelung.....	94	3,928	5,707	6,119	17,769	11,590	Fur finishing.
Felzverarbeitung.....	376	5,033	6,847	23,027	40,265	17,178	Fur working.

¹ Omits small establishments.

Results of the official production survey of German industry for the year 1936—Continued

Industry groups (and) industrial branches	Number of production units	Number of persons employed	Salaries and wages	Value of material used (raw, auxiliary, and semifabricated), power, fuel, packing materials, and also charges for services performed by persons not belonging to the regular staff	Gross value of products	Value added by manufacture	Industry groups (and) industrial branches
			In 1,000 Reichsmarks	In 1,000 Reichsmarks	In 1,000 Reichsmarks	In 1,000 Reichsmarks	Industry of oils and fats, of fodder and animal byproducts.
XXVI. Industrie der Öle und Fette, Futtermittel und Tierischen Leime.		37,995	83,185			402,782	Oil milks. Oil-refining industry. Tallow rendering. Lard refineries. Margarine and other factories processing edible fats. Slaughtering yards. Bone-utilization industry. Fishmeal and blubber factories. Production of animal glue, gelatins, and sausage casings. Fodder industry.
Ölmöhlen.....	788	9,673	22,373	267,587	359,329	91,762	
Ölveredelungsindustrie.....	188	3,218	8,468	232,406	288,424	53,017	
Talgseifen.....	152	721	1,468	22,408	28,217	3,809	
Schmalzereien.....	42	504	1,974	24,861	28,172	3,611	
Margarine- und Speisefabriques.....	147	10,040	25,181	180,066	346,637	165,939	
Abdeckereien.....	492	1,541	1,529	1,377	7,364	5,966	
Knochenverwertungsindustrie.....	120	1,432	2,314	10,780	17,714	6,924	
Fischmehl und Traubsenbrennereien.....	44	1,735	1,732	8,576	14,867	6,311	
Herstellung von Haut- und Lederfellen, Geleatine und Kunstleimen.....	62	4,239	7,672	18,881	43,478	24,596	
Futtermittelindustrie.....	509	5,872	11,490	180,575	219,402	38,827	
XXVII. Spiritusindustrie.....		29,405	45,022			228,600	Spirits industry:
Landwirtschaftliche Kartoffelbrennereien.....	2,210	7,933	9,108	79,865	105,875	26,010	Rural potato-alcohol distilleries (omitting those producing less than 600 hectoliters a year).
Molasserebrennereien.....	18	274	550	3,125	4,711	1,586	Molasses distilleries.
Rechtigungs- und Spiritusbrennereien.....	45	2,896	7,725	18,336	52,139	33,803	Fermentation industry.
Spiritusreinigungsanstalten und Spiritusverteilung in Monopollagen.....	68	2,028	5,305	159,924	209,224	49,300	Spirits refining and state monopoly distilling storehouses.
Kornbrennereien.....	532	1,187	1,430	11,899	16,489	4,590	Grain distilleries.
Weinbrennereien.....	39	1,357	1,737	5,679	8,612	2,933	Wineries.
Herstellung von Trinkbranntweinen aller Art.....	2,018	14,730	20,167	257,194	367,572	110,378	Production of brandy, gin, and other spirits of all kinds (omitting establishments making less than 3,500 liters of alcohol a year).

XXVIII. Nahrungs- und Genussmittelindustrie.		549,675	804,213		2,901,512	Food processing (staples and luxuries) and tobacco industry:
Getreidemüllerei.....	3,305	33,410	64,201	1,281,219	1,493,568	Grain mills (omitting those grinding less than 5 tons a day).
Schälmühlen.....	56	2,130	5,110	57,088	73,385	Grain-polishing mills.
Fleischwarenindustrie.....	671	19,360	34,554	424,865	565,427	Meat-packing industry.
Brotindustrie und Bäckereien.....	581	16,348	34,828	169,591	257,041	Bakeries of all kinds (excluding unmechanized enterprises employing less than 10 people).
Fischindustrie.....	467	18,856	18,928	87,318	134,285	Fish-products industry.
Zuckerindustrie.....	233	81,451	73,788	450,517	766,175	Sugar industry.
Süßwarenindustrie.....	1,097	61,391	96,443	349,703	641,636	Sweets industry.
Obst- und Gemüsekonservenindustrie.....	841	33,641	24,087	135,541	206,698	Canned-fruits and vegetable industry.
Herstellung von Rheinschekraut.....	153	1,040	614	3,963	6,602	Sauerkraut production.
Obst- und Fruchtweineindustrie.....	583	3,466	4,075	23,785	40,081	Fruit-juice and fruit-wine industry.
Dauermilchindustrie.....	81	2,644	4,212	54,840	87,208	Dried and condensed milk industry.
Schmelzkäseindustrie.....	66	2,111	2,916	28,207	39,996	Processed-cheese industry.
Teigwarenindustrie.....	119	5,861	8,272	48,381	88,109	Manufacture of alimentary pastes.
Kartoffelrockerei.....	243	2,843	1,794	13,304	17,800	Potato-drying plants.
Stärke- und Stärkeveredelungsindustrie.....	103	6,838	8,629	46,397	99,750	Starch and starch refining.
Nährmittelindustrie.....	92	10,908	26,736	73,334	167,444	Prepared foodstuffs industry.
Kaffeersatzindustrie.....	347	5,361	13,417	57,253	98,696	Coffee-substitute industry.
Malzindustrie.....	281	4,464	9,393	87,100	112,900	Malt industry.
Brauindustrie (einschl. Brauereizellerei)	1,183	76,376	206,388	333,478	1,044,780	Breweries and malteries.
Traubenschaumweineindustrie.....	36	1,944	3,405	13,283	31,415	Sparkling-grape-wine industry.
Essigindustrie.....	446	2,536	4,028	14,844	32,660	Vinegar industry.
Senfindustrie.....	229	1,293	2,032	5,940	12,382	Mustard industry.
Gewürzindustrie.....	82	1,086	1,708	14,297	21,012	Spice industry.
Tabakindustrie.....	624	154,417	152,585	451,672	1,154,389	Tobacco industry.
Electric power stations and gas works:		167,788	425,292		1,972,086	
Elektrizitätswerke Erzeuger- und Verteilerwerke.....	2,811	109,694	290,243	165,704	1,652,987	Electric power plants (both producing and distributing).
Gaswerke (Erzeugerwerke).....	879	43,836	109,034	150,848	561,891	Gas-manufacturing works.
Gaswerke (Verteilerwerke).....	311	10,258	26,015	30,872	104,632	Gas-distributing plants.
XXX. Bauindustrie und sonstige Industriezweige.	5,390	1,220,000	1,192,000	2,884,000	7,151,000	Building industry and miscellaneous industrial branches.
Gesamte Industrie.....		7,950,193	13,261,510		34,185,641	Grand industrial total.

* Omits small establishments.

Source: Die Deutsche Industrie, prepared by Des Reichsamt für Wehrwirtschaftliche Planung, Berlin, 1939.

EXHIBIT 2

HOW GERMAN ASSETS AND ECONOMIC ACTIVITIES INSIDE GERMANY AFFECTED GERMAN WAR POTENTIAL AND PROPAGANDA

A. GERMANY'S EVASION OF CONTROLS IMPOSED AFTER 1918

By the Treaty of Versailles the victorious Allies tried to prevent Germany from retaining or reviving her war-making capacity. To implement this objective, the Allied Military Control Commission was created in 1919. Its duties were to reduce Germany's armaments, to destroy Germany's excess armaments, and to disarm German war industry so as to destroy its potential power of rearmament. But owing to resistance by the Germans to the disarmament measures and to the lack of harmony within the Commission, the Allied Control of Germany proved a failure. The German governments of the period 1919 to 1933 were never strong enough to command obedience from all groups, and none dared to support a program which would place Germany in a permanent position of military inferiority. Although prior to 1933 no official German "Master Plan" seems to have existed for the complete rearmament of Germany and perpetuation of her war industry, the Germans were able in and out of government circles to evade the restrictions of the Treaty of Versailles.

ALLIED MILITARY CONTROL COMMISSION

The Allied Military Control Commission operated in Germany from 1920 to 1927. During that time it was faced by every obstruction German ingenuity could devise. General Charles Nollet, of the Commission, in commenting upon this noncooperative attitude, stated that "under the cover of this stubborn struggle, it * pursued the revival of its military power according to a previously determined plan." There can be no doubt that certain elements in Germany, including some former army officers, large industrial financiers, and the Reichswehr, planned to re-create German military power. The German Government did not interfere with their plans, and the German War Departments at least were either active or passively involved in them.

The methods used by the Germans to nullify the Allied disarmament measures included such measures as refusal to supply official reports, inaccurate reporting, and appeals to other Allied authorities in order to confuse the issue. Inside Germany the disarmament provisions of the Treaty of Versailles were violated by various German groups secreting surplus arms, subsidizing commercial aviation, experimenting with new weapons, making possible the conversion of plants producing civilian goods to war production, retaining

processes, and creating a Black Reichswehr and other military bodies. To these violations of the treaty, the weak Reich administration acquiesced, and in some cases secretly fostered them. It could hardly be expected to do otherwise since the Reich Government was shot through with nationalists and reactionary militarists and was unable to control the activities of the provincial authorities.

FOREIGN BASES OF GERMAN REARMAMENT

Not only did the Germans evade the peace treaty through action within Germany, but they made foreign countries bases for their operations.

1. *Russians.*

Although the German Republic proclaimed itself as the bulwark against Bolshevism, close cooperation on military production was maintained with Soviet Russia. In May 1922 a German mission in Russia laid plans for German technical experiments in Russian factories. The agreements making Russian facilities available to the Germans were presumably unofficial since representatives of German industry did the negotiating, but undoubtedly the Reich Government was well aware of the plans.

By those Russian agreements the Krupp company was granted a concession of about 500,000 acres on the lower Don River to be used as an experimental farm for testing agricultural implements. Under this cloak, Krupp was able to maintain production and to manufacture modern machinery readily convertible to war purposes. The large electrical firm of Siemens-Halske was permitted to reopen its Russian plants that had been in operation prior to World War I under German management using Russian labor. Even more dangerous to world security was the large airplane plant built by Junkers in Moscow for the production of military aircraft by German technicians. Publicity on this affair in 1926 first disclosed to the general public the details of the Reichswehr's plans for rearmament. The Reichswehr Ministry set out early in the 1920's to give financial assistance to industry to set up armament industries abroad, especially in Russia. The Junkers plant in Russia was only one of the projects sanctioned by the Reichswehr. The production of this plant was given over entirely to war planes, the majority of which were for German use. The Russians permitted German officers to train with them. In this manner the Germans were able to maintain a number of skilled aviators who could become the nucleus of a new air force.

Russian assistance to German military ambitions went even further. The Manchester Guardian revealed many of the secrets of these Russo-German relations in a series of authenticated articles. The Hamburg firm of Dr. Hugo Stolzenberg built a poison-gas factory in Trotsk with the cooperation of the Reichswehr. In November 1926 Russian ships arrived in Stettin loaded with arms and ammunition for the German Army. The Krupps were reported to have leased no less than five arms plants from the Russians and to have secured large concessions in the Leningrad Steel Factory, the Perm factory, the Zlatoust plant in Kuibyshev and to have built a dockyard for submarine construction in Kherson which was managed by German naval officers. As a final concession, the Russians permitted Krupp to establish a subsidiary to consolidate its interests in Russia.

Other German industrial organizations were active in Russia during the 1920's. The huge Rheimetall-Borsig firm, the largest armament plant in Germany besides Krupp, erected a most modern munitions plant in Leningrad, the Pulitow works, for the Russian Government with the support of the German General Staff. I. G. Farben, the Hugo Stinnes firm, and other concerns directed or owned plants in Russia, while the Reichswehr ran experimental centers for artillery, aviation, tanks, motors, flame-throwers, and poison gas. In the field of poison gas Russia produced the gas and shipped samples to Germany to test for antidotes. Research in heavy artillery was carried on in collaboration with the Russians who were keenly interested in using German technical knowledge. In addition, large numbers of German engineers and technicians received Russian employment contracts. The agreements provided the Russians with skills needed for the development of their country, and at the same time gave surplus German experts a field to acquire valuable experience. All this was done at a time when Germany was supposed to be disarmed. By the middle 1930's, however, these close technical relations between Germany and Russia were severed.

2. West European.

Further evasions of the Treaty of Versailles were perpetrated in other countries. Shortly after the war, a German aircraft firm established a plant in Copenhagen to produce military planes. In 1920 Krupp bought a large interest in Bofors of Sweden in order to continue experimenting and producing heavy ordnance. This plant developed the famous antiaircraft gun; about 1929 the Swedes purchased the Krupp holdings, although it is suspected that technical cooperation continued. German rifle experts were employed by the Fabrique Nationale in Liege (Belgium), while other German engineers found employment with Skoda armament works in Czechoslovakia and Oerlikon armament firms in Switzerland. A Major Utto owned and operated a bomb factory in Finland which was constructed according to German design. The Dornier airplane firm moved from Friedrichshafen across Lake Constance to Switzerland, and the Fokker plant was dismantled and shipped to Holland. Carl Zeiss of Jena set up an establishment in Holland for the manufacture of military optical goods.

Under the treaty, Germany was prohibited from building submarines. To overcome this handicap, the German Navy in 1924 secretly made arrangements for construction work in Spain. At Santander two model submarines were built and the German U-boat ace, Captain Manfred von Killinger, founded a company in Echevarria to experiment with submarines. Spain was the scene of other activities such as research work in torpedoes and the expansion of German penetration in heavy industry.

In addition to the above-described general-staff sponsored foreign investments, German industry was able to build up financial nest eggs in Switzerland when inflation threatened their bank deposits inside Germany. According to the *Neue Zurcher Zeitung*, the amount of capital fleeing from Germany to Switzerland reached \$2,000,000,000 by June 1919. About the same time and perhaps with some of this

flight capital, the Germans established and expanded a number of holding companies in Switzerland and Holland. Among the most important of these were Schweizerische Gesellschaft fur Metallwerte and Montan-Union A. G., and a number of I. G. Farben affiliates. Indirectly, the Allied governments and nationals helped Germany rearm by loans to the Reich and to German industry. While Germany was complaining of impending bankruptcy, large sums were being spent on secret armament projects by the Reichswehr, and on the building of immense strategic auto highways. In addition to the various official loans numerous direct loans were made by foreigners to revitalize German industry. For example, in 1925 Krupp was on the verge of bankruptcy when a loan of about \$40,000,000, most of it raised abroad, staved off ruin. Since the Allied Military Control Commission made no effort to run Germany's foreign trade, large quantities of Swedish high grade iron ore, a vital war metal which Germany lacked, were imported to keep German heavy industry alive.

INTERNATIONAL CARTELS

An important instrument of German influence in foreign countries which was not crushed after World War I was the international cartel. Through cartel agreements and patent rights, the Germans were able to continue to control the production of strategic and critical products in a number of foreign countries and to spy on foreign industrial establishments. With the rise of Hitler to power, these cartels became significant agents of German economic penetration. Synthetic rubber and atabrine are but two of commodities German cartels were able to control to the detriment of the Allies in World War II.

The whole history of German activities after World War I proves conclusively that if Germany retains any important economic influence in foreign countries, the peace of the world is threatened. After the last war, Germany was assisted by her former enemies and the neutrals alike and much of her ability to rearm rapidly was owing to this aid. In this war the Germans already had a large industrial and financial empire in the neutrals alone; as long as it exists, it is a threat to the security of the Allies.

B. THE SUPPORT OF GERMAN AGGRESSION AND PROPAGANDA

1. METHODS

In order to wage total war, the Nazis had to import such products as foodstuffs, iron ore, ferro-alloys, and timber and had to secure an uninterrupted flow of these and other essential products through economic control and penetration of the countries rich in the needed resources. But there were other important reasons for German interest in foreign countries. Economic penetration usually precedes political influence and, in the case of the neutrals, may become a powerful force in molding public opinion and creating a strong economic bloc. German investments in, and economic agreements with, the neutrals have tended to make them susceptible to other German pressures and to prejudice the competitive position of the United Nations.

Neutral aid to Germany.

When World War II broke out, the Germans were already str-
entrenched in Spain, Switzerland, Sweden, Turkey, Argentina,
Portugal—the important neutrals—as well as in Finland, Bul-
and Rumania. It must be remembered that in Germany, all
nomic relations, particularly in foreign countries, were carefully pla-
by the government and not left to chance. Old established in-
ments, contractual rights, personnel, and other assets were ma-
serve immediate war objectives. During the period of German
cesses, the economic structure erected during the years of peace
strengthened by additional capital, personnel, and techniques
moved a steady flow of materials to Germany. There is no c
that the German position in neutral countries impaired our barga-
position and rendered our blockade more difficult than it othe-
would have been.

With the defeat of Germany accomplished, German assets and
sonnel take on a new meaning. Trade between Germany and
neutrals is no longer of prime importance. Interest has now sh-
to German assets as a means of perpetuating German war pote-
by evasion of Allied control. Various types of property have
acquired by the Germans in the neutrals and may very readily
come the basis of future aggression unless liquidated. Among
more important are:

(1) Long-term investments in industrial plants, banks, mines,
mercial enterprises, shipping, warehouses, public utilities, insur-
companies, and other types of industrial, commercial, and fina-
undertakings, whether completely or partly owned. These are b-
the most dangerous of German assets since most long-term in-
ments are of pre-war origin and have become well integrated with
neutral economy.

(2) Stock piles of merchandise or raw materials built up in a
pation of continued trade between Germany and the neutrals. T-
consist of stock piles of German goods either accumulated in ord-
maintain a dominant position in the neutral markets or destine-
shipment to Germany when the latter was cut off by the Allied i-
sion of France, or originally intended for safe haven.

(3) Art objects, jewelry, and privately owned precious metals w-
often may be looted property, but in many cases the legitimate p-
erty of Germans who either reside in the neutrals or have shi-
their valuables abroad in order to escape contributing to repara-
or other Allied penalties.

(4) Gold holdings, securities, and bank deposits which make
large part of German assets in the neutrals. German Governm-
owned gold may be deposited with the central bank of the ne-
country or held for safekeeping in the German Embassy or Lega-
privately owned gold may be held in vaults or safe-deposit box-
commercial banks. Securities include stocks, usually bearer share-
foreign and domestic companies, bonds, and the like. Securities
bank deposits of German nationals and companies and their cloa-
the neutrals undoubtedly are considerable in amount.

(5) Contractual rights include cartel agreements, mortgages,
ents, licenses, trade-marks and copyrights, reinsurance treaties,
options of various sorts.

2. PURPOSES

*a. Acquisition of economic resources for German war effort.**i. Loot.*

Axis looting of the occupied countries ranged from the crude seizure of property without semblance of legality to subtle transfers through changes in corporate structures and forced sales. Confiscation of state property and expropriation of private property without compensation were favorite devices of the Nazis in their economic penetration techniques as exercised in occupied countries, especially in eastern Europe. Confiscation by individual act of seizure or by property decree has been especially directed at the property of patriots and anti-Nazis who fled from Germany and the occupied countries and at the property of Jews. "Aryanization" of property in every occupied country has been the special name given to looting of the property of Jews. A legalistic form of seizure is the imposition by court decree of excessive fines for trivial offenses; such fines are often followed by an offer to accept property in place of the fine. Such loot was often transferred to neutral countries for sale.

Very often purchases were made at prices far below the real values, particularly when owners of enterprises in occupied areas were forced to accept payment in stock in the new controlling German enterprises. In France, Belgium, the Netherlands, and Norway, the Nazis purchased property with funds obtained from levies on the occupied country for occupation costs. Sometimes non-German owners were coerced into selling property at a low price by the Germans, but the fiction of a legal transaction was retained.

Exactly how large the amount of loot is can hardly be estimated. There have been numerous reports of German use of the diplomatic pouch in transferring loot to neutral countries. They probably consist of securities, foreign currencies, gold and other precious metals, jewelry, and other readily movable goods of high intrinsic value. While most of German loot has remained in the occupied country as a productive unit or has been transferred to Germany, certain types of loot have found their way to the neutrals for safekeeping or sale.

ii. German long-term investments.

By far the larger part of German holdings in the neutrals is in the form of long-term investments of many years' standing. At the outbreak of the war, these German investments were mobilized for war purposes; many had been created with such a purpose in mind. In Spain, Portugal, Turkey, Sweden, and South America, German commercial agents and merchants expedited the flow of essential commodities to Germany, often being instrumental in smuggling and blockade running. In several neutral countries, the Germans acquired interests which put them in a dominant position in a number of industries. For example, in Spain the chemical, pharmaceutical, and electrical goods industries are largely in the hands of German companies, whose plants are readily adaptable for use in experiments which could be the basis of a new war industry. In Portugal the Germans invested heavily in wolfram mines and thereby assured themselves a supply of this strategic mineral until the Portuguese finally declared an embargo on its export.

In Argentina large construction and electrical supply companies are German-controlled. Iron mines in central Sweden and Swedish shipping valued at about \$25,000,000 belong to German interests. In Turkey the Germans have numerous commercial agencies and control two large banks. Switzerland, however, has been an especially fertile field for the Germans because of the highly developed financial and banking system, and the prevalence of international holding companies. Thereby Switzerland has become, in a sense, a cloak for German activities in the other neutrals, as well as in Switzerland.

German technique in neutrals.—In general German long-term foreign investments were built up in the period between the two World Wars. Often the simplest procedure was for a large German company, such as I. G. Farben, Siemens-Schuckert, Bosch, or Schering to establish and incorporate a subsidiary in the neutral country. Several German banks have entered the neutrals where they have spearheaded German economic penetration by assisting German businessmen with local credits. This has been most true in Spain, Argentina, and Turkey. Through reinsurance treaties, mostly of recent origin, neutral insurance companies have been tied to German capital and forced to operate under German dictation; in addition, German insurance companies operate directly in the neutrals thereby creating large fluid assets. In Turkey alone there are ten registered German insurance companies receiving premiums of \$3,000,000 a year.

iii. Patents.

Krupp, A. G.—One of the most common and successful means of German penetration abroad has been through patents. On numerous occasions in the United States, German companies through patent agreements were able to obtain highly confidential technical information. For example, in 1928 the German armaments firm of Fried, Krupp, A. G. formed a patent-holding company, Krupp Nirosta, in the United States in the stainless steel field. This company controlled the important patents in stainless steel and limited the number of licenses thereby limiting production of a vital war material. In the four years of its independent existence Krupp Nirosta issued only a few important licenses. As a further restriction measure, Krupp Nirosta refused to permit any licensee to export stainless steel, except to Canada. After bringing the important American steel companies in as licensees, the company was able to supply Krupp and the German steel industry with valuable economic intelligence. Production reports were regularly transmitted to Germany. Thus the United States Steel Company continued to transmit to Krupp tonnage figures including United States Government orders, until June 1941. In addition, Krupp representatives were permitted to visit American plants freely. Krupp Nirosta also kept the Essen home offices informed as to the newest American developments in stainless steel and answered requests for information from Germany, often sent in the form of technical literature submitted by the licensee. On the other hand, Krupp, Essen, refused to make available to the American licensees certain processes to which they were entitled.

I. G. Farben.—The patent policy of I. G. Farben has been motivated by the idea of securing adequate protection for its interests in all countries. All manner of processes and products have been

ented in order that it might be able to threaten infringement suits on weaker or less well-informed parties and so to stifle competition. In 1932 I. G. Farben, through its subsidiary in the United States, General Aniline and Dye, was able to force DuPont and Pharma Chemical Corporation to recognize its patent rights covering new fast dyes, which greatly strengthened its position in the foreign market. In the neutrals I. G. Farben also holds a prominent position owing to its patents. The Spanish chemical producer, Sociedad Electro-Quimica de Flix, is controlled by I. G. Farben and uses the latter's manufacturing processes. When transportation facilities between Germany and Spain were cut off by the occupation of France, I. G. Farben permitted its subsidiary in Spain, Unicolor S. A., to produce several patented products. In Portugal the firm of Sociedad de Anilinas, Ltda. manufactures Farben products. In Argentina the affiliated companies are Anilinas Alemanas, S. A. and GECO Compania Industrial e Commercial, S. A.; in Sweden, Arto A/B and Anilia Kompaniet A/B; in Switzerland, Teerfarben A. G., and other firms; there the colossus I. G. Chemie, capitalized at \$42,500,000 reaches out to all ends of the world; and in Turkey, the firm of "Turkanil" Sabre Atayolu Ve Sirketi. By this wedding of capital and technical skill preserved through patents, I. G. Farben has become the most powerful chemical producer in the world and a tower of strength to the German war effort.

German patent safeguards in the neutrals.—The Germans are aware that the ownership of patents leads to power and they have been building for the future by registering increasing numbers of patents in the neutrals. Between 1938 and 1944 the number of German patents registered in Sweden doubled (from 1,618 to 3,377). German patents granted in Portugal have increased rapidly in the last few years, while there have been reports of large registrations in Switzerland. Many of the patents belong to the most powerful German industrial organizations, e. g., I. G. Farben, Zeiss-Ikon, Bosch, Daimler-Benz, A. E. G., and Siemens. Through these patents the Germans have acquired assets in the neutrals in the form of royalties which very often are retained as a balance with the licensee.

iv. Acquisition of foreign indebtedness by Germany.

Spain.—During the civil war in Spain, Nazi Germany actively aided the Franco party by lending technical assistance and the Condor Division, a German armed force. In this way Germany was able to test her new weapons in actual warfare. But Germany exacted payment from Facist Spain and the latter sent the Blue Division to fight against Russia. A balancing of accounts showed that Spain financially was heavily indebted to Germany for civil-war aid. In November 1943, an agreement was reached wherein Spain admitted a debt of about \$1,000,000,000. Several payments which were made outside the clearings made available to Germany at least \$60,000,000 in free credits in Spain. In July 1944, the Spaniards still owned a balance of about \$40,000,000. Exactly how the Germans disposed of the \$60,000,000 is not known, but it seems probable that they used it to purchase Spanish property, to finance propaganda activities, to pay for goods, and to sustain the diplomatic service.

German use of clearings.—German trade and payments with the neutrals were carried on mainly through clearing agreements. By

this means the technical difficulties inherent in the use of foreign exchange were eliminated and the lack of large foreign exchange holdings was no longer an obstacle to imports. Under the clearing system the importer pays the amount due for his imported goods to the central bank of clearing office of his own country in his own currency. The exporter receives payment from his central bank clearing office in his national currency. In this way foreign trade is not burdened by international payment problems and, if trade is balanced, payments would be prompt and certain. With many countries the balance of trade was unfavorable for Germany. This difficulty was overcome by Germany's forcing the particular countries to grant clearing credits (Switzerland, Spain, Portugal, Rumania, Hungary, etc.). However, Germany shipped more goods to such countries than she received with a resulting balance in the clear in her favor. At present Germany is in a creditor position in clearings vis-à-vis Sweden and Turkey. The Swedes owe her \$18,800,000 and the Turks about \$12,000,000. These assets easily go into hiding since they are payable in Swedish kronor or Turkish lire.

The Germans have used a number of additional ingenious devices in order to create assets in the neutrals. In Spain and Sweden they used a two-price system for German goods. The lower price was paid through the clearings while the higher price was retained in the books of the neutral importer. The difference accumulated to the account of the German exporter and became flight capital. Another method was for the entire payment to be deferred until after the war. This practice has been observed in Sweden. Other methods were to add interest charges and patent fees to accumulate and to stock-pile goods in a neutral which is in transit for another neutral.

v. Activities of German personnel abroad.

German personnel has been extremely active in the neutrals. Not only the diplomatic staff and the various propaganda and espionage agents, but also large numbers of German technicians, managers and administrators have been in key positions to observe and report new developments in the neutral economies.

Germans in Spain.—None of the neutrals is so dependent on German personnel as Spain, since there are few Spanish technical engineers capable of directing the installation and operation of industrial machinery. Although these professional services in Spain may not be a direct attempt to evade Allied post-war controls, German technicians knew Spanish trade secrets and in many cases control the policies of various companies. Notwithstanding a Spanish law limiting the employment of foreigners, German personnel continues to be firmly entrenched in Spanish industry. Most of the equipment recently purchased by Spain has come from Germany. Naturally German technicians supervised its installation and often remained as technical managers. But technicians are not the only Germans in Spain; managerial and administrative personnel abound. One has only to glance at a list of the directors of Spanish companies to realize the influential position of Germans, a large portion of whom are fervent Nazis.

Germans in Turkey, Argentina, and Portugal.—No other neutral relies so strongly on German personnel as does Spain. Count

like Sweden and Switzerland have their own skilled technician class and it is much more difficult for the Germans to penetrate industry through technical employment. A Swiss law forbids the employment of foreigners so long as a Swiss national is available for the work, while Swedish manpower controls make it very doubtful whether a considerable number of German technicians could find employment in that country. On the other hand, Turkey, Argentina, and Portugal are more fertile fields. In Turkey, since her declaration of war, all Germans have been interned or expatriated. Once the wartime regulations are relaxed, however, they may very well return to their former positions in German-controlled firms, such as those engaged in construction work, the manufacture of electrical equipment, machinery, and chemicals and pharmaceuticals, and the processing of food. The number of Germans employed in Argentina before the latter's declaration of war was fairly large and strategically located in vital industries; what controls the Argentine Government has since put into effect is not known.

There are no precise statistics available as to the number of German technicians, managers, and administrators employed in the neutrals. Spain undoubtedly has the largest number, perhaps a few thousand. There have been about two or three hundred in Portugal; at least as many in Argentina; and a smaller number in Turkey, Sweden, and Switzerland. But the smallness of the numbers should not lead one to overlook the threat to Allied post-war plans. The activities of these Germans during the war have been a thorn in the side of the Allied war effort. A German shipping agent in Bilbao, Spain, sent reports on the movements of British shipping to Berlin for use in submarine warfare and even sent supplies to Germans besieged in the French ports. German technicians and other personnel have acted as Gestapo or military intelligence agents, keeping Germans resident abroad in line with Nazi doctrines. Others sent reports to Germany on Allied activities in the neutrals and on neutral economic, political, and military developments. In a word, German personnel employed in neutral commerce, finance, and industry has served as a center of espionage and is a means of perpetuating German influence in the occupation and post-occupation periods.

b. Acquisition of economic control to diminish the war potential of other countries.

i. Activities affecting production.

The negative phase of the German war effort involved preventing or curtailing the production of strategic and critical materials in the United Nations and the flow of such commodities from the neutrals to the Allies. Unfortunately, time and space do not permit us to go into the subject.

The chief ways in which the Germans held back Allied war potential were—

- (a) Interests in business firms outside Germany.
- (b) Patents, e. g., in synthetic rubber, beryllium, diesel engines.
- (c) Restrictive cartel agreements, e. g., magnesium, aluminum, military optical instruments.
- (d) Activities of German personnel.

ii. German activities influencing political opinion abroad.

With economic penetration comes political penetration and Nazis have not been slow in turning their business interests in neutrals into propaganda agencies. The usual type of intelligence work was financed through the German Embassy or Legation. Business was frequently given a share in the work by appropriate payments. For example, a German-owned Lisbon firm periodically received large sums of money to be used for intelligence operations. By entering the publications field the Germans tapped a fertile field for propaganda. The news agency, D. N. B., and the Trans-Atlantic Agency have offices in the neutrals and were engaged in anti-Allied activities and Nazi news distribution. Newspapers have been purchased by the Germans to spread seeds of hate; travel and shipping agencies such as the German-American Line and Lufthansa have done the same work in a more covert way. Suppliers of German goods are often Germans with Nazi views whose business premises have contained all the paraphernalia of Nazi propaganda and had visual exhibits on the glories of the German system.

German business interests in the neutrals have also been the source of the funds used in molding public political opinion abroad. In many German firms in the neutrals are subsidiaries or affiliated companies in the homeland, it has been very easy to use their premises in the neutrals for espionage and propaganda by crediting the expenses to the company in Germany with Reichmarks. By providing a cover for persons engaged in these activities, German businesses have been able to hide under a cloak of innocence. Moreover, powerful German companies in the neutrals have been and are in positions to resist economic sanctions against any neutral firm showing anti-Nazi tendencies.

c. German attempts to evade post-war controls.

i. German transfers of capital.

For some time the Germans have been preparing a safe haven in neutral countries in case of defeat by laying plans for utilizing the territories of the neutral countries as bases for preserving Nazi German economic strength in order to stage a come-back at some future date. In August 1944, a meeting of German industrialists was reported to have been held at Strassbourg for the purpose of maintaining the Nazi Party as an underground force. Among the points that have been discussed were the exportation and investment of German capital abroad and the stimulation of closer working alliances between German and foreign industry. The industrialists were particularly urged to invest in foreign agricultural properties, and the names of several neutrals were cited who supposedly were ready to act in this matter on a five-percent commission basis. Such a meeting was a logical outcome of the change in the war situation and previous to many other similar meetings were held in Germany. Previous to August 1944, the German Government had opposed capital exports except for particular purposes, but after that date encouragement of such exports became an official policy of the Nazi state.

The cloaking device.—The simplest method of evading the control of German property in the neutrals is by cloaking. By this technique the German owner transfers his holdings to the name of a neutral national who acts as the nominal owner. These transactions can go on ad infinitum until the line of true ownership is completely obscured.

obscured. In addition, neutral laws which limit or prohibit foreign ownership of certain industries are circumvented by the process. A large portion of the German property in the neutrals is cloaked, necessitating involved investigations to prove German ownership. Examples abound. An investigation has revealed that persons interested in cloaking German assets in order to evade Turkish controls have been active. It was also discovered that an official of the International Red Cross had been using his pouch to transfer German assets from Turkey to Switzerland.

The general practice in Europe is to use bearer shares as a token of ownership. This makes it very easy to cloak interests. It is well known that the Spanish chemical manufacturer, Union Quimica del Norte de Espana, S. A., has a large German capital interest, but the president of the company denies this. Since the shares are issued to the bearer, there is no way of checking his statement. Recent German flight capital to Sweden has been concealed by cloaks, by means of increased capitalizations of Swedish firms, by expansion of credit by German manufacturers to the extent of postponing payment until after the war, by the two-price system of imports, and by stock-piling to a limited extent. It is not possible to make an estimate of the total of concealed German capital in Sweden, although there is substantial evidence of its existence. Swiss cloaks for Germans are extremely active. Among the intervening banks are the leading commercial banks and such smaller banks as Bank Wadenswil and Johann Wehrli and Co., H. Sturzenegger and Cie. is wholly German owned. A large number of Swiss holding companies are known to be German cloaks.

German loans to neutrals.—Another method of hiding German interests is through loans extended to neutral companies which are really masked investments. In the case of the Swedish shipping firm of Rederi A/B Skeppsbron, a German-guaranteed loan of some \$3,000,000 was made from German supplies of free Swedish kronor whereby the vessels were mortgaged to the lender. In this way, although the Swedish company remained officially the owner of the vessels involved, the German Hamburg-American Line was the real owner.

German-neutral dealings in looted gold—Switzerland.—The export of gold has been another device used by the Germans to create assets in the neutrals. Since the outbreak of the war, Switzerland has played the role of international banker for Germany and her satellites. Swiss banks, the leading commercial and private banks as well as the Swiss National Bank, purchased gold from Germany to a value of several hundred million dollars. The proceeds obtained from the sale of the gold provided Germany with the necessary Swiss francs (the only currency that is freely transferrable in the world today to finance her purchases of critical war materials from the neutral countries outside the clearings and barter agreements; to pay for espionage and propaganda activities abroad; and to invest in neutral industries. The German Reichsbank and Swiss commercial banks did not hesitate to take part in transactions involving looted gold which was smuggled back and forth from other neutral countries in order to create an extra profit for the Nazi officials who handled the deals.

Turkey.—In Turkey prior to the declaration of war, members of the German and satellite embassies constantly engaged in gold trafficking. Germans and their associates in Turkey bought Swiss francs on the

black market with Turkish lira. The Swiss francs were converted by the Reichsbank through the Deutsche Bank, Istanbul, into gold coins. These gold coins were then sold on the Turkish black market for about twenty percent more Turkish lira than the trafficker had started with. This was a continuous process. Between July 1943 and July 1944, German banks in Istanbul sold gold, most of it looted to the value of about \$5,500,000. Undoubtedly many transactions were not included in this total.

Sweden, Spain, Portugal.—Sweden, Spain, and Portugal were all the recipients of looted gold. The usual German procedure in the case of Sweden was to smuggle gold in through the diplomatic pouch and afterward sell it on the black market.

The proceeds from these sales were invested for prominent German businessmen and leaders in Swedish securities. It is known that gold ingots in large quantities with seals showing that they come from Germany were sold to gold and silversmiths in Portugal. If a Nazi desired to deposit his loot in Portugal, he shipped the gold from Germany to Switzerland, where it was sold to a Swiss bank against a check or draft in Swiss francs. The check or draft was sent to a Portuguese agent who deposited it in his own name with a Portuguese bank, while the real owner remained in Germany. These cases can be multiplied indefinitely.

The Americas.—Another device was for the Germans to exchange looted gold for gold already located in the Western Hemisphere through the medium of a free currency such as Swiss francs. Gold was shipped to Switzerland and sold for free Swiss francs. With the Swiss francs, gold already in Argentina was purchased where it remained as a German asset.

German acquisition of foreign exchange.—Through the sale of gold and other loot as well as through other devices as described above, the Germans accumulated foreign exchange and foreign banknotes from the neutrals. Further acquisitions of foreign exchange were made possible through the clearings by the export of goods with the assistance of the foreign authorities. Under the clearings system, the Germans paid Reichsmarks into the German Verrechnungskasse, and some neutral agency, for example the Spanish Foreign Exchange Institute, then paid out pesetas on the Spanish end. In this way a German asset was created in a neutral country. Often goods were exported or smuggled from Germany for American, English, or French currencies. Swiss francs were especially desired by the Germans because they were readily exchangeable for other currencies and commanded a premium. The Germans frequently insisted on that unit of exchange in return for the delivery of high priority war material.

Assets in neutral currencies were also acquired by the delivery of German goods to neutral countries for which the entire or part payment was to be deferred until after the war, particularly goods of high specific value such as diamonds and other jewels. During 1943 a junior official of the German Foreign Office is known to have visited Stockholm twice monthly in his capacity of German courier. He is stated to be the principal figure in the German Government's sale of Dutch diamonds in Sweden and brought the stones with him in the diplomatic pouch on direct orders of the Nazi Government.

Once a deposit was made in a Swiss bank in Swiss francs, the Germans found it rather easy to make transfers to the Western

Hemisphere by transferring a Swiss franc balance to the account of an Argentine bank, or by acquiring a peso balance with an Argentine bank through the sale of Swiss francs. Then transfers could be made to banks in other Latin-American countries and in the U. S. from the Argentine Bank. Since these accounts were usually cloaked, the protection afforded the real German owner was indeed great.

In addition, the neutrals have offered the Germans another opportunity for obtaining foreign exchange. Subsidiaries of German firms that are located in the neutrals by the use of cloaks have been able to ship goods, mainly chemicals and pharmaceuticals, to business associates in the Western Hemisphere, thereby acquiring an asset in a Latin American country at war with Germany. Cases have been observed of goods of German origin being shipped to neutral countries where they are disguised as neutral goods and reshipped to the Western Hemisphere.

Looted art in the neutral countries as a special problem.—The salvage of European art treasures is an urgent problem, with two main aspects. The first deals with the actual preservation of such treasures for their intrinsic cultural and artistic value. The second deals with their recovery and restitution to their legitimate owners, since they constitute a financial asset in the hands of the enemy.

Allied committees were set up for the protection and sheltering of monuments and objects of art in liberated areas. They worked in close cooperation with the armed and air forces to spare and salvage art treasures in battle areas, or near military objectives in occupied territories. They are said to have accomplished an excellent first-aid task. We are concerned with the other phase of the problem: recovery and restitution of looted art treasures which are of economic value to the enemy, who may attempt to dispose of them in neutral countries, and thus accumulate foreign funds and securities which might escape Allied control.

The financial value to the enemy of looted property, including objects of art, was recognized by the 44 nations assembled at the United Nations Monetary and Financial Conference at Bretton Woods, July 1, 1944, when they especially included looted art objects in Resolution VI. The task which the United Nations have taken upon themselves involves:

- (1) Listing and identification of art treasures looted by the Nazis;
- (2) Establishing of claims by the rightful owners, with positive proofs or affidavits of previous ownership; and
- (3) Settlement of litigation arising from the fact that intermediary owners may have purchased looted property from cloaks, unaware that such dealers were fences for the Nazis.

Art treasures in national collections are on record, and it will be comparatively easy to establish a descriptive list of masterpieces missing from famous museums and art galleries. These cannot readily be put on the market and the nations' rights to claim back the works stolen from them is unquestionable. This difficulty of disposal is also true of some of the more renowned private collections, often as important and valuable as the national ones. The Rothschild collections in France, for instance, were estimated, before the war, at several tens of millions of dollars,

Works of art from small private collections, and works by less famous artists, or less well-known creations by great masters may

find a more ready market. Even more difficult to trace will be sin but relatively valuable objects of art, privately owned and not p of a catalogued collection; small statutory, tapestries, rare pieces furniture, modern paintings, and innumerable other objects of inter to art dealers and collectors.

To trace stolen art, and to stop Nazi flight of capital in the form art treasures, the most imperative need seems to be the compiling an official list of objects of art already known to have been loot Without such a list no concerted action can be taken to prevent sus cious deals in works of art, and to instigate an investigation of principals involved.

The Nazi policy in regard to the looting of art pieces was a lo range one and part of the plan envisaged in case of defeat. Tl realized the importance of securing for themselves stable fore currency and the greatest possible financial power abroad. I alarmed by economic crises throughout the world, they must have that works of art are negotiable assets, that they represent sta international value, and are a safe investment. This long-ra planning will increase the task of identification and eventual recov of looted art.

The best documented case of looted art is that of Alois Miede German national said to be a close friend of Herman Goering and be acting as his personal representative. Miedel's activities in art field apparently centered in occupied Holland. After the oc pation of Holland by the Nazis in 1940, he became owner of Goudstikker Galleries in Amsterdam, and is reported to have bou other Dutch collections, with the first choice of paintings always go to Goering. His acquisitions included primitives as well as painti by later artists. He paid for his purchases with German ma "pumped" into Dutch, Belgium, and French circulation or w "occupation guilders." Other works of art were seized outright Jewish property. There is good reason to believe that any Du collector who sold to Miedel did so under duress, and is entitled to cl the restitution of valuable objects thus extorted from him. Follow the advance of the Allies into enemy-occupied territory, Miedel sou a market for his art loot in neutral countries, presumably for his c account and Goering's.

Miedel took part of his loot to Spain and deposited a number valuable pictures in the free port at Bilbao, among them work Rembrandt, Van Dyck, Rubens, Jan Steen, and Cranach. Prado Museum in Madrid was said to have offered two million pese for one of these paintings. These paintings may be only a small p of the looted art brought into Spain from occupied territory by Mie acting as Goering's representative, as there is reportedly in existe a catalogue of some two hundred paintings imported into Spain fr France. Most of these paintings were valued at sums ranging fr 100,000 to 400,000 pesetas, and five or six were of even greater val

Other instances of looted art objects are on record. In Septem 1944 the American Embassy in Stockholm reported that stolen objects belonging to the Italian Government were finding their v to Sweden. In Switzerland an art gallery was selling works of looted from France by the Nazis. The gallery continued to b convenient depository for stolen art pieces. There has been a gr volume of correspondence exchanged between art dealers or tl agents in the United States and their representatives in Latin Amer.

However, there is no conclusive proof that looted art is involved. On the other hand, there is ample ground for believing that many of the art objects appearing in the South American market are tainted.

3. THE VOLUME OF GERMAN ASSETS ABROAD

General estimates.

Germany's foreign investments prior to World War I were estimated at about \$12,500,000,000. Two-thirds of this total was distributed over Europe. About two-thirds comprised holdings of foreign securities, and one-third direct investments in private enterprises. After the war, most of Germany's foreign investments were liquidated or transferred in compliance with the terms of the Treaty of Versailles. By 1927 only \$1,500,000,000 of the pre-war investments remained. But between 1919 and 1928 new capital investments were made abroad so that the total may have reached about \$2,500,000,000. The old investments consisted mainly of farm lands in South America and real estate and commercial enterprises in Central and Southeast Europe. The new investments consisted mainly of bank balances, accumulated profits, industrial plants, and interests in financial institutions.

No totals are available for the individual countries before the war except for Argentina. In 1938 German fixed capital investments in Argentina were said to amount to \$38,000,000, but this figure does not include short-term assets. Since that date large amounts of capital are known to have been transferred to Argentina. Efforts made by the Department of Commerce before the war to obtain official figures from Germany on foreign investments were unsuccessful.

A preliminary detailed study of German assets outside Germany proper, excluding U. S., U. K., Canada, and Italy, indicates, as of April 30, 1945, an estimated minimum value of \$1.5 billion. This includes approximately \$850 million for the countries in Section I below (Sweden, Switzerland, Spain, Portugal, and Argentina), \$50 million for Section II (Turkey), and \$600 million for Section III (other countries). Little definite information is available for the countries in Section III, which covers other countries having possible German assets and includes all Latin-American republics except Argentina, liberated countries or countries about to be liberated, the Balkans, and the countries of the Middle East. The estimate for Section III comprises only a minor part of German penetration in these countries.

Assumptions and method of calculation.

All figures given in the report are estimated at a minimum, and, as investigations proceed, estimates will be greatly increased, possibly doubled; for obvious reasons the increase will occur mainly in Sections I and II, and in Italy, which in the future will be included in Section III. In this Section, additional figures may become available for the Western and Northern European liberated countries. The possibility of obtaining extensive and precise information regarding the Eastern European liberated countries seems slight. In any case, the liberated areas would have first claim for their own reparations on German assets in their territory. Moreover, the political status of Italy and Austria and of the satellite countries of Bulgaria, Hungary, and Rumania is subject to considerable change. It is possible that a future report will include their assets abroad as well as German assets in those countries.

Operating enterprises make up a large part of the assets listed in this report, and, should a part of these enterprises be liquidated, their activities reduced, their estimated value would be decreased. Any increase from newly found assets would probably be partially offset by this reduction.

Estimates of German assets in the U. S. and U. K. will probably remain unchanged. The amount of German assets frozen in U. S. is \$340 million. German assets in the liberated areas rapidly become nationalized.

In the clearing accounts Sweden and Turkey owe Germany \$3 million and \$15.7 million, respectively; the latter figure is contained by the Turks. Germany is indebted to Switzerland to the amount of \$232.1 million; to Spain, \$25.4 million; and to Portugal, \$2.4 million. Estimated investments in Germany by Sweden, Switzerland, Spain approximate \$625 million.

The above-mentioned statement on German assets in other countries comes from the following table which not only includes German assets but also the investments and clearing positions of these countries with Germany. After the table, the data of this preliminary estimate of German assets outside Germany proper are given in detail.

Table of German assets in certain countries, and the investments and clearing positions of these countries with Germany

Section I. Neutral countries:

	German assets	Investments in Germany	Clearing debt
	<i>Million dollars</i>	<i>Million dollars</i>	<i>Million dollars</i>
Total minimum estimate.....	1,500.0		
A. Sweden.....	76.1		
German investments in Sweden.....	57.7		
(This figure does not include German-owned bank balances or assets concealed by Swedish cloaks and other devices.)			
Sweden's clearing debt to Germany.....	16.7		
German reichsbank account in Sweden.....	1.7		
Swedish investments in Germany.....		178.5	
B. Switzerland:			
Bank deposits (cash and securities).....	250.0		
Direct investments (commercial and industrial).....	50.0	300	
Germany's clearing debt to Switzerland.....			
Swiss investments in Germany and pre-war loans to Germany.....		445.0	
Liechtenstein. (It is suspected that large amounts of German capital are invested in Liechtenstein. These operations, however, were secret until the decree of February 1945, and no information on which to base an estimate of German penetration is available.)			
C. Spain.....	222.0		
(Estimated assets).....	200.0		
Spanish civil war debt to Germany ¹	22.0		
Spanish bank loans to Germany.....		1.8	
Germany's clearing debt to Spain.....			
D. Portugal:			
(This is the mean figure for estimates between \$17.5 and \$35 million).....	27.0		
German bank credits in Portugal ²	3.2		
Germany's clearing debt to Portugal.....			
E. Argentina.....	200.0		
(This estimate includes both hidden and open German assets in Argentina.)			

¹ This figure is based on a Spanish offer to pay on a reduced scale. Some Spanish officials contest remaining obligation on legal grounds.

² Current official rate—1 reichsmark = U. S. \$0.399. Since the establishment of the AMG (Allied Military Government) in Germany, the rate has been fixed at 1 reichsmark = U. S. \$0.10. If this conversion were to be used, it would decrease considerably the above figures.

³ A fairly reliable source has, in 1945, roughly estimated German assets in Portugal to be about \$45 million. They state, however, that a more accurate estimate will be submitted later.

	<i>German assets</i>	<i>Millio dollar</i>
Section II:		
Turkey (approximately).....		30.
(This estimate covers assets on which data are available. There are many assets on which no estimate has been made because of lack of data.)		
Estimated assets.....		33.
Turkey's clearing debt to Germany.....		15.
Section III. All other countries:		
A. Latin-American Republics (excluding Argentina).....		250.
(This is a conservative estimate and does not include holdings controlled by naturalized Germans or cloaks which have made possible a continuity of operations for German interests.)		
B. Liberated countries:		
Western European:		
1. Holland and Belgium: (It is impossible to estimate in terms of dollars the influx of capital from Germany into these countries because, with the invasion of the continental countries, the Nazis assumed complete control over all properties. What amount of German capital will remain after the evacuation of the Germans is not determinable at present.)		
2. France: (After the extension of German occupation to all of France in November 1942 Germany came very close to absolute control over French economy, but it is impossible to give an estimate of direct or indirect penetration in terms of dollars.)		
Alsace-Lorraine: (No estimate given. German economic and financial penetration into Alsace-Lorraine does not parallel Nazi infiltration into the rest of France, as these two Provinces were completely incorporated in the German monetary and banking organization.)		
3. Luxemburg: (No estimate given. Incorporation of the Grand Duchy of Luxemburg into the German Reich on August 30, 1942, completed the process of Nazi economic and financial penetration.)		
4. Norway.....		10.
(This figure is an estimate of known German investments in Norway. If investments for which figures are not available could be included, the amount would undoubtedly be considerably higher.)		
Eastern European:		
1. Hungary: (Germany controlled \$229,509,340 of the assets of the most important commercial banks in 1941. This was prior to the period of greatest German participation.)		
2. Bulgaria: (Germany controlled \$22,524,000 assets in the commercial banks in 1940 before the period of greatest German participation.)		
3. Rumania: (German penetration of industry and banking amounted to about 1/4 of its total. Because of the inflation of the Rumanian currency, it is difficult to make a dollar estimate of German assets there, which at any rate surpass \$23 million.)		
4. Serbia: (German participation in enterprises was \$45 million of the total capacity. There was a complete penetration of the State by Germany. This does not cover the period of greatest infiltration.)		
5. Croatia: (German participation in enterprises was \$35 million of the total capital. State-owned property and other enterprises were controlled but not owned by the Germans. This does not cover the period of greatest German participation.)		

German assets—Continued

Section III. All other countries—Continued.

C. Other countries:

1. Egypt: (No estimate given. Principal German penetration in the Middle East has been in commercial trading and espionage. A number of French-held shares in the Suez Canal Company have changed hands during the war. The Germans acquired some during their occupation of France, and the USSR purchased some.)

2. Levant States:

Syria and Lebanon: (No estimate given. All known enemy assets have been sequestered. German funds for intelligence operations have been transferred to Syria.)

Section I. Tentative break-down of German assets in certain countries and the investments and clearing positions of these countries with Germany.

German assets in Sweden.

(Official exchange rate: 1 krona = U. S. \$0.238)

German capital invested in Sweden is estimated at a minimum of 242,422,000 kronor (\$57.7 million), which does not include German-owned bank balances or assets concealed by Swedish cloaking and other methods. Sweden's clearing debt to Germany, as of February 1945, was about 70 million kronor (\$16.7 million). The German Reichsbank has an account in Sweden amounting to 7 million kronor (\$1.7 million). Swedish investments in Germany, however, are reported to be 750 million kronor (\$178.5 million).

The estimate of German assets in Sweden is based on five considerations: (1) The payments made by Sweden into the clearing and itemized as interest on German assets in Sweden; (2) commissions, license fees, and patent rights paid by Sweden to Germany; (3) a preliminary study of the known German subsidiaries and direct investments in Sweden; (4) an estimated value of ships built and being built in Swedish shipyards on the order of firms wholly or in part controlled by German interests; and (5) accumulations of capital by schemes evolved to conceal German ownership and evade Swedish regulations.

1. *Interest on German assets in Sweden.*—Payment made by Sweden into the Swedish-German clearing and itemized as interest on German assets, which consist mainly of corporate shares, amounted to 1.7 million kronor (\$404,600) and represents a capital investment of probably 34 million kronor (\$8.1 million).

2. *Commissions and patent rights.*—Sweden paid 13 million kronor (\$3.1 million) into the Swedish-German clearing in 1942 for commissions, license fees, and patent rights.

3. *German subsidiaries—Commercial and mercantile enterprises.*—Between 150 and 200 Swedish firms operate on capital wholly or in part supplied by Germans or German firms. Their total capitalization approximates 80 million kronor (\$19 million).

Mining.—There are 11 German-owned mines in Central Sweden with a capitalization of about 20.48 million kronor (\$4.9 million). All these mining companies are owned directly, or indirectly through Swedish companies, by large German steel firms such as Roehlingsche Eisen and Stahlwerke G.m.b.H., Voeklingen, Saar; Hosch, Dortmund; Fried. Krupp, Essen; Gutehoffnungshutte A. G., Oberhausen; and Vereinigte Stahlwerke, Dusseldorf. Their annual production of more

than one million metric tons, worth about 18 million kronor (\$4.3 million), was exported to Germany.

A portion of Swedish opinion has objected for some time to foreign ownership of Swedish mines. Iron ore mining in Central Sweden is, however, relatively unimportant as compared with that in Northern Sweden, and agitation for Swedish ownership has not progressed.

Steel.—Members of the German Steel Cartel, such as Vereinigte Stahlwerke, Mannesmann, Krupp, Gutehoffnungshutte, and Stahlunion, own related enterprises incorporated in Sweden with combined capital of 6,690,000 kronor (\$1.6 million).

Coal and coke.—The importation, handling, and transportation of coal and coke are almost a projection of Germany's coal industry. Capitalization of the firms having open connections with Germany is 1,252,000 kronor (\$297,976) while ramifications of the Appelquist concerns add 7 million kronor (\$1.7 million) of which there is a large but undetermined amount of capital originating from Hugo Stinnes and his Dutch and Danish companies.

4. *Shipbuilding.*—Swedish companies controlled wholly or in part by German interests have a total capitalization amounting to approximately 37.8 million kronor (\$9 million).

Twelve vessels totaling 20,614 G. R. T. had been delivered to these companies in June 1944. Twenty-six vessels totaling 84,820 G. R. T. were being built for delivery at a future date to those and other German-controlled firms. The estimated value of these ships is between 80 and 90 million kronor (\$19 to \$21 million). This does not include the 80,000 D. W. T. for which Sweden was under contract with Germany in 1941 and which, in the main, was not delivered.

5. *Evasion of regulations.*—German economic penetration of Sweden has proceeded despite the body of Swedish corporation law which was enacted to limit foreign investments. The law was made applicable to those industries connected with the social welfare of the country, such as mining, waterpower, timberlands, and shipping. Foreign capital, however, has invaded the mining and shipping industries, but, since the law does not apply to general mercantile and commercial ventures, German capital has penetrated Sweden to a larger extent in that type of enterprise.

Recent flight of capital has been concealed by Swedish cloaks, by means of increased recapitalizations of Swedish firms, by expansion of credit by German manufacturers even to postponing payment until after the war, by the two-price system of imports, and to a limited extent by stock-piling. It has been estimated that 60 percent of Germany's 1944 exports of consumer goods were made to acquire credit in Swedish currency for investment. It is at present impossible to estimate the value of concealed capital. Important Swedish banks have been pressing the Swedish Government for a comprehensive census to determine the amount of camouflaged enemy assets and concealed bank balances. Sweden recently promised the United States and United Kingdom to make such a census.

Looted art.—(See Looted Art, Sweden.)

Status of German assets.—According to Foreign Exchange Regulations published by the Riksbank on October 30, 1944, imports as well as exports of currency cannot take place without the special permission of the Riksbank. Foreigners' accounts are to be "frozen," with various exceptions and special regulations for citizens of various countries.

German assets in Switzerland.

(Official exchange rate: 1 Swiss franc=U. S. \$0.232)

Switzerland, because of her highly developed financial and banking system and because of her proximity to and dependence on Germany has been a major field for German finance manipulation and industrial development. German investments in Switzerland calculated according to nominal capital are estimated at \$100 million. German assets cannot be accurately estimated at present, but they represent a substantial increase over this figure, totalling approximately \$1 billion, of which bank deposits (cash and securities) would amount to about \$250 million, and direct investments (commercial and industrial) would be about \$50 million. In the German-Swiss clearing Germany's debt is about 1,000 million Swiss francs (\$232.1 million). Swiss investments in Germany and pre-war loans to Germany are estimated at \$445 million.

Banking.—Only two German banks, Roehling & Co. and Barmen & Cie., are in operation. The Swiss banks, however, have served as international bankers for German financial and industrial firms. Since the war Swiss banks purchased several hundred million dollars of German gold, thus providing Germany with free Swiss francs. The banks have also actively assisted German trade espionage by making foreign exchange of other countries available to the Reich. Johann Wehrli and Company, a private bank in Zurich, Switzerland, maintains in Argentina secret numbered accounts owned by Germans. The possibility of large deposits in Swiss banks for enemy leaders could not be investigated because of the Swiss banking secrecy act effective until February 17, 1945.

Industry.—German penetration into Swiss industry for evasion, or "safe haven" purposes has been accomplished principally through the establishment in Switzerland of subsidiary companies of powerful German firms. Over half of the total German capital in Switzerland is invested in holding companies for the I. G. Farben, Merck, Siemens, Osram, and Henkel companies. The largest investments are in chemicals and drugs and in electric power and equipment.

Capitalization of chemical and drug firms under German control is approximately \$45 million. I. G. Farben, through its holding companies, I. G. Chemie, Industrie Bank, and Igepha, and through major subsidiaries I. G. der Stickstoff Industrie and I. G. fuer Chemische Unternehmungen, controls approximately \$42 million in capitalization. The Merck and Henkel drug and pharmaceutical companies have Swiss subsidiaries and holding companies capitalized at \$10 million.

The capital holdings in electric power and equipment aggregating \$12 million are controlled by such prominent German firms as Siemens, Osram, Lorenz, Bosch, and Preussische Elektrizitaets, A. G.

Looted art.—(See Looted art, Switzerland.)

Domestic regulations on German holdings in Switzerland.—By decision of the Swiss Federal Council on February 17, 1945, all German investments in Switzerland and the principality of Liechtenstein were blocked. It requires that all financial transactions between Swiss and German persons and institutions be handled through the Swiss National Bank and thereby supersedes the Swiss Bankers Association Regulations Act of September 17, 1944, which sought to restrict legitimate

banking activities of all Swiss banks with the enemy. The 1945 decree virtually rescinds the Swiss Banking Act of November 8, 1934, which allowed secret accounts to be maintained, thus preventing the examination of bank records to ascertain German holdings.

Liechtenstein.

Very little information is available concerning German penetration in Liechtenstein. It was incorporated into the Swiss customs territory in 1923, and its foreign interests are represented by Switzerland.

It is estimated that there have been large German investments in Liechtenstein. This country has practically no taxes, and large international corporations can establish headquarters there and pay nominal taxes for this privilege, thereby escaping the taxes in their own countries. The largest German penetration has probably occurred through holding companies.

The Swiss Federal Council on February 17, 1945, enacted a decree which blocked all German holdings in Switzerland and Liechtenstein. This should facilitate the determination of German penetration in Liechtenstein.

German assets in Spain.

(Official exchange rate: 1 peseta = U. S. \$0.091; 1941 exchange rate: 1 free reichsmark = \$0.399)¹

An estimate of total German holdings in Spain, both open and cloaked, based on a preliminary survey, places the figure at between 1 and 2 billion pesetas (\$100 million and \$200 million). The official German procurement and development organization in Spain, Soc. Financiera Industrial Ltda. (SOFINDUS), controls assets of about \$50 million.

As of April 1945, Spain owed Germany on its civil war debt a remainder of \$22 million. This figure is the result after payments had been made on a reduced principal of the German claim and after offsetting Spain's claim for her expenditure for the Blue Division on the Russian front. Some Spanish officials contest the remaining obligation on legal grounds.

Under the German-Spanish clearing about \$25.4 million is owed to Spain. Spanish bank bans to Germany are estimated at 20 million pesetas (\$1.8 million).

German economic penetration in Spain has increased since the Nazis came into power in 1933. In order to wage total war, the Nazis must import products like foodstuffs, iron ore, ferro-alloys, etc., and, to assure a continuing supply, the Germans in Spain have obtained an economic interest in the production and marketing of these products. German infiltration has been strongest in industries which require high technical skills.

Banking.—There are two German-owned banks in Spain. The Banco Aleman Transatlantico, the Spanish branch of the Deutsche Uberseische Banks, is one of the most important banks in Spain and has a large clientele among German businessmen. The Banco Germanico de la America del Sur, S. A., formed by the Deutsche-Sudamerikanische Bank A. G. of Berlin in 1941, ranked 49th among Spanish banks in total paid-in capital and reserves and had total assets of considerably more than 88 million pesetas (\$8 million).

¹ Since the establishment of the AMG (Allied Military Government) in Germany, the rate has been fixed at 1 reichsmark = U. S. \$0.10. If this conversion rate were to be used, it would decrease considerably the above figures.

Insurance.—Ten German insurance companies are registered with the Spanish Director General of Insurance with total assets amounting to about \$7 million and total premiums in 1943 amounting to 10 million pesetas (\$3 million).

Chemicals and pharmaceuticals.—In almost all sections of the Spanish chemical and pharmaceutical industry there is some evidence of control by I. G. Farbenindustrie, the most powerful foreign influence in this field. It controls a number of Spanish firms directly or through Unicolor S. A. I. G. Farben owns 51% of the stock in Sociedad Electro-Química de Flix which is capitalized at 6.6 million pesetas (\$600,000). The manufacturing processes of this company are under license from I. G. Farben, and a number of Germans are employed in the firm although the management is mainly in the hands of Spaniards. Química Comercial y Farmacéutica, S. A., a subsidiary of I. G. Farben, capitalized at 3.3 million pesetas (\$300,000), distributes Bayer medical products in Spain. Unicolor S. A., which is practically owned by I. G. Farben, is capitalized at 4 million pesetas (\$360,000). It represents 16 German firms and has interlocking directorates with several large Spanish chemical companies. Through stock participation, Unicolor has large interests in other companies. Another firm Union Química del Norte de España, with a subscribed capital of 6.6 million pesetas (\$600,000) operates under patents licensed by I. G. Farben.

Mining and minerals.—The most influential German firm in Spain dealing with minerals and metals is Lipperheide and Guzman S. A. (now known as Industrias Reunidas Minero Metalúrgicas S. A.) whose widespread holdings include mines, smelters, and transportation facilities. In 1942 the capital of this firm was increased from 10 million pesetas (\$200,000) to 22.2 million pesetas (\$2 million). Lipperheide and Guzman own an interest in or is closely allied with mineral and chemical companies in Spain and control assets of about \$20 million.

Machinery and electrical equipment.—The Germans are deeply entrenched in the machinery and electrical equipment business in Spain. The capital of 14 Spanish subsidiaries of German companies in this field amounts to \$4.6 million.

Trade and industry.—The official German trading company in Spain, Sociedad Financiera Industrial Ltda. (SOFINDUS), which is controlled by Rowak G.m.b.H., has strong interests in agriculture. Through Agro S. A. and Productas Agrícolas S. A., the latter capitalized at 2.5 million pesetas (\$225,000), SOFINDUS maintains an active interest in Spanish agricultural products. In October 1944 the Seville branch of Productas Agrícolas S. A. was planning to stockpile essential oils in Spain for future German use.

The Spanish photographic industry relies heavily on German supplies. The nominally Spanish firm of Negra y Tort, for example, produces photographic paper by "Agfa" processes which is sold through "Agfa" itself. There are German photographic and optical firms represented in Barcelona, Bilbao, and Madrid by Carlos B. Lucas, an active Nazi.

The printing house of Blass S. A. has acted as printer to the German Embassy and as a propaganda agent in Spain. Its capital is 600 million pesetas (\$54,000). Recently the German flour and soup-paste manufacturer, Mawick & Cia. Ltda. of Tetuan, purchased for about 2 mil-

pesetas (\$180,000) the printing establishment of Francisco Erola. Apparently it was intended to initiate a large-scale propaganda campaign, for Max Wiedemann, Chief of the Propaganda Section of the German Consulate at Tangier, seems to have been chosen to head the project. The ejection of the Germans by the Spaniards, however, probably ended this venture, although the property still belongs to Mawick.

Neumaticos-Continental S. A., German tire importers, was capitalized at 3 million pesetas (\$271,000).

General and commission merchants.—There are numerous German general and commission merchants who maintain extremely close ties with the fatherland. Tricontinenta, S. A., is a branch of Amerex of Prague, Vienna, and Berlin and deals in tin, wire, resin, turpentine, and olive oil. It has a paid-in capital of 1 million pesetas (\$90,000).

The most important German firm in Spanish Guinea is W. A. Moritz & Co., importers and exporters, capitalized at 1 million pesetas (\$90,000). August Dobler, a German national, has amassed a fortune estimated at 1 million pesetas (\$90,000) through engaging in the fruit trade. Ernesto H. Bracker, who imports motorcar accessories and acts as a general agent, has done a fairly substantial business with a turn-over of 1.5 million pesetas (\$135,000) in 1941. Other German organizations of some size are Empresa S. A., Dekage Colonial Cia., and Einhart & Co.

Shipping.—Forwarding and shipping agents concerned with trade between Germany and Spain are usually concerns with German interests. Baquera, Kusche y Martin S.A. (Bakumar) is entirely German-owned and in reality a subsidiary of Robert Sloman, Jr., of Hamburg. Its capital is estimated to be between 500,000 and 1 million pesetas (\$45,000 and \$90,000). This company also holds 40 percent of the stock of Deposito Espanol de Carbones, S. A., another coal depot for ships. A. Paukner is a shipping agent in Tenerife and also Gestapo chief there, an example of the union of business and Nazi pressures.

Looted art.—(See Looted art, p. —.)

Status of control of German assets.—Until recently the Spanish Government took no action to block German funds in Spain. (See p. 63 for the United States-Spain agreement on safe haven.)

German assets in Portugal.

(Official exchange rate: 1 escudo = U. S. \$0.04)

The American Embassy in Lisbon, on April 27, 1945, roughly estimated German assets in Portugal to be about \$45 million. They state, however, that a more accurate estimate will be submitted later. German assets in Portugal, based on data available in Washington, total between \$17.5 million and \$35 million. Germany's clearing debt to Portugal is approximately 6 million RM (\$600,000). Germany has bank credits in Portugal of 81 million escudos (\$3.2 million). Recently there has been a noticeable shift from investment in the mining industry to real property in the cities, cloaked ownership in Portuguese firms, and even large-scale purchases of cinemas.

Banks.—There are no German or German-controlled banks in Portugal.

Insurance.—Seguradora Internacional Ltda., a branch of Mannheimer Versicherungsgesellschaft of Mannheim, Germany, and capi-

talized at 200,000 escudos (\$8,000) is the only German-owned insurance company in Portugal.

Chemicals and pharmaceuticals.—I. G. Farbenindustrie has large interests in Portugal. Its pharmaceutical specialties have been sold through Bayer Ltda., which maintains offices in Lisbon, Oporto, and its other products through Anilinas Ltda. Schering, S. and Cuimico Farmaceutica Ltda., the latter owned by E. Merck, Darmstadt, both have distributed in Portugal the products of German parent companies.

Mining and metals.—Most German mining interests center at the Minero Silvicola, Ltda., which has been financially backed by SOFINDUS, the official German purchasing agent in Portugal, who also has done a great deal of business in Spain. The Minero Silvicola group includes five other mining companies under direct German control and four other affiliates. The total German investment in the mining industry is estimated at \$4 million.

Machinery and electrical equipment.—The most important German electrical manufacturer in Portugal is Siemens Companhia de Electricidade S. A. R. L., a branch of the Siemens group, capitalized at 3 million escudos (\$208,000). Siemens Reiniger S. A. R. L. was formed in 1934 with a capital of 100,000 escudos (\$4,000). A. E. G. Lusa de Electricidade, a subsidiary of the German firm, has a capital of 1 million escudos (\$80,000).

General traders and commission merchants.—The official German purchasing agency in Portugal has been Soc. Financiera Industrial Ltda. (SOFINDUS) whose capital is listed at 3 million escudos (\$120,000). Of this amount, Rowak G. m. b. H. of Berlin holds 1 million escudos (\$119,204). This organization has purchased Portuguese products for the Germans and has coordinated the operations of various German firms in Portugal. The rice milling firm of Arrozeira Mercantil is controlled by Germans who hold \$66,400 of the capital. The Germans have a number of important companies engaged in general trade. There are many German merchants established in Portugal who carry on substantial businesses in special lines. Although figures on the capital of all these companies are not available, existing statistics on a few of them give a capitalization of \$186,000.

Miscellaneous.—There are several German firms active in the insurance business. Available figures on German capital in this field amount to \$80,000. The largest German cork dealer in Portugal is Greiner Ltda., a branch of C. A. Greiner & Sohne, located near Stuttgart. A partial listing of other investments reaches \$305,100.

Looted art.—(See Looted art, p. —.)

Status of control of German assets.—The Portuguese Government finally interfered with German financial activities in Portugal in the spring.

German assets in Argentina.

(Official exchange rate: 1 peso = U. S. \$0.297.)

The estimated value of all German funds and investments in Argentina is \$200 million. Total capital, reserves, and cumulative profit for the seventy-one important German firms in Argentina amount to approximately \$46 million. Nineteen of the largest firms within this group have total assets of 47 million dollars. It is

therefore, be assumed that total assets of the German corporate structure in Argentina considerable exceed \$100 million.

Exact estimates of personal assets are by their very nature most difficult to make. There are indications that bank accounts, securities, holding companies, and miscellaneous personal property represent a minimum of \$50 million.

Banking.—German financial activities in Argentina have centered around two large banks, Banco Aleman Transatlantico and Banco Germanico de la America del Sud, whose total capital, reserves, and cumulative profits approximate \$4.5 million. Deposits reach \$17 million.

Holding companies.—Holding companies were organized in 1939 by Johann Wehrli & Company of Zurich, Switzerland. These companies maintain secret numbered accounts that are owned by Germans. The evidence shows that other accounts ostensibly held for citizens of neutral countries actually cloak German interests.

Insurance.—German insurance firms in Argentina are spearheaded by El Fenix Sudamericano Cia. de Reaseguros, S. A., which is an affiliate of the Munich Reinsurance Company through its subsidiary, Union, Cia. de Reaseguros de Zurich. El Fenix is one of the principal reinsurers of all South American business. Tightly drawn contractual agreements link German insurance companies with their Argentine affiliates.

Metallurgy.—German capital, technicians, and financiers have been heavily involved in the Argentine government program to expand the armaments industry. Investments of Fritz Mandl, dangerous pro-Nazi, in the armaments industry are estimated at \$15 million. Total assets of the two largest German firms, Thyssen-Lametal S. A., Industrial y Mercantil, and La Sociudad Tubos Mannesmann, are \$14 million.

Electrical goods.—Total assets in electrical goods subsidiaries in Argentina are approximately \$14 million. These firms represent leading German electrical organizations such as Siemens, A. E. G., Robert Bosch, and Osram.

Construction.—Total assets of the six large German construction companies are approximately \$6 million. These companies have received large government contracts. Their officials include many ardent Nazis who wield both government and press influence.

Other.—Other important fields of German economic penetration are chemical and pharmaceutical, export and import, and real estate. Leading German firms are well represented.

Looted art.—(See Looted art, Latin America.)

Status of control over German Economic interests in Argentina.—Innumerable decrees have been issued in Argentina regarding the intervention of non-United Nations firms and control over the ingress of foreign capital. Until interventors show signs of more positive and aggressive action, however, these decrees must be looked upon as mere "window dressing."

Section 11.

German assets in Turkey.

(Official exchange rate: 1 lira=approximately U. S. \$0.77)

It is estimated that German assets in Turkey total about \$30 million. Other German assets representing an important part of the

Turkish economy exist, but no pertinent data are available which to base an over-all estimate. The Turkish-German clearing account, as of December 20, 1944, was £T20.4 million (\$15.7 million) in favor of the German Government.

Banking.—There are two branches of German banks in Turkey, the Deutsche Bank and the Deutsche Orient Bank. These are capitalized at £T1 million and £T1.5 million (\$770,000 and \$1,155,000), respectively. Total assets of the Deutsche Bank, Istanbul, on December 31, 1942, were £T12.9 million (\$9.9 million) and of the Deutsche Orient Bank £T15.9 million (\$12.2 million). These include known holdings, in the form of bonds, cash, gold, bank deposits, foreign exchange, etc., of various German firms and individuals \$4.4 million.

Insurance.—Six German insurance companies have branches in Turkey. Their investments and real property are unknown. Their estimated liquid assets, consisting of balances from premiums for the expired portion of all risks, cash on hand, cash in bank elsewhere, and income from interests and investments, are approximately \$289,000 (between \$192,000 and \$385,000). This figure is in addition to their total original deposit with the Turkish Government of \$423,000, which has been included in the \$4.4 million given above.

Trade and industry.—More than sixty German-controlled firms in Turkey are engaged in the following enterprises: Building and construction works contracting; building materials; tobacco merchandising; shipping, porting and exporting; chemicals and pharmaceuticals; ship forwarding, and transportation; machinery and electrical equipment; and commission agents. No data are available on the assets of these firms on which to make an estimate. Other than those mentioned above, there are possible German interests in more than fifty firms in Turkey, including organizations representing such German firms as I. G. Farben, Krupp, and Bayer.

Miscellaneous.—Real estate, machines, stocks of tobacco and other products, mortgages, furniture, silver, carpets, etc., belonging to various German firms and individuals total \$6.1 million.

Status of the German assets in Turkey.—Upon the severance of diplomatic relations between Turkey and Germany, Germans in Turkey were returned to the Reich or interned. They made and, it is believed, are still making arrangements with Turks for the continuity of their firms and the cloaking of their assets.

Upon instructions of the Turkish Government, the German banks and insurance companies in Turkey are reported to be in the process of liquidation. No steps have been taken, however, to block the proceeds of these liquidations or to accomplish the freezing or seizure of any other enemy assets in Turkey.

Section III.

German assets in Latin-American Republics (excluding Argentina).

The value of German assets in the Latin-American Republics other than Argentina has been estimated at \$250 million. Total direct portfolio investments in the Latin-American Republics, other than Argentina, are estimated to be \$125 million. This figure, however, does not include holdings controlled by naturalized Germans or others which have made possible a continuity of operations for German

interests. Even less specific is information concerning smuggling and capital flight to these countries. Hence, it seems conservative to estimate that the total assets subject to German control in Latin America excluding Argentina must be at least \$250 million.

A brief summary on German direct investments, leading fields of penetration, and general status of government controls is given below for each country.

Bolivia.—The value of direct and portfolio investments in Bolivia is estimated to be \$8 million. Leading fields of German penetration are merchandising, mining, and land ownership. Decrees have been issued freezing Axis funds in blocked accounts and providing for expropriation of Axis companies. (Official exchange rate: 46.46 Bolivianos=U. S. \$1.)

Brazil.—Direct and portfolio investments in Brazil are estimated to be \$40 million. German penetration has been most extensive in export-import activities, particularly of pharmaceutical products and coffee. Decrees providing for the freezing of assets and liquidation of German firms are being enforced. (Official exchange rate: 16.5 cruzeiros=U. S. \$1.)

Chile.—Direct and portfolio investments in Chile are estimated to be \$20 million. Leading fields of German penetration are pharmaceutical, machinery, tanning, and distillery industries. German banks and firms have been or are in the process of liquidation; funds are controlled in blocked accounts. (Official exchange rate: 19.7 pesos=U. S. \$1.)

Colombia.—Direct and portfolio investments in Colombia are estimated to be \$11.5 million. German penetration has been most extensive in commerce, banking, and insurance. Decrees have been issued providing for the expropriation and sale of German property. (Official exchange rate: 1.75 pesos=U. S. \$1.)

Costa Rica.—Direct and portfolio investments in Costa Rica are estimated to be \$5 million. German interests have been concerned primarily with coffee and sugar. Decrees were issued providing for the freezing of Axis funds. (Official exchange rate: 5.62 colones=U. S. \$1.)

Cuba.—Direct and portfolio investments in Cuba are estimated to be \$650,000. German penetration has been chiefly in commerce and industry. Some German properties have been nominally seized, but holdings in many cases have not been separated from their Axis owners. (Official exchange rate: 1 peso=U. S. \$1.)

Dominican Republic.—No data are available.

Ecuador.—German interests in Ecuador are primarily concerned with various agricultural commodities such as cocoa, coffee, rice, and sugarcane. Implementation of decrees empowering the government, if it so desires, to force liquidation of listed enterprises has been effected in some cases.

Guatemala.—Total value of all German assets is estimated to be \$6 million, which is invested primarily in coffee production and public utilities. German interests have been intervened by the Central Bank and expropriation decrees passed. (Official exchange rate: 1 quetzal=U. S. \$1.)

Haiti.—Direct and portfolio investments are estimated to be \$1.5 million. German interests are concentrated in commercial activities, particularly the import and export of coffee, drugs and cotton. The

bulk of German property has been liquidated. (Official exchange rate: 5 gourdes=U. S. \$1.)

Honduras.—Direct and portfolio investments are estimated at \$1.5 million. German interests particularly involve merchandise of various goods and coffee growing. Decrees have been passed for the control of the German assets. (Official exchange rate: lempiras=U. S. \$1.)

Mexico.—Direct and portfolio investments are estimated to be \$1 million. There are many small German companies engaged in miscellaneous manufacturing activities. Decrees providing for the control of German property and funds have been put into operation. (Official exchange rate: 4.86 pesos=U. S. \$1.)

Nicaragua.—German investments total approximately \$60 million and comprise primarily coffee estates. Some German property has been expropriated. (Official exchange rate 5 cordobas=U. S. \$1.)

Panama.—Investments and funds held by the Alien Property Custodian of Panama total \$1.6 million. German interests are centered in shipping, pharmaceuticals, and commercial activities. The APC in Panama has liquidated all Axis firms and placed the resulting assets in blocked accounts. (Official exchange rate: 100 balboas=U. S. \$1.)

Paraguay.—German interests are represented by utility and agricultural companies. Adherence to liquidation decrees has been particularly satisfactory. (Official exchange rate: 333.0 guaraníes=U. S. \$1.)

Peru.—Total German assets are estimated to be \$3.5 million. Fields of greatest importance are mining, pharmaceutical, hardware, and electrical appliances. Decrees have been passed providing authority for the expropriation of listed firms and individuals. (Official exchange rate: 6.50 soles=U. S. \$1.)

El Salvador.—Direct and portfolio investments are estimated at \$1.2 million and are concentrated in the coffee industry. German assets have been frozen, and a general control of German property has been instituted. (Official exchange rate: 2.5 colones=U. S. \$1.)

Uruguay.—German investments are estimated to be \$12 million and represent primarily banking and commercial interests. Decrees have been passed for the freezing of bank accounts and sequestration of Axis property in Uruguay. (Official exchange rate: 1.899 pesos=U. S. \$1.)

Venezuela.—Direct and portfolio investments are estimated at \$6.9 million. Leading fields of investment are public utilities, transportation, banking, and plantations. The most important German asset, the Venezuelan railway, was expropriated and nationalized in November 1943. Other German firms have been liquidated and assets frozen. (Official exchange rate: 3.35 bolívares=U. S. \$1.)

German assets in Holland and Belgium.

(Current exchange rate: 1 Belgian franc=approximately U. S. \$0.337, and exchange rate: 1 French franc=approximately U. S. \$0.02)

It is impossible to estimate in terms of dollars the influx of capital from Germany into the occupied territories because, with the invasion of the Continental countries, the Nazis assumed complete control over all properties of the dominated peoples. The amount of German capital in these countries which will remain there after the evacuation

of the Germans is not at present determinable. Germany's clearing debt to Belgium is estimated at 50 billion francs (\$1.7 billion).

In the occupied countries the manipulation of clearings had been a far bigger weapon of economic penetration than banking and capital activity itself. The Netherlands was unique in that customs and financial barriers between the Netherlands and Germany had been abolished, leaving the country wide open to German economic and financial penetration.

Banking.—In Belgium practically the whole German banking penetration had been accomplished by establishing new subsidiaries. Important "representations" of the big banks, so established, were: Dresdner Bank, Banque Continentale (Brussels and Antwerp); Bank der Deutschen Arbeit, Banque de l'Ouest (Brussels); Commerz Bank, Banque Hanseatique (Brussels); Deutsche Bank, maintained an agency in Brussels.

In Holland, on the other hand, German exploitation had been achieved through—

A. Maintenance and expansion of existing interests:

The Deutsche Bank, which long had an interest in the Handelsmaatschappij increased its holdings in the H. Albert de Bary & Co. to a controlling interest.

Berliner Handelsgesellschaft increased its holdings in the Hollandsche Koopmansbank.

B. Participation in existing Netherlands banks:

Bank der Deutschen Luftfahrt (aviation bank in Germany) acquired all shares in N. V. Hollandsche Buitenland Bank.

The Germans have secured holdings in Rodius Koenigs Handel Maatschappij.

C. Creation of new establishments:

German banks have established new subsidiaries in Holland Commerz Bank—Rijnsche Handelsbank.

Dresdner Bank—Handelstrust West N. V.

Bank der Deutschen Arbeit—Bank voor Nederlandsche Arbeid N. V.

In Holland the Germans have made little attempt to penetrate the old established "big banks." This has been true because the situation in Holland differed radically from that in central and eastern Europe, where the commercial banks controlled industry.

Insurance.—In Belgium, the Germans have penetrated the life, industrial, and reinsurance business formerly controlled by the British.

There is no information available yet as to action taken by the domestic government with regard to German assets.

Industry.—In both Holland and Belgium the inflow of German capital has been indicated by the active purchasing by the Germans of interests in strategic industries. Majority control of these vital industries has been obtained by (a) buying their shares (Dutch shares) on the stock exchange, (b) by a special issue of the company, and (c) the most frequently used method, acquiring new shares which have been floated through the Deutsche Bank in Germany. In the last-named manner, the N. V. Koninklijke Nederlandsche Hoogovens en Staatfabrieken of IJmuiden came under control of the German Vereinigte Stahlwerke, A. K. U.; the leading artificial silk company of

Holland came even more under control of the Deutsche Bank and Dutch engineering concern, Werkspoor, came under the Rheinm Borsig Co.

In Belgium, among the industries encroached upon by the Ger were the electrical, chemical, pharmaceutical, coal, steel, agricul and mining machinery, optical apparatus, and building indus Several German firms recently increased their capital. Persil long to the Henkel Co. of Düsseldorf) increased its capital 10 million to 20 million Belgian francs (\$337-674 thousand) Siemens from 1 million to 6 million francs (\$34-202 thousand) subsidiary of Krupp (Essen) has been established at Brussels w capital of 125 million francs (\$4.2 million).

Looted art.—(See Looted art, Belgium and Holland.)

Status of German assets.—There is no information available yet action taken by the domestic governments with regard to Ge assets.

German assets in France.

(Current exchange rate: 1 French franc=approximately \$0.02.)

After the extension of German occupation to all of France in vember 1942, Germany came very close to absolute control French economy, but we cannot give an estimate of direct or inc penetration in terms of dollars. It should also be noted that ce French Fascist-minded industrialists and bankers had been se as collaborators and cloaks for German interests prior to the w that present estimates of financial and economic penetration r fall short of the mark. More intricate still is the interlockin French-German interests in vast international cartels and local t

Banking.—After the Armistice there was a complete reorganiz of the French banking system by the Vichy Government, e directly under German pressure or indirectly by copying Ge methods. This led eventually to complete German control French banking although we have no figures on direct Ge penetration. One German bank, the Aero Banque S. A., was s in Paris with a capital of 200 million francs (\$4 million), an aff of the Bank der Deutschen Luftfahrt. On June 30, 1942, the dep of this bank exceeded 1 billion francs, presumably representing 1 of German enterprises having connections with French industry.

The Bank der Deutschen Arbeit established a branch at l reportedly to handle matters arising in connection with the recr of French workers for Germany. Other large German banks a ently did not complete their plans, and merely opened "inform centers." Jewish banks were forced immediately after the occup to accept German administration boards, or were sold to A acceptable to the Nazis. These included firms of the "haute Ban such as Banque Transatlantique, Lazard Freres, Rothschild F and smaller Jewish firms, engaged in securities business or internat operations. French banks were prevailed upon by German into to sell a large part of their holdings in industrial and banking e prises in Central and Southeastern Europe. German dominati French banks in other countries, such as Mexico and Brazil, hampered by measures taken locally against such institutions German banker was appointed commissioner for the Banqu France, which simply became a tool of the State for pouring out:

to meet German demands for occupation costs of 500 million francs daily.

All banks dominated by enemy interests were put under German administration by an order of May 23, 1940, and after December 7, 1941, this included American banks. The Chase Bank and Morgan et Cie., however, the only two American banks which continued operations, received special treatment. Direct penetration was presumably accomplished through the collaborating French banks like the notorious Worms et Cie., the Banque de Paris et des Pays-Bas, Banque Nationale pour le Commerce et l'Industries, and Banque de l'Indo-Chine. Some of these banks had branches in the colonies and every opportunity to safeguard the interests of their German collaborators through such men as Lemaigre-Dubreuil, who even financed French newspapers in the United States, according to reliable sources.

Mention should also be made of the fact that Germans bought shares on the Paris Bourse, reportedly using part of the occupation costs paid to them by the French Government, which were highly in excess of the actual German expenditures.

Insurance.—Before the outbreak of the war, France was a favorite country for British business. In 1939 English companies held nearly half of the French portfolios amounting to 90 billion francs (\$1,800 million). When France fell, all British insurance offices were closed both in the occupied and unoccupied areas. The assets then frozen amounted to 600 million francs (\$12 million) according to German sources.

An agreement was then made with the French Insurance Department in Vichy, and the German Central Organization of Insurance Carriers, whereupon a blanket concession was issued for the opening of new agencies of German companies in France. "Nordstern" acquired most of the former British business. In 1941 this company sold in France over 21 million francs (\$420,000) in premiums. The Germans also insisted that every insurance office in France or Algiers must represent at least one German insurance company.

The Munich Reinsurance Company had already penetrated into France prior to the war through the Societe Anonyme de Reassurances of Paris.

After absorbing the former British accounts, German interests seemed reluctant to penetrate further and left the bulk of the remaining French business to French competitors. Local companies showed drastic increases in share capital, but part of this may be regarded as a reflection of inflation and a revaluation of assets and liabilities.

Commerce and industry.—Most of the heavy industries of France, or industries essential to the war effort, were put to work for the Germans. There were some cases of collaboration with the Nazis, which are being investigated by the French Purge Commission, but we have no figures to show the extent of direct penetration through the acquisition of holdings.

Following are examples of outright collaboration with the Nazis. France-Rayonne S. A., a new company, was founded in Roanne with the aid of German capital. It had a capital of 500 million francs (\$10 million), and the Germans held 30 percent of the shares. Four French companies joined with I. G. Farbenindustrie to found a new company, Francolor S. A., with a capital of 800 million francs (\$16 million), and a German holding of 51 percent. The petroleum indus-

try of Pechelbronne was compelled to sell a number of its shares in German Kontinentale of A. G. Cuttat Paris-Rueil S. A. concluded an arrangement with a Leipzig company to establish a new machine tool factory in France. Societe Franco-Continentale d'Importation et d'Exportation was formed under German auspices for commercial purposes, and to direct trading between France and her colonies.

There have been increases in the capital of many companies which were believed to be significant, but no satisfactory explanation has been furnished. These were in the following industries: Coal, locomotive and rolling stock construction, shipbuilding, automobile manufacturing, and aircraft industry.

The Germans also took over the French Aluminum industry, placing administrative and managerial responsibility in the hands of men responsive to Nazi wishes. It should be noted, too, that the French Aluminum Trust had favored the Germans prior to the war to such an extent that Germany received the lion's share of French bauxite production.

Looted art.—(See Looted art, France.)

Status of German assets.—Some measures have been taken by the French Government to freeze all known German assets in France and the colonies, to sequester enemy property pending investigation, to restore Jewish property to the legitimate owners, and to punish persons known to have served as cloaks for the Germans or to have colluded with them outright. The French Government is, moreover, assisting governments in similar tasks, as was shown in the case of the Government of Charles of Monaco.

German assets in Alsace-Lorraine.

German economic and financial penetration into Alsace-Lorraine does not parallel Nazi infiltration into the rest of France, as the provinces were completely incorporated in the German monetary and banking organization. Lorraine was officially annexed to the German Reich by Proclamation on November 30, 1940, but such formalities were omitted in the case of Alsace. Provision, no doubt, was made for the final disposition of these provinces in the terms of the Peace Treaty submitted to the Vichy Government by Germany, which has not been made public.

Banking.—On May 1, 1941, French currency was definitely expropriated from this region. Most of the business of French banks was taken over by German banks, local banking institutions were "reorganized," and new banks were established to replace about 130 banks which were forced to close on December 31, 1941.

- (a) The Badische Bank, affiliate of the Berliner Handels- und Bankgesellschaft took over the Societe Generale Alsacienne et Lorraine, Banque, which prior to the war had some 50 branches in Alsace, 4 in the German Rhineland, 3 in Luxembourg, and 1 in Zurich.
- (b) The Deutsche Bank took over the branches of the Societe Industrielle d'Alsace et de Lorraine, second largest bank in the area with 20 million francs share capital.
- (c) The Dresdner Bank took over the branches of the Banque Nationale pour le Commerce, et l'Industrie, and the Kommerzbank took over the branches of the Credit Commercial.

- (d) The Credit Foncier et Communal d'Alsace et de Lorraine was merged with the Rheinische Hypothekenbank of Mannheim.

Insurance.—The insurance business in Alsace-Lorraine had been largely underwritten by British and French companies prior to the war, as all German insurers, except inland marine, were excluded by law after the last war. The Germans automatically canceled all British and French concessions as of June 15, 1940; policies were transferred to German companies without allowing holders the option of canceling their policies or choosing their own carriers. One Italian company at Trieste took over a French company.

Commerce and industry.—Special mention should be made of the iron and steel industry in Lorraine, part of the vast International Steel Cartel. In most cases the claims of the privately owned German steel companies to their pre-1919 holdings were recognized. The acquisitions of the Hermann Goering Works consisted primarily of the smelting works belonging to the De Wendel interests. This property and that of the Union des Consummateurs de Produits Metallurgique et Industriels were taken over in trusteeship. By March 1, 1941, all Lorraine works and mines had been allotted to the so-called trusteeship of German concerns.

The Germans followed the same pattern of penetration in other major industries of Alsace-Lorraine. They "aryanized" Jewish concerns, which meant outright expropriation. In the textile industry alone, the Nazis thus gained control of a capital totaling over 26 million francs. There is much detailed information concerning the compulsory transfer of Alsatian firms to German owners or their representatives, which amounted to confiscation.

Mention should be made, too, of the German Chemical Trust, I. G. Farbenindustrie, which took over the Societe Alsacienne des Produits Chimiques, and of the big State concern of Prussia which assumed control of potassium mines in Alsace.

After the liberation of the two Provinces, the French Government issued the ordinance of September 15, 1944, which restored the Laws of the Republic in Alsace-Lorraine. Thus, to some extent, measures taken to trace German and "collaborationist" assets in this territory will parallel those taken in the rest of France. But first must come a complete readjustment of Alsace-Lorraine banking and industries, a task which cannot be easily accomplished while the Provinces are still in the Army Zone.

German assets in Luxemburg.

Incorporation of the Grand Duchy of Luxemburg into the German Reich on August 30, 1942, completed the process of Nazi economic and financial penetration. The Reichsmark was made exclusive legal tender on January 29, 1941, and after March 1, 1941, Luxemburg and Belgian francs were considered as foreign exchange in the Grand Duchy.

Banking.—Control of the banking houses also passed into German hands. The Deutsche Bank secured control of the Banque Generale de Luxemburg by adding to its existing holdings one-half of the shares held by the Societe Generale de Belgique, thus controlling 73 percent of the stock. The Dresdner Bank increased its previous holdings in the Banque Internationale de Luxemburg through acquisition of

foreign shares. Two other German banks established branches: the Kommerzbank and der Deutschen Arbeit.

Insurance.—The whole insurance business of Luxemburg was taken over by German enterprises which replaced Belgian, British, French, and Swiss companies, and the few national ones. On December 1, 1941, a new reorganization amalgamated the whole insurance business of Luxemburg into two public companies, one for life insurance, the other for real estate insurance. There were in addition a few purely German companies.

Commerce and industry.—Germany assumed complete control of the iron ore mines of Luxemburg, which had reserves estimated at 270 million tons and an annual pre-war output of between 3 and 8 million tons. The 38 existing mining companies were combined into a single company, the Gewerkschaft Lutzelburg, incorporated under German law in April 1943.

Luxemburg ranks sixth in Europe as a steel-producing country. This production was concentrated in three large combines, which the Germans took over. ARBED, most important of the trusts, also owned mines in Belgium, Germany, and France, had 5 plants in Belgium, and branch sales offices throughout the world. ARBED was placed under control of W. Gustav Koenig, foreign holdings were squeezed out, and German shareholders, owning only 20% of the stock, were given a majority vote. On April 18, 1943, ARBED was capitalized at RM300 million (\$120 million), and became the third largest iron and steel combine in Europe. The Societe Hadir, representing Franco-Belgian interests, came under the trusteeship of Vereinigte Stahlwerke, and of Gustav Koenig. The Rodange Ougree group, a subsidiary of a Belgian steel combine, Societe Commerciale d'Ougree, S. A., came under the control of the Otto Wolff enterprises.

The holdings of the two systems of railways, many of which were owned by the Societe Generale de Belgique, were acquired by the Germans through compulsory sales.

In September 1942, a German resettlement and trustee company was organized to deal with the property of deported Luxemburg nationals. In January 1943 German confiscation rights were further extended.

Status of German assets.—Luxemburg at the present time is still an Army Zone and under strict martial law. Thus no figures are available from banking firms or industrial concerns, nor has the government been able to formulate any major policy in regard to enemy assets.

Enemy funds and occupation holdings have been frozen, however, and the Belgian and Luxemburg francs are once more legal tender. Prewar economic ties with Belgium are also being renewed. The Customs Union with Belgium has been restored, and reverse lend-lease is being financed with Belgian francs. It is believed that the two governments will cooperate in the tracing and seizing of Nazi investments since their business interests interlock.

German assets in Norway.

(Official exchange rate: 1 krone = U. S. \$0.227)

It is estimated that known German investments in Norway amount to a minimum of \$10 million. If investments for which figures are not available were included, the amount would undoubtedly be considerably higher.

German capital has been placed for the most part in the following fields: chemical industry, aluminum industry, mining, textiles, and fish processing. By far the greater portion of German investments have been placed in Norway since the occupation; prewar interests were relatively insignificant. German capital has infiltrated into Norwegian industrial concerns primarily for purposes of expansion and consequent increased production for German account.

Mining.—The capital stock of the iron ore mines A/S Sydvaranger, already controlled by the Germans before the war, was increased after the occupation from 10 million kroner to 16 million kroner (\$2.2 million to \$3.6 million): German steel producers shared in the new stock issue through the Norddeutsche Bank, Hamburg. The Hermann Goering Werke was reported to have financial control of the Fosdalen Company and was known to control the Dunderland Iron Mines through a trusteeship.

Chemical industry.—The Norsk Hydro-Elektrisk Kvelstofsaktieselskap, the largest industrial organization in Norway, is at present almost completely controlled by I. G. Farbenindustrie. The issue capital before the war amounted to 104 million kroner (\$23.7 million). Two percent was held by Norwegian investors, 60 percent by the Banque de Paris et de Pays Bas, 25 percent by I. G. Chemie, Basle (controlled by I. G. Farben), and the remainder by Stockholm's Enskilda Bank. In 1941 Norsk Hydro announced a 50-percent increase in its capital stock to 156 million kroner (\$35.5 million), 43 percent of the increase being taken by a group controlled by I. G. Farbenindustrie. The French interests also sold out to German interests controlled by I. G. Farben.

Aluminum industry.—The Bank der Deutschen Luftfahrt established in 1940 the Nordische Aluminum A. G., Berlin, for the purpose of constructing new aluminum plants as well as expanding power facilities. The existing aluminum works in Norway were put under the administration of a German organization, Norsk Aluminum Kontor, with offices in Oslo. Nordische Aluminum AG- gradually took over the work on the most important six aluminum plants in Norway. The various new aluminum projects were later concentrated under A/S Nordag, a joint stock company which had been set up in Oslo in 1941, with a share capital of 70 million kroner (\$15.9 million). Nordag was administered by representatives of both the Bank der Deutschen Luftfahrt and the I. G. Farbenindustrie. Another concern, A/S Nordisk Lettmetall, was also set up in 1941, with a share capital of 45 million kroner (\$10.2 million). Norsk Hydro, I. G. Farbenindustrie, and Nordische Aluminum A/G each hold one-third of the capital.

Textiles.—The large German firm Phrix G. m. g. H., Hamburg together with the Norwegian A/S Berregaard, established a Norwegian company, Norsk Cellul Fabrik A/S, with headquarters at Sarpsborg, for the manufacture of cellulose wool and rayon. Norsk Cellul was capitalized at 10 million (\$2.2 million) with Berregaard holding 60 percent of the shares, Phrix holding 24 percent, and the Norwegian textile industry 15 percent. The Norwegian companies were brought under the control of Phrix through the licensing by the latter of patents and research. Phrix also supplied technicians.

Fish processing.—As early as 1939 Nordsee Deutsche Hochs fische G. m. b. H. had set up a Norwegian concern A/S Frostfilet

for the purpose of expanding existing fish-processing plants and building new ones. The extent of the capitalization is not known, but the investment is said to be heavy.

Status of German assets.—It is reported that the Norwegian Government-in-Exile in London is making a study of German investments in Norway and is formulating a program whereby German investments will be eliminated upon the liberation of the country.

German penetration in the Balkans.

German penetration in the Balkans was first achieved in 1938 through foreign trade agreements, and in the provision of foreign capital to support Balkan industry, agriculture, and trade. The most extensive penetration in banking were principally through acquisition of participation in established banks, mainly in commercial banks, or through German directors of nationally owned banks, or through "friendly" agreements. The Germans also gained control or ownership, especially in the occupied countries, of part or all of many leading industrial, transportation, and insurance enterprises. Data are available upon which a precise estimate of penetration can be made. Following is more detailed information; it does not, however, cover the period of greatest German participation.

Hungary.—The Economic Committee of the Inter-Allied Conference in February 1944 estimated that German investments in Hungary based on official data were 3½ billion pengos (\$692 million). Unofficially the estimate was 8 billion pengos (\$1,581.6 million).

Germany participated in Hungary in several of the most important commercial banks, which had extensive interest in industry (textile, machinery and engineering, electrical, and leather) as well as in foreign banks. The 1941 balance sheet of the seven big banks under German and Italian influence totalled 3,011 million pengos (\$579.3 million). Germany controlled 1,193 million pengos (\$225.3 million). (1939 Rate: 1 pengos=U. S. \$0.19238).

The Germans, moreover, have made direct investments in Hungarian firms and have created new firms. The timber industry, for example, was being developed by joint Axis and Hungarian firms. The bauxite and aluminum industry is largely German-controlled. There are also some German interests in the oil, coal, and power industries.

Bulgaria.—Of the five big commercial banks in Bulgaria, the second and third largest were in the German sphere of influence. Their 1940 balance sheet totalled 5,190 million leva (\$62.3 million), of which 1.77 million leva (\$22.5 million) was German. (1940 Rate: 1 lev=U. S. \$0.012.)

Rumania.—In Rumania the Germans were interested in the commercial banks for financing foreign trade and for their interests in oil concerns and wireless stations. The 1940 combined balance sheets of the eighteen largest Rumanian banks, before the war, showed important German participation, totalled 13,607 million lei (\$1,360.7 million) of which 6,073 million lei (\$607.3 million) or 45% was German and Italian controlled. Axis participations in all banks were 1,500 million lei (\$150 million) and in German-Italian controlled banks 1,500 million lei (\$150 million). (1940 Rate: 1 leu=U. S. \$0.6896).

More recent information indicated that in February 1944 Germany owned one-sixth of the capital invested in Rumanian banks and enterprises was German-owned or controlled by German banks.

participation in the Rumanian economy has been estimated at 3 trillion lei, but inflation was rapid and uncontrolled. No dollar estimate, therefore, can be given for such a fictitious value. An estimated 13 percent of Rumanian trade was directly controlled by Germany. Of total 1941 Rumanian exports, 45 percent were sent to Germany; in early 1944 those exports had increased to more than 60 percent. Rumanian petroleum products sold to Germany were about 33 percent of the total. (Approximate rate: 1 leu=U. S. \$0.005).

German participation in the Rumanian economy by industry was as follows:

	<i>Million gold lei</i>	
Petroleum.....	110. 35	\$21, 297, 550
Chemical.....	1. 2	231, 600
Electrical.....	6. 9	1, 331, 700
Food.....	2. 4	463, 200
Total.....	120. 85	23, 324, 050

(Rate: 1 gold leu=U. S. \$0.193.)

German banks and concerns exercised control over industries (metallurgical, textile, food), transportation, and insurance.

The principal German acquisitions in banking economy during the war were the Banca Comermissa Romana, Banca de Credit Roman, Banca Chrissoveloni, and Creditul Ipot car Agricol al Romaniei. Societetas Bancara Romana was a prewar acquisition.

In 1943 there were founded in Rumania 107 joint stock companies with a total capital of 1.4 billion lei (\$7 million). Of these, 89 companies were organized in the nine-month period from January 1 to September 30 with a capital of 1,018.8 million lei (\$5.1 million), of which 56 with capital of 225 million lei (\$1.1 million) were commercial and 33 with 791.8 million lei (\$3.9 million) were industrial. In the three-month period of July to September, 28 of these companies were established with capital of 335 million lei (\$1.7 million), of which 21 with 71 million lei (\$355,000) were commercial and 10 with 264 million lei (\$1.3 million) were industrial. Six of the companies founded in 1943 were German with capital of 386 million lei (\$1.9 million), but there was no doubt German control in others, so great was German penetration in Rumania. (Approximate rate: 1 leu=U. S. \$0.005.)

In the oil industry German capital increased from 0.5 percent of the total investments in 1939 to about 38 percent in 1942. In the heavy industry the Hermann Goering Werke achieved control and interests in the key engineering firms of Resita and Malaxa, as well as in the aircraft industries and the shipbuilding yards at Galatj. The motor vehicle assembly industry was almost entirely in the hands of the German companies. German capital was also to be found in the timber and textile industrials, in some transport and trading companies, and behind the attempted expansion of the mineral resources.

Serbia.—German economic penetration of Serbia was complete. By obtaining title to state- and foreign-owned property, by putting enterprises under the custody and administration of the military law of occupation, and by measures used by local Quisling governments, that penetration was coordinated in the process of realignment and adjustment in separating the institutions of Serbia and of Croatia after the dismemberment of Yugoslavia.

The share capital of the enterprises infiltrated by the Germans was the only information available; this amounted to approximately 45 million. The value of their assets is not known.

No data are available on some of the enterprises, nor has a tory of State-owned properties been taken. The above value, therefore, is only a small part of the total German penetration; the item would be the complete penetration of the State. Penetration had not reached its peak when our source reports were compiled; great German prize was the noted BOR copper mines.

Croatia.—In contrast with penetration in Serbia, Croatia enjoyed a greater degree of autonomy. State-owned property and other enterprises were controlled but not owned by the Germans. Of the Croatian enterprises on which data are available the capital value of penetration was about \$35 million. Those data, too, cover German penetration before the most important German participation had been effected.

The important German holdings in Croatia were in several branches, and, through them, in a considerable number of related industrial and mining enterprises. Germany also controlled a sizable part of the Croatian insurance business and most of the Croatian foreign trade, either through German companies or jointly with Croatian Government enterprises.

German penetration in the Middle East.

German economic penetration in the Middle East countries has been principally in the commercial-trading and espionage fields. Available information indicates little, if any, German capital investment or holdings in this area. It is believed, however, that German agents have been made available to enemy agents in the Middle East, and might have been obtained by the sale of goods or property of enemy nationals domiciled in the area and/or of German sympathizers.

German funds and holdings are blocked in all Middle East countries, except Afghanistan, which still maintains a policy of neutrality.

Egypt.—There is evidence that shares in the Suez Canal Company have changed hands during the war. The Germans held a number (number and value unknown) prior to the war, but are reported to have acquired "A number of" shares from French holders during the occupation of France. In the same connection, it is reported that the USSR has purchased some French shares in the Suez Canal Company. The voting structure of the company entitles a holder of 25 shares to one vote, with 10 votes as the maximum allowed to each shareholder. The next meeting of the Suez Canal Company's Supervisory Council is scheduled to meet shortly in Paris.

The Levant States (Syria and Lebanon).—All known enemy assets have been sequestered and are administered by the Sequestering General. Enemy assets which possibly have escaped the Sequestering General's control might be in the form of (a) unpaid goods and services exported from enemy territory prior to British occupation of the area; (b) remittances from desquestered French firms in Syria; (c) enemy remittances of new funds to Syria and Lebanon through neutral banks, private compensation agreements, and through contraband exportation of goods from Turkey over the border.

EXHIBIT 3

SAMPLE CASES OF CURRENT OR RECENT GERMAN ECONOMIC PENETRATION ABROAD

CASE 1. BANKING

A prime weapon of economic penetration is banking and the Nazis were not slow to realize this. In one neutral country there are two large German banks which spearheaded German industry there and have most of their clientele among German businessmen. Indeed, there is good reason to believe that a large number of the Germans in this country owe their prosperity to the staunch support given them by these banking institutions. The assets of these two banks are some 20 million dollars and German penetration in mining, heavy industry, agriculture, commerce, and other financial projects have been greatly accelerated by their support. These banks have been given the protection of neutral law and have functioned without governmental hindrance. In this way the efforts of the United Nations to seize control of strategic commodities in this neutral country were made more difficult. In fact it can be said that these German banks were the greatest obstacle to American and British wartime preemptive purchasing by financing German operations.

CASE 2. STRATEGIC IMPORTS

In order to wage total war, the Nazis knew that they must import into Germany products such as foodstuffs, iron ore, ferro-alloys, and timber. The import and development policies of Germany during World War II were, therefore, largely dictated first by the immediate necessity of war production and later by the objective of retaining a post-war potential abroad. To assure the flow of strategic materials to Germany, the Germans created a huge trading and commercial organization in one of the neutral countries of Europe. Controlling assets of some hundred million dollars, this organization, created and controlled by the Nazi State, was able to supply Germany with war-essential commodities. By dominating the neutral country's mining industry, strategic minerals were obtained; by setting up large agricultural purchasing agencies, the Germans were able to have a more varied diet and ward off one of the disasters of the last war; and through the control of a number of transportation agencies, expedite the flow of these materials to Germany.

Hardly any sector of the economy of this neutral was untouched by the tentacles of this Nazi octopus. At present the Germans are making strenuous efforts to liquidate the known holdings of this organization and to secrete the funds received in the hands of neutral collaborators.

CASE 3. REICHSBANK

The German Reichsbank, an important instrument of Nazi economic penetration, has attempted to create a subsidiary bank in Western Europe. This new bank, made up of German, French, and American interests, was to be used to protect the capital of certain important German industrialists. Many millions of dollars are involved and the Germans hoped that by bringing in United Nations capital they would be able to protect their own holdings.

CASE 4. INSURANCE

German insurance and reinsurance companies have dominated the insurance business in Europe. This was done by forcing British and French companies out of the field and by taking over their contracts and assets. The net result was to throw European insurance companies into the hands of the Germans, who with their large capital resources were able to expand into other fields. Very often German penetration into insurance preceded other forms of penetration. In one European country, over ten German insurance companies are operating, and each year they obtain millions of dollars in premiums, not to speak of the stranglehold they gained over their competitors through active support by the Nazi Government.

CASE 5. TWO-PRICE SYSTEM

Recently the Germans hit upon an ingenious scheme by which to develop assets in neutral countries. This device calls for a two-price system in payment for German goods. The neutral purchaser pays the lower of the two prices to the German exporter through the regular clearing arrangements, but retains in his books a German credit for a higher price. The difference between the higher and lower prices becomes a German asset abroad. Large sums of fluid capital can thus be created outside of Germany and once the need for secrecy disappears, they can be readily utilized for the expansion of German war-making interests.

CASE 6. CLOAKS FOR GERMAN OWNERSHIP

Early in 1945, with the impending defeat of Germany apparent, German industrialists and other businessmen in an important neutral country turned to the task of hiding millions of dollars of assets from the United Nations. The usual technique was to dissolve the German company and to reestablish one with neutral directors and partners; in each case the neutrals acted as cloaks for the real German owners. Whatever transfer of property took place was purely nominal and in this way the Germans believe they have an adequate protection against sequestration of their property.

As an example, the largest German transportation firm in this neutral country attempted to sell all its property, valued at at least \$500,000, to an agency of the neutral government concerned. The money received in payment was to have been secreted by neutral friends.

CASE 7. HIDING GERMAN INTERESTS

After a certain European country declared war on Germany and German interests presumably were taken over, the nationals of a neutral country attempted to dissipate these assets so that the United Nations would lose control of them. The technique was simple but direct. A bureau was established in the Consulate of the neutral country involved for the protection of German interests, and here these neutral nationals schemed to take over German property for some compensation. Once the property was transferred from German ownership to neutral or belligerent ownership, it became almost impossible to trace it. Transfers of property could go on in an endless succession until such a bewildering maze of property rights was created that all hope of ever relieving the Nazis of their ill-gotten loot was almost lost.

CASE 8. CHEMICAL TRUST

One of the largest German chemical and pharmaceutical trusts has gained almost a monopoly on a very essential war industry in one of the countries of Southern Europe. Through the direct control of two large chemical companies engaged in the production of chlorine, caustic soda, calcium chloride, and other essential chemicals, this German organization has been able to stifle competition and learn the trade secrets of other companies.

Pharmaceuticals, so necessary to the waging of modern war, are also dominated by this German trust, a subsidiary of which is one of the largest factors in the drug industry. Even photographic equipment and supplies fall under the control of this German company so that hardly any sector of the chemical field is immune from its direct influence. Recently, in anticipation of German defeat, this trust has made arrangements to manufacture in foreign countries products which can no longer be produced in Germany; and this is to be done under license, with the royalty fees accruing to the German trust and not to be paid until after the Allied occupation of Germany has ended.

CASE 9. GERMAN HOLDING COMPANIES

The laws of one neutral country protect German capital to such an extent that secrecy of ownership is a legal protection. In this country the Germans have established a large number of heavily capitalized holding companies which, although controlled by Germans, maintain neutral nationality. These holding companies dominate many important industrial establishments in South America. By an involved system of corporate structure in this neutral country, the Germans are able to control the policies of chemical, metallurgical, construction, and financial establishments in South America and even in the United States without evidence of their ownership being apparent.

CASE 10. ELECTRICAL EQUIPMENT

Nazi penetration into the foreign electrical equipment field has always been one of the important German economic weapons. Through the Siemens group, A. E. G., Bosch, and Osram—large

German manufacturers—the electrical equipment industries in several foreign countries, vital adjuncts of all war machines, have been stifled. In Latin America these companies have subsidiaries which dominate the market and destroy competitors. In other European countries, by the use of patent agreements, cartel arrangements, and German-owned manufacturing organizations, a similar state of affairs has existed. In this way the Germans were able to get a jump on the United Nations in the production of war equipment such as heavy motors, tanks, jet propulsion planes and electrical signalling devices.

CASE 11. MERCHANT MARINE

In order to retain the nucleus of a merchant marine, the Germans have found it useful to obtain vessels from one European neutral. These ships fly neutral flags, and, therefore, are not subject to control by the Allied military authorities in Germany. It is well known that a merchant marine is a necessary adjunct to a powerful navy and in this way the Germans can retain and develop maritime skills, prepare for post-occupation expansion of the merchant marine, and actively compete with Allied shipping during the occupation period.

CASE 12. RESEARCH ABROAD

German ingenuity, realizing that research and development facilities were necessary to maintain war potential, turned to one of the European countries as a field of exploitation. By penetrating the educational system of this country, the Nazis were able to maintain a highly skilled staff and experiment in the latest industrial techniques.

The Ministry of Education of this country was offered a most elaborate and carefully coordinated scheme for industrial education, all of which was to be supplied by the Germans and run under their direction. During the latter stages of World War II, when German industrial capacity was being taxed to the limit by Allied air raids and other devastation of war, it is almost incredible that so much material could be spared, until one realizes that this is a long-range plan to perpetuate German industrial techniques and part of a plot to prepare for another war.

CASE 13. TECHNICIANS OUTSIDE GERMANY

The Germans always prided themselves on their ability to maintain their export trade, but there was sinister purpose behind this. Some European countries were large importers of heavy machinery—the very life of their industry depended on receiving replacements and spare parts—but the United Nations were unable to supply any more than the most limited quantities. The Germans stepped in. Through Nazi industrial engineering representatives and commercial intelligence agents, large contracts were arranged between German suppliers and foreign importers; German technicians supervised the installation of the machinery and very often remained as technical advisors to the user. In this way the Nazis were able to export large numbers of highly skilled technicians who would not be under the control of the Allied military authorities in Germany. These men are today retaining and expanding their skills, they are

experimenting with and planning new methods of technological warfare, and they are the possessors of intimate knowledge of the German and European industrial set-up. To permit these technicians to remain beyond Allied controls is to threaten the security of Allied peace plans.

CASE 14. GERMANS ABROAD

In one Latin-American country the Germans have purchased large quantities of excellent farm land. Large numbers of German farmers were brought in to develop the resources of this project. Although this Latin-American country has declared war on the Axis, these Germans remain a solidly entrenched pro-Nazi group. They are all concentrated in one small area, they maintain their own schools where classes are conducted in German, and are believed to have received direct assistance from the German Government. These Germans are prosperous, their holdings being valued at millions of dollars. They are loyal to the Nazi State and their community is an excellent possible refuge for Germans who wish to be out of Germany during the occupation period.

CASE 15. PROPAGANDA

Hand in hand with economic penetration goes political propaganda. Nowhere is this more apparent than in the publishing industry. In one neutral country the printer for the German Embassy is also one of the leading German propaganda agents. This printer has a large capital and is actively engaged in printing and distributing German propaganda slogans, pamphlets extolling the Reich, and pictures to be displayed by German businessmen. In another neutral country, one German printer made up little German paper airplanes containing propaganda slogans; this was before the eclipse of the Luftwaffe. Many German businessmen in neutral countries have made their offices and business premises veritable show places for German propaganda. Walls are lined with pictures of Hitler, German generals and industrialists, and pictures glorifying Germany. In this way neutral customers were brought within the range of German ideas. Often German businessmen would refuse to trade with persons of pro-Allied leanings and so became merely an extension of German economic warfare.

EXHIBIT 4

A COLLECTION OF INTERVIEWS HELD IN THE UNITED STATES BY U. S. GOVERNMENT OFFICIALS WITH GERMAN INDUSTRIALISTS, SCIENTISTS, ATTORNEYS, JOURNALISTS, AND FORMER GERMAN GOVERNMENT OFFICIALS

CASE 1. INTERVIEWS HELD ON JULY 5, 7, 31, 1944

A former executive of a prominent steel concern in Western Germany stated that "secret post-war rearmament was a plan of the German General Staff long before the Armistice of November 11, 1918." This became apparent to him early in 1918 when he learned that "as a result of instructions issued by General von Ludendorf, the German Army had orders not to entrust its secret plans for rearmament to Jewish officers for fear of the latter's rather international outlook."

CASE 2. INTERVIEW HELD ON JULY 11, 1944

A former German industrialist stated that the chief liaison man during the 1920's between the General Staff of the German Army and the major industrialists was Colonel Loeb. Until 1927, Colonel Loeb operated from a camouflaged office; from 1927 on, he had his office, in the German War Ministry, and openly was referred to as the chief of Germany's rearmament.

CASE 3. INTERVIEW HELD ON JULY 28, 1944

A former executive of several German firms has testified to the fact that the organization known as the Reichsverband der Deutschen Industrie (Government Association for German Industry), formed in the middle twenties, under the leadership of Director Zangen of the Mannesmann Roehrenwerke, included industrialists and leading Army officers and was subdivided into various groups dealing with chemical concerns, steel plants, manufacturers of electrical equipment, etc. The informant further stated that it was the function of this organization "to coordinate the plans of the Army and of German industry for (1) rearmament, (2) war, (3) post-war activities in either victory or defeat." This organization is said to have been taken over in toto by the Nazis when they came into power.

CASE 4. INTERVIEWS HELD ON JULY 14, AND 15, 1944

One informant reported that a retired Navy captain was given the job in the early 1920's of maintaining up-to-date files of all factories that were potentially capable of producing Navy materials "against the day of attack."

CASE 5. INTERVIEWS HELD ON JULY 14 AND 15, 1944

A former German Government official stated that shipyards which had been active up to the end of World War I in construction of Navy vessels were converted in the 1920's to the construction of large luxury liners such as the *Europa* and *Bremen*, thereby, maintaining the shipyard equipment at a thoroughly up-to-date level.

CASE 6. INTERVIEW HELD ON JULY 10, 1944

A German aeronautical engineer, previously connected with leading German firms, stated:

Shortly after World War I, the Reichsverband der Deutschen Luftfahrt Industrie was founded. Allegedly it was the trade association and central research organization of the German aircraft industry founded by the manufacturing firms for purely scientific and commercial purposes. Actually it carried on the functions of an "Air Ministry" and, by persons in the know, always was referred to as such. Government influence was very strong and for some strange reason Admiral Lass of the German Navy was reelected every year as president.

The Reichsverband der Deutschen Luftfahrt Industrie operated, from 1925 on, three research centers called Erprobungsstellen. They were located at Rechlin and Staaken, near Berlin, and in Travemunde. The latter station was used primarily for the testing of seaplanes; in Rechlin mainly instrument and parachute work was carried out, while Staaken was the center for experiments with large land planes. Liaison officers were stationed in the German War and Navy Ministries coordinating the work of the Reichsverband der Deutschen Luftfahrt Industrie.

CASE 7. INTERVIEW HELD ON JULY 20, 1944

A German aeronautical engineer reported that the Adlershof plant, which had been the German army testing ground for planes during World War I, was turned over at the end of the war to a private concern to carry on experiments in connection with commercial flying. Actually it perpetuated its former functions, under the leadership of civilian-clothed Army officers.

CASE 8. INTERVIEWS HELD ON JULY 14 AND 15, 1944

A former German Government official gave the following information: There were developed in the 1920's three large commercial pilot schools with headquarters in Braunschweig. These schools were financed by a syndicate headed by the Deutsche Bank which was also the foremost financier of two commercial air lines. A Government official, formerly an air captain, was the liaison between the commercial air lines and the leading aircraft manufacturers on the one hand and the Minister of Communications on the other. Many research activities carried on in the interest of commercial aviation were financed by the Reichsbudget. Beside the pilot schools and commercial aviation interests, in 1925, glider schools sprouted up under the impetus of young students who had heard of such organizations abroad. These young students were encouraged in this by competitions for prizes and by drumming up the idea of Trans-Eurasian glider trains.

In 1930 and 1931 annual meetings were held by the Ministry of Communications and Transportation with Army and Navy liaison men on air-force matters. The principal discussion in these meetings

related to the developments of foreign air forces, both military and commercial, and what could be done in Germany along similar lines. The following suggestions were discussed at these meetings:

1. The obtaining and development of better aircraft engines.
In this connection, it was suggested that Diesel research by Junkers be subsidized;
2. The training of pursuit pilots;
3. An increase in the number of German pilots flying for foreign commercial air lines, in order to gain experience in long-range flying and to promote the sale of German aeronautical equipment abroad.

CASE 9. INTERVIEW HELD ON JULY 10, 1944

A former German industrialist described one means which service ministries of the Government used to increase their revenues. The War Ministry created an institution which consisted of 32 commercial enterprises including producers of moving pictures, owners of moving picture theaters, a shipping company, a dredging company, a wool importing firm, and a bacon importing firm, under the supervision of Lieutenant Captain Lohmann, and which was jokingly referred to as the Lohmann Trust.

CASE 10. INTERVIEW HELD ON JULY 10, 1944

A former German economic and political journalist, editor, and publisher advanced the following reasons for the failure of the Allied Control Commission in its effort to disarm Germany after World War I:

1. Opposition to the Commission by the united will of the German population;
2. Lack of adequate and competent staffing to exert real control or supervision;
3. Lack of executive power to enforce its orders.

This informant reported the following:

One of the principal German manufacturers of munitions during World War I took up the production of agricultural machinery after the war. In spite of satisfactory business conditions, it failed to show a profit. In 1921 one of the members of the board of directors of the firm conducted an investigation and discovered that the losses were caused by one plant in the firm. He was unable to discover what this plant was manufacturing and why there were losses, and requested the board of directors to instigate a thorough investigation. More powerful members of the board united to oppose this suggestion. In 1922 the superintendent of the firm's warehouse informed the Allied Control Commission of a secret arms cache in the firm. The Control Commission located and seized the weapons. Shortly after, the informant was indicted by the German Government for treason, and, based on a testimony conducted privately between the State's witness and the judges, the defendant was condemned to a long prison term on the grounds of having aided the Allies in enforcing the disarmament of Germany. The German Government itself aided substantially in sabotaging the work of the Allied Control Commission. For example, it forbade junior army officers or junior executives and minor employees from giving any information to the Allied Control Commission.

Only the senior officers and the actual heads of firms were allowed to negotiate with the Commission. In this way it was possible to withhold vital information from the Control Commission, particularly since the heads of firms and senior officers themselves were eager to encourage resistance to the disarmament program.

Since the Control Commission lacked executive power, the Government established a special liaison agency to aid the Commission. The liaison officers of this agency contributed to the sabotage of the disarmament program by striking frequently for as long as two or three months, on the grounds of having been offended by an Allied control officer. During such strikes imported machinery and stocks were removed to safer locations. If the liaison officer was unable to convince the Allied control officer that machinery could be used for peaceful purposes, machinery was then shipped out of that place all around in Germany. The Allied Control Commission invariably lost track of it and then it would be unobtrusively installed at a different location.

CASE 11. INTERVIEW HELD ON JUNE 29, 1944

A former resident of Nicaragua stated that in 1923 and 1924 the Germans sent missions to Nicaragua for the purpose of finding markets for German goods. They would offer German merchandise desired by Nicaragua at a lower price than any other country. They would then offer to buy native products at a higher price than any other country offered. For instance, coffee would be sold to Germany against the credit of blocked marks held in German banks, and the German merchandise would then be paid for out of these accounts held in Germany. This same procedure was repeatedly followed in other countries throughout the world. When the balance in the German banks became so great that it was not possible to reduce it by taking German merchandise, the Germans would invite the foreign depositors to make a trip to Germany to spend the money, which they frequently did.

Negotiations of this sort were carried even further to the advantage of Germany. Another country would offer to pay, for example, 7¢ per lb. for Nicaraguan coffee and the Germans would outbid them and offer 8¢ per lb. After they had purchased the coffee, they would sell it to another country at 6¢ per lb. This they were able to do because the coffee actually cost them merely the price of printing the paper marks.

CASE 12. INTERVIEW HELD ON JULY 13, 1944

A former attorney and member of the board of several industrial firms related that in the 1920's several foreign holding companies were formed for German patents. In certain instances German technicians, often the inventors of such patents, and formerly connected with important German industrial concerns, bonded together to utilize such patents abroad. Benefits from such arrangements subsequently accrued to Germany.

CASE 13. INTERVIEWS HELD ON JULY 14 AND 15, 1944

A former German Government official reported that in the middle 1920's the Germans were helped by Spain in the development and construction of torpedoes, though this was on a very small scale and

limited for the most part to research work. Products manufactured by such means in Spain were shown on the books to have been sold to Argentina, but in actuality, were never delivered.

CASE 14. INTERVIEW HELD ON JULY 14, 1944

A former executive of German industrial firms stated that Germany's rearmament during the first years after World War I was devoted largely to research work in laboratories and drafting rooms. For example, experiments with poison gases were being carried out during that period in the Schering laboratories in Berlin-Wedding.

CASE 15. INTERVIEWS HELD ON JULY 5, 7, 31, 1944

A former executive of a prominent steel concern in Western Germany revealed that "small factories in out-of-the-way places, while ostensibly manufacturing inoffensive articles, in reality made forbidden armaments." For example, a railroad coupling manufacturing firm of Bavaria in the early 1920's was making shell casings for the Reichswehr on orders from its controlling companies.

CASE 16. INTERVIEW HELD ON JULY 18, 1944

An executive of a steel construction firm in western Germany stated that his firm processed heavy armor plates prior to their installation in fortifications. This work was not interrupted at all after Germany's defeat of 1918. Heavy armor plates, provided by two of the largest German producers, continued to be received at the plant. There the plates were processed (bent and cut into the proper shapes) and shipped in accordance with orders received from the German Government to contracting firms in Western Germany. This armor plate processing was carried out only in one building of the plant to which persons not directly connected with this work had no access.

CASE 17. INTERVIEW HELD ON JULY 28, 1944

A scientist and former owner of several factories in Germany and elsewhere throughout Europe stated that late in 1922 or early in 1923 complaints started to reach him that the labor turn-over in a certain German plant, located in Harz region, was such that it hampered operations. Investigations showed that all young strong men of the region were being hired by a mysterious contractor for excavation work carried out in a mountain in that vicinity. The location of this project was fenced in and outsiders were not permitted to enter. Large quantities of soil were carted away from this project and waters of the nearby region were extremely muddy indicating that soil was disposed of by dumping it into the river. Later in the summer of 1923, further investigation showed that this construction project was still fenced in. Soil was not carted away indicating completion of the work, but the only visible structure was a small stack belching large quantities of smoke, an obvious sign that something was being manufactured there. Frequent talks with the inhabitants of the village always brought the same reply: "The mysterious factory produces wooden tubes, and nobody knows who the owner of the plant is". Outsiders were never able to see any of the production there.

CASE 18. INTERVIEW HELD ON JULY 20, 1944

A German aeronautical engineer stated that the Government of the Weimar Republic, which, like most Germans, looked upon secret rearmament as a patriotic duty, frequently charged ordinary War Ministry expenses to other branches of the Government. For example, the Deutsche Versuchsanstalt fur Luftfahrt (the German Institute for Aeronautical Experiments), which was able to encourage the growth of numerous glider clubs all over Germany for the purpose of training military pilots, was organized and sponsored by the Ministry of Commerce.

EXHIBIT 6

UNOFFICIAL GOVERNMENT¹

Nothing has been the subject of more misinterpretation than the system of power in Germany. The Nazi Party took over the government with the aid of the leading industrialists of the country and a good part of the officers' corps. Much as the Nazi politicians would have liked to rule the country alone, until the last days of their desperate stand, they had to share power with the forces that had put them in control of the governmental machinery. Without their aid and support they would have been helpless. The best the Nazi politicians could do was gradually to build up their own army and police and spy system against the day when the industrialists and the old-line officers would no longer find them useful and would seek to oust them.

The outlines of the true situation have been obscured by propaganda and struggles within the oligarchy; but a careful study of the German laws, decrees, and orders of the last fifteen years make the facts crystal clear.

The first impression resulting from such a study is of terrific confusion of centers of authority, with much overlapping in fields of jurisdiction. The second impression is of inexplicable gaps in the structure of economic control at the most important points. For example, orders and decrees are numerous on textile production and the distribution of textile fibers. On the other hand, there are almost none for the many branches of the chemicals industry. Such as may be are mainly concerned with the distribution of common chemicals to minor industrial users, and similar unimportant business. Again, there is nearly a complete blank in the laws on iron and steel production but a multitude to govern the manufacture of iron wares of the kinds that were in general made by relatively small firms.

A further fact becomes apparent in connection with the network of industrial and trade organizations (Gruppen) into which both rank and file were herded. In the branches of industry dominated by combines and controlled through well-established cartels, the Gruppen and similar bodies were of a perfunctory character, maintained to lend color to the fiction that all businesses were controlled by the state and subject to the same basic laws. In the branches of industry where combines were few and the producers small and numerous, the trade organizations served as control instruments operated by the bureaucracy. Decrees and orders placed onerous responsibilities on the members but gave them very little independent power. Since even the Nazis had to keep the lesser businessmen as a whole from becoming restless, official propaganda played up the importance of such organizations and flattered their leaders by imputing greater power to them than they actually possessed. German newspaper

¹ Chart, Appraisal of the Effective System of German Economic Control, filed with the committee.

propaganda on this subject has been accepted at face value by some writers who have not studied the laws.

Until the war came into the open the German economy was supervised through national ministries that had been set up under the republic. As government was centralized, these were expanded and reorganized to take over functions formerly performed by governments of the various states. In the first years of the war the National Ministry of Economic Affairs had responsibility for war production except in certain special military fields. Later a Ministry of Armament and Munitions was set up to expedite production of war supplies. It was soon clear, however, that the division of authority between the two ministries was unrealistic in total war and that the unwieldy network of trade and other semiofficial organizations was adding to the confusion. Production was further handicapped by the interference of political "economic advisers."

Attempts to rationalize the administrative and control structure snagged on the question of lessening the real or apparent authority of party faithfuls, such as Dr. Funk, and of businessmen at the head of this and that office, agency, or organization. After the invasion of North Africa and the defeat at Stalingrad such considerations had to be dropped, though gradually. By the beginning of 1944 much of the authority over the whole economy had been shifted to a reorganized war economies agency—the National Ministry of Armament and War Production. The Ministry of Economic Affairs eventually had little to do except in the fields of foreign trade and of distribution of goods to civilians. All bureaus of this ministry that had been concerned with production and with the distribution of materials to industry were transferred to the jurisdiction of the Minister of Armament and War Production, Dr. Albert Speer. In fields where Speer's authority overrode that of other ministers, he issued his orders not as a minister but as a ranking member of the Board of the Four Year Plan charged with the tasks of production for war. In this position his titular chief was the Reichmarshal Hermann Göring. But since 1942 the latter's authority over economic affairs had been slight, though he remained technically the deputy for the Führer in this field.

The chart attached hereto shows the broad outlines of the bureaucratic structure as finally evolved for control of the economy, and also the unofficial though legal system through which the bureaucratic structure itself was controlled by an oligarchy consisting of the chief stockholders of the great combines, the political hierarchy, and the military High Command.

With a few exceptions, each block on the chart represents a governmental agency. The blocks have been grouped in a manner designed to indicate the lines and levels of authority. The ministries have been handled in accordance with the peculiarities of the German system—i. e., except in the Speer agency, the ministry is merely the equivalent of the Office of the Secretary in an American executive department, its bureaus and field offices, though less independent than those of an American department, are outside the ministry itself. Thus the National Offices (Reichsstellen), though they are bureaus of the Ministries of Economic Affairs and Agriculture, are charted as independent though subordinate agencies.

As will be noted, the Speer Ministry does not have the usual section consisting of superexperts for each field under the jurisdiction of the

minister, and the Speer operational bureaus are within the ministry itself.

The lines outside the blocks show the channels of authority. Thus the major stockholders of the great combines, whose de facto authority in the government was equal to that of the military and political High Commands, utilized the official bureaucratic structure, whose legal head was Hitler, for the control of the smaller sectors of industry and for the coordination of the war effort, which they helped to plan. At the same time these men utilized the positions of their corporations as dominant members of the cartels to run the economy in its most critical sectors. There they would brook no governmental interference. Agents of the Speer ministry were stationed near their centers of production to facilitate the delivery of fuel and materials and to aid them in any other way they desired. A telephone call was sufficient to obtain what was needed.

In some cases combine officials accepted authority as government officials. For example, Dr. Hermann Schmitz, the head of I. G. Farben, held the position of National Deputy for Chemicals. The chairman of the coordinating organization of the coal cartels was likewise a National Deputy, though the industry continued to be run from the offices of the Ruhr coal syndicate. As National Deputy in charge of the National Coal Office, the chairman of the National Coal Association had authority to handle the allocation of coal to the sectors of the economy not represented in the coal cartels. As a cartel member his combine determined the quantities of coal to be sent to its own plants and those of its subsidiaries and affiliates.

Since the heads of the combines are also directors of the banks and credit institutions, they had further control of the economy through these institutions. The main official channels through which this power was exercised are also shown on the chart.

Apologists for the position of German business in relation to the Government have pointed out that business and finance have influence with government in nearly all parts of the world. This argument, however, ignores the legal position German big business has attained as the ruler of all lesser business and the manner in which this position has been used to concentrate the power in a few great combines, which are in turn coalescing to form a single supercombine. The number of seemingly independent corporations somewhat obscures this fact; but a study of the Handbook of German Stock Companies, which frequently lists major stockholders and in some cases the cartel quotas of the combines makes the situation quite clear. Concentration was greatly accelerated after the Nazis were placed in control of the Government and was especially stimulated by the war. The predominant combines grew more powerful as they were rewarded with war loot; various wartime measures, such as the pooling of technical and management services, in every case promoted their positions.

The two largest and most powerful combines were I. G. Farben and Vereinigte Stahlwerke. While the Nazi politicians attempted to set up a combine that was to be their private preserve and eventually to absorb the others, their combine, which included publicly owned companies and those confiscated from persons who were dispossessed on racial and national grounds, eventually came under control of the older groups. The war has greatly enhanced the dominant positions of Farben and Vereinigte Stahlwerke in many fields, and has also drawn

them increasingly together. The position they had reached before the war can be seen by the proportion of their output in the Reich total. These figures, which are approximate, have been arrived at in part from published figures on production and cartel sales quotas.

Vereinigte Stahlwerke products	Percent of German total in 1938	I. G. Farbenindustrie products	Percent of German total in 1937
Pig iron.....	50.8	Chemical nitrogen ¹	² 70.0
Semifinished products.....	35.3	Lithopone (for paints).....	85.7
Bar steel.....	27.1	Synthetic camphor.....	60.0
Hoops and strips.....	32.8	Synthetic methanol.....	100.0
Universal plate.....	41.4	Aspirin.....	60.0
Heavy plate.....	36.0	Ether.....	50.0
Medium plate.....	11.6	Brown coal ¹	20.0
Sheets.....	26.2	Explosives ¹	60.0
Fine sheet.....	31.1	Magnesium.....	100.0
Galvanized sheet.....	38.5	Rayon filament.....	20.0
Wire rods.....	27.7	Rayon staple ¹	³ 30.0
Wire.....	22.1	Coal-tar dyes ¹	100.0
Pipes and tubes.....	45.5		
Coal tar.....	33.3		
Coal (bituminous).....	15.4		
Explosives ¹	³ 35.0		

¹ Including output of subsidiaries.

² Plus.

³ Estimated.

The two major combines are not wholly dependent on quotas in a given field to assure dominance through the cartel system. If they have a voting majority in cartels for two or three basic products, they are in a position to enforce their will in other lines.

Since I. G. Farben is the main producer of chemicals that must be used by the other three combines making artificial fibers, its power position in the rayon cartel cannot be measured by its proportionate capacity to produce rayon. Likewise, Vereinigte Stahlwerke, with a pig-iron capacity greater than that of all other producers together, is able to exercise far more influence in the semifinished products cartel than its capacity for such products merits. The great steel corporation's capacity for coal and coke production is also of major importance in its relations with other corporations and other fields of industry.

Among the products that have brought I. G. Farben and Vereinigte Stahlwerke into close collaboration are coal tar and chemical nitrogen, both of prime importance for the manufacture of explosives (see Chapter I). I. G. Farben, with a cartel position that assures complete dominance of the manufacture and sale of chemical nitrogen, has only about 1.0 percent of the coking capacity of the country. Hence its explosives subsidiaries must obtain benzol, toluol, and other primary tar products on terms dictated by Vereinigte Stahlwerke, and Vereinigte Stahlwerke's explosives subsidiary is dependent for its nitrates on terms set by Farben.

Vereinigte Stahlwerke controls the price of steel for automobile frames, I. G. Farben, the plastics and light metals used in automobile bodies and the rubber used for the tires. The automobile industry therefore is their dependent.

The chart ¹ attached hereto shows only the position of the combines

¹ Not printed.

and their lines of control within Germany. But the combine tentacles reach far beyond that country. Through the international cartels, patent, production, and sales agreements, and similar devices proliferated after the last war, the rulers of Germany rapidly gained control of critical sectors of industry beyond their borders. Offering cooperation of an apparently innocent kind, they were soon entrenched and they used their position to weaken future military opponents and to undermine their governments. Foreign corporations have been much too sure that they could take what was useful from the Germans but avoid domination by them.

Military defeat has not substantially weakened the German position, for during their occupation of most other European countries the Germans were able to gain adherents for the Fascist system in powerful circles. Their arrangements with corporations in the United Nations have been suspended, but they are seeking and will continue to seek to revive and extend them.

EXHIBIT 7

SELECTED PORTIONS OF AN INTERIM REPORT ON STUDY PROJECTS RELATING TO GERMAN ECONOMIC AND IN- DUSTRIAL DISARMAMENT

JANUARY 10, 1945.

Memorandum:

To: Mr. Leo T. Crowley, Administrator.

From: Henry H. Fowler, Acting Director, German and Austrian Branch.

Subject: Interim Report on Study Project Relating to German Economic and Industrial Disarmament.

I am attaching herewith a report on this subject to outline the approach and progress of FEA in the conduct of the study project which was the subject of an executive direction by the President to you in his letter of September 29, 1944.

I. BACKGROUND OF STUDY PROJECT FOR GERMAN ECONOMIC AND INDUSTRIAL DISARMAMENT

1. The study project envisaged by the President's letter of September 29 is based upon one primary assumption. The assumption is that it will be a major objective of the United States after surrender to assure the undertaking by the Allies of measures designed to limit the power and capacity of Germany to make war in the future.

2. This objective may be achieved by various means. A wise occupation policy, including affirmative economic and industrial controls, is a first step. Suitable terms that condition the return of sovereignty to a government selected by the German people is a second measure. Appropriate international arrangements providing specific machinery for maintaining security from German aggression are likely to be necessary to attain this objective. All of these require preparation and negotiations on the general policy and specific program level.

3. There is substantial current discussion and consideration here and abroad of economic and industrial disarmament devices. It is thought that they might be utilized as a buffer against the redevelopment of an effective German war-making power, if backed up by an international security organization of the type contemplated at Dumbarton Oaks. It is the opinion of many persons, both lay and expert, that peace from new German aggression cannot be maintained without these economic and industrial disarmament measures. In any event, it is clear that such measures are an important aid in maintaining the peace for the maximum period of time, with a minimum of bloodshed, with a proportionately small military police force, and with a greatly reduced risk of grave threat and damage from some explosion of German war power uninhibited by mighty forces potentially arrayed against her.

4. This interest in the possibilities of conditioning to peace the economic and industrial pattern in Germany after surrender is based on realistic considerations. It is derived primarily from a recognition of the direct relationship of certain types of industrial potentials and economic weapons to a national war-making power. It is prompted also by the feeling of many that the plan and practice of a completely uncontrolled or self-sufficient German industrial economy, coupled with the temperament of its people, constitutes a constant menace to the peace of Europe and the world.

5. This concern with the appropriate treatment of German industrial war potential is to be distinguished from any desire for a "soft" or "hard" peace; it is held by the advocates of both types of peace. Nor is it derived from feelings of vengeance. Indeed, it has its origin in an unemotional and scientific point of view. It is responsive to a simple common sense purpose. A first protection against lawlessness is to disarm the lawless persons. A second and equally essential protection is to prevent those who are lawless from reacquiring the power and capacity to forage any new weapons with which they can again menace society.

6. Indeed, it may be that the development of a scientific internationally administered system of economic and industrial disarmament is the only acceptable alternative to a thoroughgoing political, cultural or industrial dismemberment of Germany. Excesses in other fields may follow victory unless some formula for providing protection against German aggression is devised. History has not yet provided a check against a congenitally aggressive industrial power. A new method must be developed.

7. The study project now under way in the Foreign Economic Administration under the guidance of the State Department in response to the President's letter is not in duplication of, or competitive with, certain other answers to the question, "What shall we do about Germany?" For example, it must be distinguished from the orthodox and strictly military problem of regulating Germany's armed forces or initially confiscating her finished munitions and aircraft. Nor is it a substitute for or to be considered in lieu of the punishment of German war criminals. It should not preclude the utilization of certain political or educational measures designed to change the political disposition or will of Germany to make war. It is premised upon a period of full and complete occupation and the development of some international security organization of the type projected at Dumbarton Oaks.

8. The development of long-term economic and industrial disarmament measures is a relatively novel and unexplored field. It inevitably leads into very complicated and technical considerations for which all of the powers are lacking to some extent in an organized corps of trained experts. Changing technology, the passage of time, the danger of disagreement of the allies on specific measures to be used, and the cooling-off of world opinion are some of the hazards to be overcome.

9. To master this new technique is likely to be a continuously challenging problem, changing somewhat with advancing technology and forms of industrial and economic activity. As a nation we have watched with increasing interest and concern the emergence of full-fledged economic warfare, the competition of varying types of industrial

mobilization, and the rise of new and fearful technologies. To perfect and mass produce deadly weapons, such as a more powerful explosive, a faster plane, a robot bomb, an atom-smashing device, or a better tank, may condition a victory or defeat. The ability to do so may prompt an aggression as much as the ability to assemble and train an army. The perfection of processes for the manufacture of synthetic oil and rubber in Germany in 1926 and the unfettered trend of her heavy industry toward over-expansive development in the nineteen twenties and thirties were sure harbingers of war.

10. A league that offered only protection against an actual German aggression once begun and backed up by huge industrial war potential became outmoded. It was an idealistic symbol rather than a practical force. Some were influenced by a resurgent German power to attempt to play it off against targets other than themselves rather than resist it.

11. The most lasting form of economic and industrial disarmament of Germany would be one with a minimum of damage to the economic fabric of Europe and with a maximum of administrative feasibility. The search for and reshaping of measures meeting these criteria, yet achieving the desired paralysis of an industrial war potential, requires careful study and trained judgment.

12. Other interests conflicting with long-term security may intervene and be skillfully played upon by the German economic and industrial spokesmen. Such interests as reparation, trade, and relief and rehabilitation needs may cut across the interest of long-term security and must be appropriately reconciled. This is particularly important to the U. S. to whom long-term security is the basic stake. But, policies, procedures, and arrangements insuring appropriate measures of German economic and industrial disarmament, which represent a lasting but flexible agreement of the nations vitally concerned, require difficult and complicated negotiations.

13. It is highly desirable that the culmination of these international negotiations should result in conclusions that are simple, direct and and understandable for the common people of the world. If these conclusions could be summarized on a single sheet of paper and become the household property of all people, a base for a powerful and vigilant public opinion might be created.

14. However, behind simply stated conclusions there must be a detailed specification of what is intended. Recent events have proved again how desirable it is to have agreement not only to the general conclusions but on a bill of particulars as to what is intended. General conclusions must be translated into operative orders, decrees, or instruments of understanding if they are to be lasting and enforceable. These in turn must be subject to change to meet new conditions if they are to be flexible and administrable. This is the only method of avoiding a break-down in a system of economic and industrial disarmament over differences as to whether or not a particular German action or failure to act should be treated as a breach of the international security regulations.

15. These plans and programs for German economic and industrial disarmament, it should be emphasized, do not pertain solely to occupation policies and procedures. They should be designed to outlast the period of actual military occupations. They should be designed to continue on an indefinite basis until the nations of the world feel

that the pacification of the German mind and people is so assured that special protective devices need no longer be maintained.

16. In the light of this background, it would seem that the study project contemplated by the President's letter should result in the following:

(a) A speedily organized consideration by experts, drawn from various backgrounds, of the more important subjects which can be singled out in this field for intense scrutiny.

(b) The creation of a series of adequately prepared written analyses of the various subjects selected for detailed examination. These reports should include a description of the German industries or economic problems under consideration. They should note the various detailed questions that should be raised and answered in connection with any international consideration to undertake or not to undertake an economic disarmament program. The pros and cons on these questions should be included. Recommendations, however tentative, should be specifically and definitively stated, with appropriate reservations as to their force as accepted policy.

(c) Through these written reports on the organized study, U. S. policy officials should be able to develop the boundaries of the U. S. position in conference with the representatives of other powers and ultimately determine what practical and feasible stand the U. S. can take.

17. A byproduct of this study project should be the creation of a reservoir both of trained minds and carefully assembled factual and technical data dealing with this subject. This pool would be available when technical conferences are necessary or if revisions of points of view or conclusions are required because of conflict with points of view held elsewhere. Members of this pool might be available for utilization in any established mechanism that later is charged with responsibility for seeing to it that these economic and industrial measures are enforced or adapted to meet a changing situation.

18. The Foreign Economic Administration, under the guidance of the Department of State, is undertaking to execute the request in the President's letter of September 29, with this background in mind. It hopes to realize the benefits and potentialities inherent in such a study project by utilizing methods and procedures designed accordingly.

* * * * *

V. SOME SUBJECTS FOR SPECIFIC STUDY AND REPORT

1. As indicated above, specific subjects for studies and reports, initially undertaken, have been carefully selected. The selection has been designed to develop, on a case basis, the basic policy assumptions described. But it is not unlikely that the broad coverage plus intensive examination will give rise to additional policy approaches or modifications. Certainly, the topics presently selected do not exhaust the subject matter. Consequently, it is anticipated that new subjects for the study project will be formulated from time to time.

2. There is no stereotyped formula for the prosecution of these studies and the writing of reports. Behind each subject there are many detailed questions which must be raised and answered. In the

description that follows only a few illustrative ones will be mentioned in connection with each subject to indicate some of the directions the work might take. These questions also illustrate the type of consideration that must accompany every positive decision of the Allies in this field. Some of these studies and reports undoubtedly will traverse or duplicate ground covered by others. That, to a certain extent, is unavoidable and, indeed, may be desirable.

3. The President's letter referred to the fact that these studies must be "accelerated." Therefore, the objective is to complete by April 1, tentative or preliminary reports on many of the most important subjects. These tentative or preliminary reports can be revised from time to time as new information or points of view emerge.

4. Each report will contain—

(a) a general factual description of the industry or economic question being considered as it relates to Germany's war-making power;

(b) various alternative methods of limiting this aspect of Germany's war-making power;

(c) an appraisal of the consequences and feasibility of various courses of action considered;

(d) specific conclusions and recommendations;

(e) in some cases illustrative executory instruments will be included to indicate in specific terms the concrete nature of the proposed recommendations.

5. The following are the subjects initially selected for these studies and reports with brief illustrative comment concerning the nature of some of the topics to be considered:

PROJECT 1. THE POST-SURRENDER TREATMENT OF GERMAN INDUSTRY INVOLVED IN THE PRODUCTION OF ARMAMENT, MUNITIONS, AND IMPLEMENTS OF WAR

This study and report would be prosecuted on the working assumption that it is a U. S. objective to limit the availability of munitions, armament, and implements of war to Germany in the indefinite future.

The study would involve the many detailed technical and procedural questions which lay behind the generalization just recited. It should result in a detailed program for accomplishing the desired result. This program should be specific enough, when agreed to by the various powers, to be executed and enforced without any substantial difference of opinion concerning what had been agreed to or what would be a violation of the general policy.

Such a study and report should answer many questions concerning the items included and the various types of technological and legal controls which should be applied.

For example, what military end products are to be included within the definition of the terms "munitions, armament, and implements of war" for the purpose of applying this policy? Many thousands of types of items are procured by a modern army, navy, or air force. Which of these are to be included—only those which have exclusive military use—or are certain so-called dual use items (used by civilians and military personnel alike) of such military importance that they should be included? What about trucks weighing above 2 tons, to cite just one example out of hundreds?

The appropriate restriction must be devised for each item selected as within the purview of the policy. These restrictions may include prohibition of processing, limitation on quantities of dual-use items to prevent excessive stock piling for military use, limitations on specifications or types, removal of certain facilities, prohibition of new construction of certain types of facilities, restriction on excess productive capacity beyond civilian needs in certain fields, regulation of imports of certain military end products, etc.

The choice of the appropriate restrictions for each selected military end product leads to further questions.

For example, in what terms shall manufacture be prohibited? Shall the prohibition be limited to the act of final assembly or include the processing of certain specialized and necessary components? If the latter, what components? How are the facilities which are to be removed because of their proximate relationship to the manufacture of selected military end products to be selected or designated? Is the test to be a historical one, namely, that, according to the records of primary and subcontractors of the German Government, they were devoted to some specified phase of processing? Or shall such removal be confined only to those certain specialized facilities which cannot be readily converted to useful peacetime manufacture? Or shall removal include both the historically used category and those readily adapted to that use? In what terms shall future construction of facilities related importantly and substantially to the production of the specified military end products be prohibited or controlled?

These illustrative questions suggest the complicated and technical issues which must be answered in converting the policy assumption into readily enforceable terms and appraising their consequences.

Incidentally, this study and report must be distinguished from one which presumably is already being carried forward by the military forces as normal military disarmament routine. That study concerns the confiscation of finished military end products, as distinct from the one projected here which is devoted to their further manufacture.

As indicated later (see VI), it is felt that the best method of carrying on this study is for the FEA to secure an undertaking, on specific terms of reference, from the appropriate officials in the War Department and Navy Department to prosecute it in their respective spheres with the quantity of expert and technical personnel available to them. FEA would assign one or two liaison personnel to coordinate the prosecution of this study with related ones and minimize the duplication inherent in the policy premise.

PROJECT 2. THE POST-SURRENDER TREATMENT OF THE GERMAN AIRCRAFT INDUSTRY

This study and report would be prosecuted on the working assumption that it was a U. S. objective to prevent Germany from maintaining any substantial war potential in the aircraft industry in the indefinite future.

Many of the questions cited in connection with the first study are pertinent here.

In particular the questions relating to components are important. A prohibition of assembly and an elimination of assembly plants might be only a superficial measure. Therefore, the selection of aircraft

components and their treatment becomes a vital issue. Propellers, airframes, certain flying instruments and other specialized components and facilities therefor must be considered. Aircraft motors and certain other components which are similar in design, materials, tooling, plant, and production to items going into many products other than aircraft present more difficult problems.

A primary aspect of this study involves the definition of the term "aircraft" for this purpose. Does it include gliders, lighter-than-air flying craft, robot bombs, and other items not generally known?

One phase of this study and report, not apparent from the stated subject, which must be covered, is an appraisal of the consequences in terms of civil aviation in Germany. How is civil aviation service to be provided between points within Germany and from and to points outside? Is an international corporation to be established for that purpose? How shall it be owned and managed? Shall the building and operation of civil airports and repair facilities be included within any international control?

It is thought that the work on this subject should be carried on by the War and Navy Departments with appropriate terms of reference and with liaison to be provided by the FEA German Branch.

In the portion of the study dealing with civil aviation, it might be desirable to include the Civil Aeronautics Administration and the Communications Division of the State Department in the initial consideration.

PROJECT 3. THE POST-SURRENDER TREATMENT OF GERMAN ENGINEERING AND RESEARCH RELATED TO ARMAMENT, MUNITIONS, AND IMPLEMENTS OF WAR (INCLUDING AIRCRAFT)

The time, effort, facilities, and personnel devoted to the development of new weapons may influence the readiness or ability for war more than the application of the same factors for actual mass production of armament.

For example, after the last war, Allied disarmament measures relating to aircraft resulted only in the cleaning out of the German arsenals and flying fields of obsolete models. A most valuable basis for rearmament, the continuation of engineering experience and development, was preserved. Despite the absence of legitimate commercial work, numerous private engineering departments and Government scientific research in the aircraft field were maintained. Production of prototypes by foreign subsidiaries and clever licensing policies were important auxiliary devices.

Preventative measures can be suggested which seem harsh and unconventional; others may appear unfeasible. But all these and any alternative measures should be carefully appraised.

For example, these are a few random topics which should be canvassed, accepted, or rejected:

- (a) Seizure of prototypes of weapons and auxiliary laboratory installations, research equipment, reports, and notes.
- (b) Suppression of future research on military equipment.
- (c) Supervision of engineering cooperation between Germany and foreign licensees and subsidiaries.

(d) Development of a roster of Scientific personnel who had a leading part in the development of German weapons and a surveillance of their activities.

(e) Regulation of issuance of patents on weapons to German nationals.

(f) Regulation of employment of German armament experts as instructors in foreign countries.

(g) Control over capital accumulated or compensations paid for developing or manufacturing weapons in Germany or with German cooperation abroad.

(h) Supervision of budgets of German government agencies and research and industrial foundations to prevent violation of the measures envisaged in (b) above.

PROJECT 4. THE POST-SURRENDER TREATMENT OF GERMAN ENGINEERING AND RESEARCH IN THE SECRET-WEAPON FIELD

This study and report, similar in character and prospective to the one just described (No. 3), is set up separately. This is done because of the unusually secret and serious character of its subject matter. By segregating it, the subject can be explored, pursuant to terms of reference from the FEA German Branch, by the Army personnel already familiar with the background material.

PROJECT 5. THE POST-SURRENDER TREATMENT OF THE GERMAN LIGHT METALS INDUSTRY

Aluminum and magnesium are considered as highly essential war metals. Although utilized in many products, their best known and, perhaps, most important war function is in the manufacture of aircraft and incendiary bombs.

The tremendous expansion, many times over, of aluminum and magnesium production in the United States during the last 4 years and in Germany during the Hitler regime attest the importance of light metals for modern war.

Accordingly, the elimination of ready access for Germany to these materials has been a favorite suggestion in the industrial disarmament field. This step is oftentimes included as a part of the proposal to exterminate German war potentials in the aircraft industry.

In addition to appraising the arguments for and against this general decision regarding the German light metals industry, it seems desirable to determine the best procedure for accomplishing the objective, should it be accepted as U. S. policy.

The case of aluminum provides an illustrative example. Its production involves three steps:

(a) The production of alumina from bauxite or other soil substances.

(b) The production of aluminum ingots by electrolysis.

(c) The fabrication of ingots into sheets, tubes, powder, extrusions, cables, etc., which are the semifinished or finished product forms.

To accomplish the desired industrial disarmament objective, is it necessary to regulate all three steps in production?

Since Germany relies upon imports of bauxite, is an import control desirable or necessary?

Is limitation of import and domestic stock-piling of bauxite feasible?

What substances other than bauxite are available inside Germany which might be used as a substitute according to modern technology?

Is it desirable or necessary to control the processing of alumina by the various chemical processes which will be used to produce it?

Is the suppression of aluminum ingot production essential?

In view of the character of production, its relationship to the use of large blocks of power, and its customary concentration in large producing units, what specific program of suppression is desirable, if it becomes U. S. policy to press such a policy?

What would be the impact upon normal employment of the suppression of aluminum ingot production?

Is control of aluminum fabrication necessary or desirable if either one or both of the other stages of production are controlled?

In addition to canvassing these questions relating to aluminum there should be a similar canvass in the magnesium field.

Furthermore, the examination of new processes for the development of substitute or superior light metals must be included in this study.

Finally, the practical procedures and specific instruments of control should be developed to give firm content to and illustrate any conclusion or recommendation that Germany be made dependent upon the outside world for these materials.

PROJECT 6. THE POST-SURRENDER TREATMENT OF THE GERMAN OIL AND PETROLEUM INDUSTRY

Petroleum and oil products are essential for modern mechanized war. They play an indispensable role in the operation of aircraft, tanks, naval vessels, and other vehicles, and serve a very important role in industrial and domestic life. Oil presents a slightly different problem from light metals in that it plays a much more important part in peacetime civilian activities.

Various suggestions, quite general in nature, concerning the post-war treatment of the German oil and petroleum industry are now commonplace. These suggestions usually center upon German synthetic oil production since it is the source of a major proportion of Germany's oil supply and is produced in a relatively few large producing units, easy to check.

Many questions bearing on this subject of study require more intensive examination. In addition, the exact method of applying any specific program to diminish German war potential in this field remains to be worked out.

For example, would the elimination of synthetic oil production and the removal of plants previously utilized for that purpose be an adequate measure of disarmament? Or, should the prohibition extend to the crude production from natural sources within Germany which accounts for some proportion of its supply?

If crude production is to be either continued or prohibited, what disposition should be made of oil-refining plants and the oil-refining industry in Germany?

What synthetic processes are so closely related to oil production that they should be curbed or maintained under a constant review in

order to prevent the establishment of alternative capacity readily convertible to oil production?

Depending somewhat upon the conclusions to the foregoing questions, the problem of supplying Germany's normal peacetime requirements for oil and petroleum products is presented. What machinery should be employed to estimate and determine legitimate civilian requirements and what procedures should be employed to supply them?

Should the capacity of oil storage tanks and oil transport within Germany be limited in order to correspond to estimates of civilian requirements?

What commercial machinery for supplying these requirements to assure their satisfaction on fair price and quality terms should be provided? How should this machinery be set up so as to minimize any international competition for Germany's oil and petroleum market which might threaten to break down restrictions against excessive stock piling?

Should there be international arrangements to accelerate the exploitation and exhaustion of crude resources in the countries immediately adjacent to Germany so as to provide controls of maximum efficacy?

What additional information is necessary to the formulation of an airtight disarmament program in this field? What oil and petroleum products, other than those used for mobile units, such as planes, tanks, and automotive equipment, should be the subject of import and other related controls?

PROJECT 7. THE POST-SURRENDER TREATMENT OF THE GERMAN RUBBER AND RUBBER PRODUCTS INDUSTRIES

The nature of the study and report needed in this field is quite similar to the one previously described for the oil and petroleum industry. Rubber, in both its natural and synthetic forms, is an indispensable element to the German war machine. Depending upon natural rubber from the outside world, German industry has developed intensively the manufacture of a synthetic product. The same general range of questions recited for oil and petroleum should be included for treatment in the study and report on this project.

PROJECT 8. THE POST-SURRENDER TREATMENT OF THE GERMAN RADIO AND RADAR (ELECTRONICS) INDUSTRY

This somewhat mysterious field has undergone revolutionary technological advances during the war. The relationship of radar to aircraft operations, offensive and defensive, is but one outstanding example of the important relationship of radar to a war potential.

The question of whether or not industrial disarmament measures are feasible and necessary in this field is one of the highest importance. In view of its very technical nature, these questions are best known to the specialized experts who are familiar with the technological advances and their relationship to the mass-production process. Control of certain key components, raw materials vital to this industrial field, and research engineering illustrates some of the topics that should be examined.

PROJECT 9. THE POST-SURRENDER TREATMENT OF THE GERMAN BEARINGS INDUSTRY

In war and peace, ball bearings constitute a primary necessity for the functioning of planes, tanks, guns, machine tools, various transportation facilities, and industrial operations. Both modern warfare and modern economy demand a continuous and adequate supply of this key product. Germany's ball-bearing industry has been a target for our air operations from time to time. It is typical of the "common component" problem and requires special attention.

The examination of this German industry involves not only technical questions, of the sort previously described for other "key bottleneck industries" but also economic questions rising out of ownership and corporate relationships. However, the latter category of questions is not to be included in this project but in another one to be discussed later. (See project 26.)

PROJECT 10. THE POST-SURRENDER TREATMENT OF THE GERMAN "COMMON COMPONENTS" INDUSTRIES (EXCLUSIVE OF BEARINGS)

In addition to bearings there are many other "common components" such as pumps, electrical and fractional horse-power motors, compressors, etc., which are vitally related either to the retooling of armament industries or the operation of military end-products such as planes, ships, tanks. This field, not popularly included in examinations of industrial disarmament, needs careful examination. It was in this industrial area that American war production found one of its historical bottlenecks. This fact alone suggests that some outside international control of some one or a group of these common components should be examined for feasibility. It is importantly related to projects 1 and 2.

In view of the complicated nature of the field, all of the various questions which should be raised and considered are omitted here.

PROJECT 11. THE POST-SURRENDER TREATMENT OF THE GERMAN MACHINE TOOLS INDUSTRIES

The delays which the U. S. was forced to undergo in its war-production program, pending the development of essential machine tools, made this country conscious of the importance of this industry to war potential. The German Machine Tool Industry, one of the most powerful in the world, is an obvious subject for detailed examination in this industrial disarmament study. It was greatly expanded in Germany before and during the war and is rigidly controlled as highly important to the German war effort.

The diversity and decentralization of the industry in plants, large and small, and in subdivisions of other industries make the problem of industrial disarmament a challenging one in this field. The relationship of the German Machine Tools to an economic domination of Europe must also be taken into account in any appraisal.

The problem is one not only of treatment of machine-tool producing plants but of the end products themselves, which will be surpluses in great numbers in Germany as well as in the U. S. and U. K. after the war.

Certain segments of the machine-tools industry which have been devoted to specialized production of tools for aircraft or armament processes may require a special scrutiny.

These are illustrative technical questions which must be appraised in this field:

1. Could the manufacture of airplanes, guns, tanks, and other armaments be rendered impossible by the destruction of the machine tools, jigs, and fixtures in the German plants still existing at the end of the war?

2. Do particular departments exist within the German machine tool plants exclusively devoted to the manufacture of machine tools for the armament industries?

3. Which measures would prevent permanently the manufacture of machine tools for any German rearmament program?

4. How important is Germany's higher educational system for training mechanical engineers in connection with machine tools?

The answers to these questions may effect not only long-term security considerations but the rehabilitation of European industry, new industrial development in Europe, the disposition of surplus machine tools in the U. S. and U. K., and the important trade interest of some of the allied powers.

PROJECT 12. THE POST-SURRENDER TREATMENT OF THE GERMAN AUTOMOTIVE INDUSTRY

The German vehicle industry was the third largest in the world. The relationship of our own automotive industry to the great expansion in war production achieved through the conversion in itself provides reason for close examination of the German counterpart. In addition to examining the great changes which took place in the European vehicle industry in general as a result of German activities during occupation, this industry should be examined on strategic security grounds. It was converted to war production in substantial measure. It is alleged that, in anticipation of its wartime use, the industry had been equipped with excess capacity, particularly insofar as forgings, stampings, and jigs and fixtures are concerned. It provides an accumulation of a large number of general purpose machine tools, the introduction of mass-production methods, and the training of skilled labor, all of which serve to increase war potential.

The existence of the vehicle industry encouraged German research on combustion engines applicable in wartime to injection-type engines, fuel substitutes, rocket propulsion, etc.

The vehicle industry facilitated and encouraged development of other strategic industries such as the aircraft industry, instruments, accessories, rubber, and fuel substitutes.

By supplying their needs in peacetime, the German vehicle industry is said to have increased the dependence of surrounding allied countries in wartime. This dependence is said to have been considerably increased under German control during the present war.

In view of the dynamic stage of the vehicle industry in European countries and German interference with potential production in other countries during occupation, a quick growth of the automobile industry in Germany could be anticipated in the years after the war, if this industry were left uncontrolled.

This situation presents a reason for careful and especial study.

**PROJECT 13. THE POST-SURRENDER TREATMENT OF THE GERMAN
SHIPBUILDING INDUSTRY**

The position and importance of this industry in its relationship to war potential is a subject for specialized examination, preferably by our maritime and naval authorities who have a special background in the field.

**PROJECT 14. A POST-SURRENDER TREATMENT OF THE AGGREGATE
OF THE GERMAN MACHINERY INDUSTRIES**

Wholly apart from the special segments of German Machinery Industries (such as the Machine Tool Industry and the Automotive Industry), the aggregate of the German machinery industry, including a large number of additional segments, deserves separate examination.

It is now fully recognized that the machinery or metal-working industries are important to a nation's industrial war potential. The vast majority of plants or facilities falling into the general category of machinery industries are standard peacetime industries. The convertibility of the machinery industries to the production of armament, munitions, or implements of war is a factor acknowledged in our own experience. This relationship will undoubtedly be pointed up in the results of project 1. It calls for an appraisal of the feasibility or desirability of a quantitative or aggregate control of the capacity and the operation of these industries in Germany during the occupation period and, probably, afterwards.

The machinery industries were used in Germany as an expandible base for a huge armament production. A significant fact is that during the pre-war period, the German production of machines more than doubled from 1933 through 1937. The great size of the German industry and its rapid growth in the pre-war years is demonstrated by available official statistics.

The number of employees reported in the German engineering industries at the middle of 1936 and the value added by manufacture (total sales less cost of materials, supplies, and fuel) during the year were as follows:

	Number of persons employed	Value added by manu- facture (1,000 RM)
Construction of machines and apparatus including rail vehicles.....	579,000	2,687,000
Electrical machinery and apparatus.....	294,000	1,507,000
Vehicles industry including manufacture of vehicle equipment.....	216,000	1,076,000
Shipbuilding.....	76,000	273,000
Total.....	1,165,000	5,543,000
Total German manufacturing industries.....	7,950,000	34,185,000
Percent of total.....	14.7	16

From 1936 to 1939 these industries experienced a rapid development which is well indicated by the League of Nations production index.

1928.....	100.0	1937.....	119.6
1933.....	46.8	1938.....	142.3
1936.....	98.7	1939 (first month).....	148.0

In spite of the German arming, exports were increasing as shown by the following:

	Export of machinery (1,000 RM)	
	1934	1937
Machinery and apparatus.....	460, 100	765, 200
Vehicles.....	94, 500	267, 700
Electrical machinery.....	218, 600	312, 300
Total.....	773, 200	1, 345, 200

The export of machinery in 1937 was three times that for all steel ingots, billets, shapes, sheet, wire, forgings, and pipe. By 1938 the machinery exports increased to 1,521,000,000 rm.

The consequences of this development were twofold:

(a) Germany's industrial war potential in the machinery field were substantially broadened.

(b) Germany was able to establish a substantial economic domination of these industries in other European countries, which accomplished a weakening of their defensive potential.

The control of these machinery industries during the occupation period coupled with development measures outside Germany in these industrial fields may be a means of breaking this economic domination which strengthened Germany's aggressive potential and weakened the defensive abilities of her neighbors. The nature of the control after the occupation period presents an even more difficult problem because of the wide variety of products and the dependency of the economy on them.

What are the consequences for Germany and the rest of the world of various courses of treatment? These must be appraised on a factual basis. Conclusions with reference to the course of action must be integrated not only with long-term security regulations but also with the nature of world commercial policy.

PROJECT 15. THE POST-SURRENDER TREATMENT OF THE GERMAN STEEL AND FERRO-ALLOYS INDUSTRIES

Iron and steel still provide the principal basis of modern war. This industry is the second side of the triangle of German heavy industry (the others being the Chemical and Machinery Industries) which provides the base of Germany's industrial war potential. Iron and steel capacity in Germany in the beginning of the war, amounting to more than 25,000,000 ingot metric tons, equaled the combined output of Great Britain, France, Belgium, Poland, Czechoslovakia, and Hungary. The substantial exports of iron and steel products provide one of the important instruments of Germany's economic domination of Europe.

Germany's output of finished iron and steel in 1933 was approximately 7,778,000 metric tons of which nearly 1,910,000 went into export. At that time no large share of Germany's steel production had

been diverted to production of armaments and she was able to send substantial quantities of steel and steel products abroad.¹ By 1937 the production increased to 19,187,000 metric tons. Exports also increased to 2,847,000 metric tons in spite of armament expansion. This expansion is the more remarkable because of Germany's lack of economic sources of ores within her borders. Most of the ores were imported from Sweden, France, and other neighboring countries.

The fact that Germany's steel capacity exceeds by far her normal requirements renders its continuance at the present level both a constant menace to disarmament, a source of aggression, and a threat to balanced industrial development in other European countries. Therefore, the same type of industrial disarmament problem presented by the German machinery and chemicals industries is presented by the iron and steel industry.

Should German output be curtailed and facilities be removed or limited? If so, to what extent? How should any proposed curtailment of output or removal of facilities be effected? How are the allowable levels of capacity and output to be determined? Are such types of facilities as heavy forges, presses, hammers, etc., which are especially related to certain types of armament production to be singled out for specific treatment?

How is the use of Germany's iron and steel capacity during periods of occupation and reparations to be modified so as to prevent the continuance of German economic domination of Europe in this field? Assuming a conclusion favorable to control for industrial disarmament objectives, what will be the techniques best designed to effectuate the objectives, i. e., quantitative controls of output, removal of plants, limitations on new plant construction, regulation of importation of iron ore and other ores, etc.

A problem which should be included in this study but treated as a separate phase concerns the so-called alloy steels. These special steel of various kinds are required particularly in the production of military end-products such as armor plates, tanks, warships, rifles, etc.

Alloy steels require, in addition to normal materials for steel production, such items as chromium, tungsten, molybdenum, nickel, vanadium and cobalt. Manganese, a metal used in quantity in ordinary steel production is also used in alloys. The control or treatment of alloy steel production should be given special consideration, not only because of the practical relationship of the availability of alloys to an industrial war potential, but also because the paucity of sources of these materials in Germany offers unusual possibilities for control.

Although Germany produces some domestic supplies of manganese, nickel, tungsten, vanadium, and cobalt and, for that matter, iron ore, the quantities represent but a small portion of total war requirements. Several alternatives for controlling this vital element of the steel economy should be developed and appraised if control of German production import and stock-piling of raw materials and of the processing of the alloy steels is found desirable.

¹ Because of poor living standards in Germany, prevailing opinion has not recognized that the per capita total of her national income in 1932 and 1933 was superior to most European nations.

PROJECT 16. POST-SURRENDER TREATMENT OF THE GERMAN CHEMICAL INDUSTRY

The German chemical industries occupied a key position in the development of the Reich's war potentials. The resourcefulness and thoroughness with which the war potentials were built up are not better demonstrated in any part of the German economy than in the chemical industry. Here were developed and produced the substitutes for the war materials which were lacking in Germany. The chemical industry not only was an important contributor in the technological aspects of war-making but it also led a prominent and successful front in the economic warfare which was waged by Germany through cartel agreements and other means long before armed hostilities started. The chemical industries represent an element in the German economy at least as important in her war-making ability as that occupied by the heavy machinery industries.

The German chemical industry actually is a collection of many industries which are part of a large technical and financial fabric. The chemical industry includes relatively heavy types of operations which involve handling of large volumes of material and it includes the fine chemicals which may be produced on a very small scale. Chemical industries usually are considered to include also the industries which depend almost entirely on chemical processes although the products themselves may not be considered to be chemicals. The manufacture of paper and soap are examples of this type.

In addition to the tremendous heavy chemicals industry, Germany has advanced far in the development of coal-tar derivatives and dyes and in the relatively new field of heavy synthetic chemicals. The heavy synthetics are based primarily on Germany's only abundant natural resource—coal. They include the manufacture of synthetic fixed nitrogen, calcium carbide, and synthetic petroleum.

The fixed nitrogen industry provides ammonia, nitric acid, and nitrates which are used to make explosives out of a wide variety of other materials. These explosives are designed for many special purposes, the newest of which are rocket propellents. But fixed nitrogen is also a highly essential commodity in a peacetime economy; large amounts will be required to keep Germany's agricultural production at its maximum level. Yet, the needs of German agriculture probably will not exceed a third of Germany's present capacity for nitrogen fixation. This sector of Germany's chemical industry will require special study but the need of other chemical industries for the products of the nitrogen fixation industry will also require coordination of the special study with the study of the aggregate chemical industry.

Calcium carbide is the raw material for a wide variety of synthetic and "ersatz" materials. It is manufactured from coke and lime in high temperature electric furnaces. It is used as a starting point for the manufacture of synthetic rubber, some fixed nitrogen, many solvents, some plastics, some textile fibers, and probably many new materials about which we know little. The importance of calcium carbide and its derivatives can be gauged by the fact that Germany's capacity is now estimated to be about seven times the prewar capacity in the United States. The study of calcium carbide production and

the industries dependent upon it, particularly the synthetic rubber industry (see project 6), should be a special subject of investigation. But again the interdependency of the various products with other sectors of the chemical industry as a whole requires integration of the special study with the aggregate study.

The synthetic petroleum industry is the most extensive wartime development in Germany, devoted almost entirely to the frustration of the Allied blockade. Faced with the problem of fighting a mechanized war with normally but one-tenth of the military requirements for petroleum products available within her own borders, Germany has turned her technological and industrial resources toward making her abundant coal supplies fill the serious gap in her own endowments. Part of this has been done by converting synthetic fixed nitrogen plants, but most of it has been accomplished by the building of entirely new plants near the coal fields. This again is a sphere of a separate special study (see project 5), but unquestionably many of the byproducts of the processes have become tied in with other chemical production.

The German dye industry is usually the chemical industry which comes first to mind in speaking of German chemical achievements. The production of dyes and other fine chemicals is not in itself an important contribution to war potential. However, the ready convertibility of the production plants to a wide variety of other materials makes these facilities worthy of close scrutiny.

One of the most important chemical process industries associated with the German war effort is the synthetic fiber industry. This industry was developed in order to allow the use of more readily available pulpwood instead of natural textile fibers which had to be brought from farther corners of the world. The strategic importance of this industry is heightened by its ready convertibility to the manufacture of explosives.

All of these chemical industries are more or less dependent upon the large heavy chemical industries such as sulfuric acid. Of all the more important heavy chemicals, sulfuric acid is the most dependent upon imports, but Germany appears to have adapted herself to getting along largely on local, though probably uneconomical, resources.

The study of the aggregate chemical industry in relation to Germany's war potential will open other subjects of special investigation in addition to those covered by projects 5 and 6. These are not now apparent because of lack of knowledge about the industry as it has developed in the war. However, the interdependence of the many constituents of the industry requires study in the aggregate as well as individually in order to test the feasibility and desirability of various measures of industrial disarmament, i. e., limitations on industrial capacity, limitations on industrial operations, limitations on imports, limitations on exports, control of German ownership and operations outside Germany, elimination of idle capacity beyond reasonable operating reserves in the light of peacetime demands, restrictions on research, removal of selected facilities, and prohibition of construction of defined types.

PROJECT 17. THE POST-SURRENDER TREATMENT OF THE GERMAN COAL INDUSTRY

Coal and related fuels are the basic requirements for the operation of most industries. Germany has very large quantities of coal within its borders. The nation has developed a considerable industry to produce this material and make it available for home consumption and export.

The consumption of coal by German industries falls into two categories:

- (a) A direct use of coal (for example, iron and steel industries).
- (b) An indirect use (for example, the production of electric power which is then used in metallurgical industries).

The study of the reasons for or against various types of Allied regulation of coal output and allocation during and after occupation, and the nature of such controls is an important facet of any over-all appraisal of the industrial disarmament problem.

It is contemplated that this study would not extend to methods and processes involved in coal mining from a standpoint of security. If, however, these methods of producing coal become an important Allied concern because of global shortages of this material, that study may be undertaken separately. The principal focus of the study contemplated here is how various types of control of coal output and allocation can be used as an auxiliary to the effectuation of industrial disarmament measures in other German industries which are based on coal.

For example, the direct use of coal in the production of iron and steel products, refining and manufacture of ferro-alloys, the refining and manufacture of nonferrous metals, makes it a key to any measures which might be taken during or after occupation with reference to those industries. An estimated increase in the use of coal for these purposes between 1934 and 1943 of approximately 275 percent is significant of the place of coal control in any reconversion of these industries with related disarmament measures.

Similarly, the use of coal in the chemical industries, including the manufacture of synthetic fuels and rubber makes this subject an important auxiliary topic to projects 5 and 6 dealing with those industries. It is estimated that in 1943 the manufacture of synthetic fuels alone accounted for approximately 23 million tons of the total German coal output.

Other vital examples of the relationship of coal to industrial disarmament are the toluenes, certain poison and combat gases, and motor fuels such as benzenes and benzols.

The relationship of coal control to other industrial disarmament measures involved in the use of coal for electric power will be manifest in the discussion of Project 18, dealing with the electric power industries. However, control of coal allocated to power production would be a secondary measure insofar as these indirect uses are concerned.

The over-all efficiency of some control, supervision of surveillance of coal output and distribution as an auxiliary to industrial disarmament measures, requires considerable examination since it has both advantages and drawbacks and some serious loopholes.

The efficiency of a partial check on the German industrial war potential, through breaking off certain territorial areas from Germany proper, or establishing some international device to own, manage, or participate in the management of certain coal-producing and distributing operations is also a topic to be appraised.

PROJECT 18. THE POST-SURRENDER TREATMENT OF THE GERMAN ELECTRIC POWER INDUSTRY

The relationship of the German electric power industry to its industrial war potential needs little elaboration. For example, nearly one-half of Germany's war-time consumption of power is absorbed by the vast electro-chemical, and electro-metallurgical industries which are devoted in large part to war production. Electrical energy in large blocks is indispensable in Germany in the manufacture of such items as nitrogen for explosives, synthetic oil, rubber substitutes, light metals, alloy steels, and other key metals for the German war effort.

It is said that since the advent of the Hitler regime, the power potential in Germany has been greatly expanded; generating capacity having been about doubled and output of electrical energy nearly quadrupled. This power is based largely on steam generation which, in turn, utilizes coal.

There are factors of the German power system which have some especial significance from the standpoint of a study of industrial disarmament. Some of these factors are the location of recently installed power facilities; the extensive use of brown coal for power and its integration with production of synthetic petroleum; the ownership of a considerable portion of power capacity by other than public utility companies; and the great increase in the integration of all power facilities, including tie lines with neighboring countries.

A study project of the post-surrender treatment of this industry is an important auxiliary to the other industrial disarmament studies outlined. It has been asserted by some that one of the key instruments for enforcing the effectuating measures of economic disarmament directly applicable to other industries (such as synthetic petroleum and rubber) exists in the power field.

In addition, certain other questions which relate directly to the place of the power industry in an industrial war potential deserve study.

The treatment of any exhaustive excess capacity in generating equipment after German industry has been reconverted from its distended position in the armament field may be related to the needs of certain liberated areas whose power supply has been damaged or destroyed.

Another question which should be examined is the possibility of a long-term program of international control of the German industrial war potential by supplying a maximum complement of power capacity or supply from outside rather than within. With increasing advances in the field of power transmission, interconnection and relays, and the physical power potentialities in neighboring countries, such a measure of control is considered by some experts as worthy of examination.

Another topic, somewhat related, is the feasibility and desirability of controlling a certain portion of Germany's power supply by some form of international ownership, management, or partial supervision in certain key industrial areas.

Finally, the development of some method of technique for recording and checking power deliveries may provide a useful instrument of inspection and surveillance of the scale of various industrial activities.

PROJECT 19. POST-SURRENDER TREATMENT OF STRATEGIC MINERALS FOR GERMAN INDUSTRIES

An important point of origin of a theory of enforcing peace by economic disarmament measures concerned the control of strategic raw materials, particularly metals. Such a proposal has been repeatedly examined and there is a substantial interest in it because of the nature of modern warfare. Study projects, discussed above, will have covered the question of the control of bauxite, iron ore, petroleum, sulphur and pyrites, and the so-called ordnance materials (nickel, chromium, molybdenum, tungsten, vanadium, and cobalt):

This study project is directed toward those strategic minerals not so covered in specific and direct terms: Copper, lead, manganese, mercury, mica, tin, zinc, antimony, and the other more obscure items falling into this category. The study will concern the relationship of the mining, processing, and importation in raw or processed form of these minerals to the German industrial war potential.

A tight international control on the flow of these items to Germany and their stock-piling might serve as a very useful deterrent to aggression. The principal problem to be studied here is the feasibility of various procedures to achieve this result and the methods, if any, whereby the various known and unknown difficulties can be overcome. For example, an outstanding critic of the feasibility of this type of control points out these difficulties: Mineral production is widely distributed in countries outside of Germany, smuggling, the possible use of substitutes by technological advances, and the difficulties of determining normal peace-time requirements in such a way as to prevent excessive stock-piling through domestic production or importation. This judgment should be weighed and analyzed by others in the light of more detailed facts and the experience of the various public agencies in this war in regulating similar operations.

PROJECT 20. APPRAISAL OF ALTERNATIVE DEVICES FOR THE INTERNATIONAL IMPORT CONTROL INTO GERMANY OF SUPPLIES FOR WHICH, FOR SECURITY REASONS, THAT COUNTRY MAY BE MADE DEPENDENT UPON EXTERNAL SOURCES

Many of the study projects outlined call for a consideration of the relative merits and demerits of making Germany dependent upon external sources for certain items. One of the serious questions of feasibility in connection with such study projects as those dealing with the oil and petroleum industry (project 6), the light metals industry (project 4), the rubber and rubber products industry (project 7), the strategic mineral industries (project 19), is the question of international import control. If Germany is to be made dependent upon external sources for all of or a selected combination of these items,

imports must be related to that quantity or amount of the item which is necessary for essential civilian requirements. Only by this method can Germany's legitimate requirements for these items be supplied and yet the dangers of excessive stock-piling be minimized.

To some extent each of the study projects mentioned will appraise the various techniques of import control and their feasibility with reference to the particular item which is the subject of the study.

This study is a functional one; it cuts across these other studies and approaches the problem squarely and solely in terms of international import control and the various types of devices which might be utilized and their consequences.

This involves a number of technical questions dealing with transportation, trade, importation, customs, inspection, smuggling, appraisal of requirements, regulation of shipping, and many other aspects that are implicit in testing the merits or demerits of any working assumption of international import control of certain selected items going into Germany.

The relationship of such of the various devices to the United Nations Security Council, contemplated by the Dumbarton Oaks proposal, or other institutions for enforcement of economic and industrial disarmament measures upon Germany are to be taken into account in this study.

Likewise, the relationship of the various devices selected to the different principles of world commercial policy and trade must be considered if the conflict between U. S. interests in long-term security from German aggression and U. S. concern for free trade are to be reconciled in any program.

PROJECT 21. TECHNICAL REQUIREMENTS FOR A PERMANENT ALLIED COMMISSION TO ENFORCE INTERNATIONAL ARRANGEMENTS RELATING TO GERMAN INDUSTRIAL DISARMAMENT

The enforcement of measures of economic and industrial disarmament by an Allied Control Commission exercising the full prerogative of military occupation can be clearly envisaged within the framework of the proposed Allied Control Commission; what happens to these measures after the period of military occupation presents a much more difficult and complicated topic. Yet, unless the allied countries contemplate occupation for an indefinite period, this second contingency must be faced. Indeed, it may be observed that the initiation and execution of industrial and economic measures during occupation should be premised upon the creation by the interested powers of a mechanism to maintain and enforce this peace auxiliary. Perhaps this mechanism would be a subsidiary of the United Nations Security Council or the subject of agreement between the interested powers.

The structure, nature, and powers of such a permanent enforcement body and its relationship to the United Nations Security Council present a problem almost as vital insofar as Europe is concerned as the Council itself or the Allied Control Commission for Germany.

The return of sovereignty to the German people may have to be conditioned in such a way as to permit the effective operation of such an institution without repeated international incidents and misunderstanding concerning its power and authority. This is both a technological and legal problem.

What must be done after military occupation and a period of direct allied control to insure the living up to measures of German industrial disarmament?

What right of access to files, records, and personnel of German economic and industrial units, public and private, is necessary?

What arrangements for right of free passage into and within Germany for duly accredited agents for such an institution would have to be provided as a qualification to the normal incidents of sovereignty?

What police power would agents of the institution or the institution itself enjoy as necessary aids to enforcement?

What would be the relationship and obligations of local or national police authorities to this institution and its agents?

What special technical controls, such as those in the power, coal, and transportation fields, might be established as an auxiliary to this system of surveillance and enforcement?

What penalties would attach to individuals, private or public, found to be violating the measures prohibited?

What type of administrative or judicial process for apprehension, trial, and punishment should be provided?

What technical industrial or economic sanction applicable to offending concerns, regions, or other entire countries could be devised which would minimize the necessity for calling upon international military force?

What responsibility should this agency have for regularly reporting to the United Nations Security Council, the various national governments, and the public generally?

PROJECT 22. THE ECONOMIC CONSEQUENCES OF A SEPARATION FROM GERMANY OF THE RHINELAND, AND/OR THE RUHR, AND/OR AREAS EAST OF THE ODER RIVER

One of the more frequently discussed proposals for post-surrender treatment of Germany is the political separation from Germany proper of certain geographical areas. Frequently, there are references to the Rhineland, and more loosely, the so-called Ruhr areas, and areas east of the Oder River.

What would be the economic consequences of any one or all of these political separations? What would the impact be on German economic and industrial disarmament? The answer to these questions requires the collection and analysis of a good deal of factual data and information concerning the economic relationships of these areas to Germany and, in turn, the bordering areas of adjacent countries.

For example, the vital stake of the U. S. in long-term security and in measures of economic and industrial disarmament related thereto calls for a particular examination of this type of suggestion. Would a political separation serve the purpose of industrial and economic disarmament?

Would the industrial disarmament measures under consideration for certain German industries, such as the aircraft and petroleum industries, be applicable to these hypothetical separated areas?

If not, what arrangements would be made to provide assurance to the United Nations that such plant facilities would not again fall into and become a part of an aggressive and revived Germany?

What would be the effect of such a political separation on German economic domination of Europe?

Like the former question, the answer to this one probably depends upon a definition of political separation and a specification of the additional economic and ownership readjustments that would be contemplated.

These are only a few samples of the type of questions to which such a study project would be directed.

It should be viewed as peculiarly important since it is one of the types of solution which is quite likely to be seriously raised by some participating nation in the peace settlement.

This study should be distinguished from those parts of projects 17 and 18, for example, which raised the question of an international ownership of certain industrial properties. This latter question will be considered under these projects.

PROJECT 23. THE POST-SURRENDER TREATMENT OF GERMAN LANDED ESTATES AND THE PRACTICE OF ECONOMIC AUTARCHY IN FOOD PRODUCTS

Although much has been said and written concerning the relationship of German industries to that nation's war making power, little emphasis has been given to certain phases of Germany's agricultural economy in relation to its aggressive power.

A glance at Germany's economic history indicates that, from the time of Bismarck, self-sufficiency in the food field was looked upon as an indispensable to Germany's war potential. A series of tariffs and related economic measures were constantly utilized and adjusted to maintain this self-sufficiency. Since the First World War the ordinary devices of tariffs gave way to a regulation of imports through the foreign exchange mechanism. The resulting stabilization of Germany's agricultural production and prices at a relatively high level made the potentialities of economic blockade less formidable from the food point of view.

It has been suggested by some that this self-sufficiency in the food field should be replaced by the elimination of restrictions against importation of certain food items, for example, the grains (*a*) because these devices are a method by which Germany maintains her war potential in the food field, (*b*) because they are in conflict with United States principles of good world commercial policy.

Questions to be considered in this connection are—

What should be the Allied Control Commission's attitude toward utilization of import licenses and foreign exchange controls in particular food fields?

What should be the attitude toward the maintenance of the large German estates which are the basis of a self-sustained Germany in certain fields such as grain?

What international commercial arrangements in the food field would be designed to increase Germany's dependence upon the outside world for certain food products and yet provide adequate quantities of the particular foodstuffs needed for Germany's population on a more economic basis than they can be produced in Germany?

The topics of this study, although obviously related, are to be distinguished from the purely occupational aspects of food production and distribution.

PROJECT 24. AN APPRAISAL OF THE TECHNICAL POTENTIALITIES FOR THE DEVELOPMENT OF "PEACEFUL" INDUSTRIAL ACTIVITY IN GERMANY FOR BOTH HOME CONSUMPTION AND EXPORT

One of the most commonly repeated objections to the feasibility of proposals concerning German economic and industrial disarmament is that they would create unmanageable unemployment and unrest in Germany and damage the economies of Germany and other European countries which are said to be dependent upon Germany.

This objection cannot be generally accepted or rejected. It should be explored on the basis of facts. Moreover, international interest in the benefits of long-term security from German aggression may outweigh temporary damage to the economies of Germany and countries that have been dependent upon it.

A large number of relevant facts, not normally taken into account, should be explored because of their bearing on this problem. It is sufficient here to cite a few examples.

First, what was the occupational distribution of the German population as between the relatively "safe" industries and those which are within the purview of various conceptions of industrial disarmament? Obviously, the occupational distribution of the German population during the war and in the late thirties is highly distorted because during that period it was a nation in arms.

In 1925 the manufacturing industries represented a little over 40 percent of the gainfully employed, with agriculture absorbing about 30 percent and the remainder distributed between Commerce, Transportation, and the Services. Although by 1939 the employment in manufacturing industries had increased only 6 or 7 percent, the category of industries importantly related to the output of war products had increased to a much greater degree. Thus the category of machinery in 1939 showed an increase of about 50 percent over 1925. The electro-technical and electro-chemical and precision instrument industries showed substantial increases from 30 percent upward. The construction industries showed an increase of about 35 to 40 percent, devoted in large part to war projects of the Nazi Government. On the other hand, consumer-goods industries showed either a stable level of employment or, in some instances, a decline.

According to the 1925 pattern, the industries normally considered most important to a war potential represented approximately 10 percent of the gainfully employed population. Admitting that there are a number of factors which must be weighed in this type of statistical appraisal, the figures cited do tender an important issue, namely, whether or not a substantial reshaping of the German industrial pattern with a substantially less effective industrial war potential need necessarily result in substantially less jobs and consumer goods for the population of Germany and the countries to which it exports. The application of the same manpower and materials in constructing better housing, for example, rather than new war plants, might employ the same number of persons to the greater benefit of the average German.

Another factor which should be taken into account in appraising assertions that the application of industrial disarmament measures will damage the economies which were dependent upon Germany is the existence of substitute sources of supply in other nations. For

example, the tremendous export of new machine tools from Germany which serve to maintain that industry at a high level for war potential may not prove indispensable to the importing countries if interest of industrial disarmament rule otherwise. Vast quantities of Government-owned surpluses existing now in Germany and in Great Britain and the United States and excess capacity built up in the latter two countries to curb German aggression could be utilized as a substitute source of supply.

These few illustrations indicate the importance of a technical appraisal of the economic realities in objections to a policy of German industrial disarmament on the grounds that it would be disastrous both for Germany and the remainder of Europe.

PROJECT 25. THE NEED FOR AND NATURE OF ALLIED ACTIVITIES RELATING TO GERMAN PROPERTY ASSETS, INDUSTRIAL PERSONNEL, AND ECONOMIC ACTIVITIES OUTSIDE GERMANY, DESIGNED TO ENFORCE ECONOMIC AND INDUSTRIAL SECURITY MEASURES PERTAINING TO GERMANY

Any economic program for limiting Germany's industrial war potential must give a position of major importance to German attempts to evade or circumvent instructions applicable within Germany by economic or industrial activities outside of Germany. Likewise, security provisions against Germany's capacity to wage war must be implemented by economic and industrial measures designed to curb or regulate Germany's hold on economic and industrial resources outside Germany.

Germany has acquired, through various devices of domination and penetration, a powerful hold on industries in foreign territory. Fundamentally, the techniques of penetration have been utilized in order to build up military and industrial potential in foreign countries and frustrate anticipated Allied controls of Germany following German defeat. It has been the German aim to establish the Nazi industrial empire over all key industries in occupied countries in such a way as to have permanent effect on the industrial life of those areas even after the withdrawal of German military forces. Much of the control will be found to have been achieved in a form which has the semblance of legality.

Basic techniques which have been used include the flight of capital to neutral countries and transfer of assets to the Western Hemisphere; the appointment of local Germans as managers; the establishment of contractual rights, such as cartel agreements; patent and trade-mark agreements, rights to future delivery of prepaid goods, deferred payment for delivered goods, options to repurchase stocks and general ownership, after hostilities, of assets allegedly sold to neutral parties; the purchasing of either complete or controlling interest in industrial organizations in once Axis-occupied territory, sometimes, ostensibly, upon payment of a fair price, by using funds derived from the levying of occupation costs—other times at confiscatory prices or payment in the form of newly issued shares. These are but a partial list of the devices employed.

German domination and penetration in Axis-occupied territory, including satellite countries, and flight of capital to neutral countries, is usually directed to destroying Germany's control acquired in the

course of war. However, economic and industrial security measures will also have to be directed against German assets including contractual rights and German personnel which were established in foreign countries during the period before the war.

Experience after the last war demonstrated the fact that these property assets and economic activities outside Germany were used by the Germans, "according to plan," to frustrate and evade Allied controls in Germany under the sovereignty of other nations and build up a new industrial base for aggression.

Ample evidence exists already of a repetition of this process on a much more intensive scale.

It is important now to define this problem, delineate the types of devices employed, survey the efficacy of existing or proposed measures by the Allied Powers to cope with the situation, and develop a concrete and specific program to deal with it. These topics should be considered in any study project responsive to the President's letter of September 29.

Parts of this program of treatment which should be considered are—

- (1) A segregation, cataloging, and appraisal of total German-owned or controlled assets abroad including both those which existed before the war and those which have passed from Germany to the outside world during the war years.

- (2) A location of the channels through which various types of property and personnel will move and have moved.

- (3) The obtaining of adequate control of the property assets now being managed by or under the direction of German controlled interests.

- (4) An establishment of a control of the flow of property and personnel.

- (5) The exercise of control of this property abroad so as to prevent it from being used as an economic base for activities hostile to the purposes of the Allies in their efforts to control Germany's power and capacity to make war in the future.

- (6) The establishment and maintenance of an adequate system of economic investigation and intelligence relating to this problem.

A number of specific projects need to be taken into account including first and foremost the establishment of adequately empowered and organized U. S. governmental units. A next logical step would be to project the type of international organization, which, acting complementary to the Allied Control Commission and subsidiary to the United Nations Organization contemplated in the Dumbarton Oaks proposals, would be in a position to coordinate the efforts of various individual nations effectively.

Such a report should delineate the important questions of policy and program, which are presented by this problem. For example, the use of existing sanctions and their improvement to this end should be outlined. Publicity, diplomatic representation, export and import control, the use of the proclaimed list and fund freezing are typical instruments which might be analyzed for possible use on a national or combined basis by the Allies.

A canvass of new sanctions, supply and trade policies, and other measures designed to effectuate the Allied purposes in this field, is another important phase of this project.

The subject of this project, as indicated above, presents one of the most challenging and, indeed, most immediately critical problems of controlling Germany's industrial war potential. In fact, it is the only one now in the definitely operable stage.

Separate but related projects devoted to the German relations in international cartels and government-sponsored foreign trade arrangements will be the subject of other such studies.

PROJECT 26. THE POST-SURRENDER TREATMENT OF GERMAN PARTICIPATION IN INTERNATIONAL CARTELS AFFECTING INTERNATIONAL SECURITY

One of the most important and well-known weapons of German economic penetration is the international cartel. By these private trade agreements between German-owned or controlled corporations and those of other countries, German industrialists, in aid of the plans of German military and political authorities, forwarded two closely related aims:

(a) The protection of an increasing disparity between Germany's industrial war potential in certain vital industrial products and that of potential enemies of the Reich;

(b) The extension and perpetuation of an economic domination in certain key industrial fields, which could be exercised to forward Germany's war and trade interests alike.

This subject has long been the subject of extensive investigation, disclosure, and debate in the United States particularly.¹

Reports show how the Germans utilized these cartels as a lethal instrument in a systematic economic warfare against the United States as a prelude to military aggression. The impact on other countries, although less widely known, is suspected by some experts to be even more striking and important, particularly since the public policy of most of the nations toward cartels and other private monopolistic trade arrangements is not nearly so hostile as that represented by the U. S. antitrust laws.

On this subject, the President has already spoken in a letter to Mr. Hull, then Secretary of State, in which he said:

The history of the use of the I. G. Farben trust by the Nazis reads like a detective story. Defeat of the Nazi armies will have to be followed by the eradication of these weapons of economic warfare. But more than elimination of the political activities of German cartels will be required. Cartel practices which restrict the free flow of goods in foreign commerce will have to be curbed. With international trade involved, this end can be achieved only through collaborative action by the United Nations.

It will be the purpose of this study project to—

(a) Summarize the record of German abuse of this device and its particular impact on the industrial war potential of Germany and her prospective foes.

(b) Outline a program of economic detection which, if followed, will complete the available record on this aspect of German participation in international cartels.

(c) Develop and appraise a series of alternative methods whereby this weapon in the German arsenal can be eliminated as a threat to world security and a source of potential German aggression.

¹ For a convenient summary, see *Cartels and National Security*, pts. I and II, Senate Report of Subcommittee of Senate Military Affairs Committee on War Mobilization, November 13, 1944.

A distinction between this study project and others common in the field of international cartels should be drawn. Usually these studies are focused upon the incompatibility of cartel practices with U. S. conceptions of world commercial policy and proposals are geared accordingly. This project, however, is centered upon German participation in these arrangements with an economic or industrial warfare significance and ways and means of limiting this menace as an international security measure.

PROJECT 27. THE POSTSURRENDER TREATMENT OF GERMAN FOREIGN TRADE CONSONANT WITH ECONOMIC AND INDUSTRIAL DISARMAMENT CONSIDERATIONS

Since the rise of Nazism, German foreign trade policy, based largely on bilateral negotiations and arrangements and discriminatory practices, has been turned into a weapon of economic and political aggression, and has become a powerful instrument in the domination of weaker countries. The quantity, flow, and direction of European trade, and even the internal production policies of many countries, have been decisively influenced by German practices, particularly by the German armament program. Since the outbreak of war, Germany has become by far the most important single factor in the foreign trade of all continental countries, and, in 1942, accounted on the average for some 80 percent of the total trade of its satellites, victims, and even neutral countries.

The defeat of Germany will spell the end of the use of continental resources in the interests of the German war machine. Rebuilding European economics and changes in political assignments will entail new production and new trade patterns, and the renewal of trade relations between areas previously under German domination and the rest of the world will in itself cause redirection of foreign trade. Trade agreements previously governing foreign trade of continental countries will, therefore, cease to have validity and should be suspended. It will further become necessary to set up interim procedures in accordance with which essential exports from and imports into Germany can be effected.

As indicated, German Foreign Trade movements and methods, both before and during the war were designed to promote the Nazi war machine. This foreign trade and the methods of conducting it will have to be examined as carefully as the related policies and procedures affecting German industry. This will be necessary, both to protect the interest of the victims of German economic domination, and for military reasons, to complement any program to limit the power and capacity of Germany to make war in the future.

It should be recognized at the outset that there will be other competing policy themes which will struggle to obtain a position of primacy.

Immediately after surrender, the movement of goods in and out of Germany may be affected by the immediate supply problems of the liberated areas. The temptation may be great to give primacy to these immediate needs, despite the fact that in the case of certain products their movement from Germany runs counter to the interests of long-term industrial disarmament.

The same might be said of the production and movement of new war material out of Germany for the Japanese war.

Then, ultimately there may be pressure to handle a reparations program with regard for the needs and desires of the claimants rather than the effect of the production of goods and movement of foreign trade on economic and industrial disarmament and the breaking up of Germany's economic domination of certain industries and areas via foreign trade.

For these reasons it becomes highly important to correlate the planning of the movements of goods from Germany to the broad objectives outlined in the title of the project.

To what extent should these movements out of and any necessary imports into Germany square substantively with any adopted or seriously considered program for reducing Germany's industrial war potential? For example, to what extent can plant removal be substituted for claims for new capital equipment? Or, again, under what conditions of outside demand and supply, would a key industry, such as the automotive industry, be maintained at a high level of operations? What items are suitable for German foreign trade, using that term in the broad sense? What quantities of given items in exports square with some appropriate pre-Hitler pattern, achieved without benefit of abnormal devices of economic penetration and domination, or without reference to a plan for a huge industrial war potential? What pattern of German foreign trade in various products groups should be approved by the U. S. at various stages of control, as consistent with our security and commercial policy objectives?

Another group of questions concern the procedural devices for handling this movement of goods into and out of Germany, with its incidents of financial and foreign exchange.

What is to be the U. S. position toward a future German use of subsidies, forced loans, quotas, tariffs, blocked currency, etc., which are related substantially to some rearmament design or attempt to maintain or achieve economic domination over a given industrial or trade area? What devices are practicable to effectuate that U. S. position?

Should measures of control be exercised over movements and exchanges, on a nonreparations basis, for example, with the neutral countries?

How can such measures be exercised so as to prevent the escape of German property from Germany and a host of evasions of internal controls?

Should an Allied organization be responsible, as a middleman, in all foreign trade movements, regardless of their basis, reparations, or otherwise? What type of mechanism would be best designed to achieve U. S. objectives?

How will the various trade and financial agreements to which Germany is a party be treated so as to free Europe from potential economic domination from this source?

Finally, this study project must be addressed to defining the principles and procedures which, from a U. S. point of view, should be a necessary part of any system of post-surrender German foreign trade movement, whether or not taking the form of reparations, restitution, state or private trading.

In the development of the foregoing study projects and such additional ones as may be added from time to time, a considerable experi-

ence with the problem of devising appropriate controls to accomplish desired economic and industrial disarmament measures will have been gained.

Of course, the most immediate and familiar background for the general type of industrial controls envisaged is the War Production Board process of controlling or regulating production.¹ The series of so-called L and M orders, which were issued as a part of the program of conversion from peace to war constitute a rich pattern for exploration in this connection.

These orders serve a variety of purposes. Under L orders the production of certain products was eliminated or limited to a given level of production; types of a given product were eliminated or specifications made mandatory; new construction was strictly regulated (see L-42). Under the series of M orders, the importation, allocation, production and use of various key or critical materials was regulated. Not only was the methodology of formulation and issuance developed but a compliance system and procedures were worked out.

Of course, there are many points at which the analogy between economic and industrial disarmament measures and the War Production Board pattern breaks down. One was devised for the purpose of converting a nation's industry from peace to war; the other presumably will be devised for converting a nation's productive economy from warlike to peaceful purposes. The one system was developed and enforced with the backing of a patriotic nation including producers, management and labor alike, who were anxious to cooperate. The other system will have to be devised to apply to a hostile nation and will be confronted by a German public opinion that is likely to consider any cooperation unpatriotic.

Therefore, in the formulation of any system of economic and industrial disarmament measures for Germany, a premium should be placed upon simplicity, directness, and the other elements that will tend to make it a practicable and feasible operation in the atmosphere with which it is concerned.

Although it is not specifically included as a separate study project, perhaps, the most important phase of the entire study will be the selection, from the various alternatives available, of that happy combination which combines the maximum of effectiveness and endurance.

It should not be inferred from the ground covered by the specific projects listed that this study project is premised upon any conclusion that something substantial will or should be done in all of the fields indicated. Nor, should it be concluded that the fields listed are the only ones in which such explorations are profitable.

Indeed, the study project is intended to exemplify an approach to this problem through inductive reasoning. The project is based upon the assumption that effective measures must be devised and enforced. The exact identity of those measures which are best suited for the purposes and the acceptable combinations which are likely to prove practicable over a long period of time can probably be determined only after both a considerable study of the various alternatives and the application of some of them through a process of trial and error.

¹ For a helpful general discussion of this system of production control, see an article entitled "The War Production Board Administrative Policies and Procedures" in the *George Washington Law Review*, December 1944. The authors of this article are Messrs. John Lord O'Brien who was General Counsel for the agency and Mr. Manly Fleischmann who was Assistant General Counsel.

VI. METHODS AND RELATIONSHIPS

1. The methods and procedures adopted by the Foreign Economic Administration German Branch for the prosecution of this study project are designed to make it a coordinating workshop. This approach is modeled, in part, after the operation of the Economic and Industrial Planning Section in the British Foreign Office, which was set up to carry forward a comparable operation. It calls for the active participation, on an organized basis, of expert personnel in many agencies and departments of the government. As indicated above, the FEA German Branch will be the focal point, providing a nucleus of personnel. This nucleus will serve to give continuity and organization to the study project. It is the objective of this nucleus group to organize the collection of information and the making of analyses on various aspects of the subject in such a way that the wealth of experts in other agencies can be utilized.

2. Informal working parties will be established for many of the topics selected for a study and report. These working parties will include, not only representatives from the FEA German Branch but also experts on the subject from other key agencies. The War Production Board, the Office of Scientific Research and Development, the OSS, and the appropriate sections of the War and Navy Departments will be requested to permit certain of their key personnel to serve part-time on these working parties. In some instances personnel from the Tariff Commission, the Bureau of Foreign and Domestic Commerce, the Department of the Treasury, the Department of Justice, and many other agencies may be utilized to advantage.

3. These working parties, constituted informally by the FEA German Branch with the cooperation of the other agencies, will operate under specific terms of reference provided by the FEA. These terms of reference will outline the nature of the problem, which is to be the subject of the study and report, and suggest, for illustrative purposes, some of the more important questions or topics on which information or technical judgment is requested. They will also include a statement of the procedures which the working parties should follow so that the various studies can be kept coordinated and the delivery of results on time assured.

4. In some cases the Chairman or steering member of the working party may be selected from some agency other than FEA, but, in every case either the Chairman or the Executive Officer of the working party will be from the FEA.

5. Preliminary analyses from the factual information already available to the FEA, will be submitted to each working party. An organized pool of information bearing on the subject will be kept constantly up to date in the FEA German Branch.

6. In some especial cases, such as projects Nos. 1, 2, and 4 (see V), it seems desirable to redelegate the responsibility for a particular study and report, under adequate terms of reference, to a single agency or department. For example, project No. 2 dealing with the post-surrender treatment of the German aircraft industry, falls quite naturally into the Army Air Corps. It would seem that the great wealth of technical and expert personnel available in that organization for treating this subject could be more effectively mobilized by the Army Air Corps, than by the FEA or some interagency working party. Of course, in such a case initial guidance, in the terms of reference and by assignment of one or two liaison personnel from FEA

with a general grasp of the industrial disarmament problem, will be necessary.

7. In other cases it may be found that the interagency working party device is not a practicable one and a distinct self-contained unit in the German Branch may be required.

8. The procedures will be kept flexible and the one seemingly best adapted to the particular subject at hand will be employed. However, it is hoped that the procedures described above will result in the maximum concentration of available brains and information on this subject in a minimum period of time.

9. This study project is proceeding immediately with the technical data and economic and industrial information on hand. However, it is recognized that the analyses and conclusions in any given study may be faulty or inadequate because of the lack of complete and up-to-date information concerning German economic and industrial operations, which will only be obtainable after hostilities have concluded. Therefore, the initial studies and reports will have to be reviewed, and, perhaps revised, when refreshed by new economic intelligence.

10. The FEA German Branch is looking to the special intelligence services which are already established, or in process of being established, to obtain the great bulk of original information in the field of technical industrial intelligence. For example, it will utilize and look to the Technical Industrial Intelligence Committee, operating under the JIC, as a most useful and desirable complement to its operations.

11. The distinction between the two procedures is clear. The study project, responsive to the President's letter, is established to appraise, evaluate, and make judgments upon particular German industries and economic activities for the postsurrender period. The new and up-to-date information on which such analyses and conclusions can be most realistically based is to be provided by other organizations specialized in the field of procurement of original industrial information, such as the Technical Industrial Intelligence Committee. It may be that for some phase of its studies, relating to particular types of economic activity, as distinct from the working of a particular industry, the existing machinery will not prove adequate. Before resorting to any especial expedient in this field, however, the FEA German Branch will utilize to the fullest existing sources of procurement of original intelligence. It will seek constantly to confine its activities in this field to the maintenance of appropriate liaison and the provision of adequate direction for the special investigations to be undertaken on its behalf.

12. One other aspect of interagency relationship should be noted. The reports which are the results of this study project presumably will be made available to the President and the Department of State, and on appropriate clearance, to such bodies as the U. S. Section of the European Advisory Commission and the U. S. Control Group of the Allied Control Commission for Germany. The methods and procedures whereby the conclusions and recommendations in these reports would be translated into positive action or become binding upon U. S. representatives have not been worked out. It will be clearly understood, however, that the studies and reports as developed will not constitute firm policy of this Government until some executive action is taken by the President, Department of State, or other properly empowered agency. In other words, the studies and reports, rather than representing action, provide a basis on which action can be more advantageously determined.

EXHIBIT 8

TECHNICAL INDUSTRIAL DISARMAMENT STUDIES

A short time before the Yalta conference at which President Roosevelt, Prime Minister Churchill, and Marshall Stalin pledged their respective nations to "eliminate or control all German industry that could be used for military production," the Director of the Enemy Branch of the Foreign Economic Administration set up a number of separate study projects, dealing with some of the most important German economic and industrial disarmament problems. Each of the studies is being made by a group of the most competent and best informed men in the Government, particularly trained to deal with certain specific problems of production, industry, and economics. The majority of these studies have been undertaken by interagency working groups whose members have been provided through the cooperation of other government agencies. The balance of the projects are being coordinated within FEA or by a particularly selected agency.

Each of the completed Technical Industrial Disarmament Studies will be submitted to the Director of the Enemy Branch. They will be reports of an advisory character rather than reports having the status of approved policy documents. They are reports to the FEA rather than by the FEA. They will constitute the views of the individual signatories rather than the agencies to which they are accredited. As such they will be made available by the FEA to all U. S. officials responsible in this field. Thus, through these TID reports, the FEA and other interested agencies will have the benefit of expert advice from industrial and economic specialists in the Government pursuant to an organized and systematic work project.

The lists appearing on the following pages (along with a table of contents) show the Technical Industrial Disarmament Studies which are now being made, the persons making each study, and the Government agency by which each such person is employed. It will be noted that no projects have been set up for numbers 28 and 29. These numbers have been left open for possible additional general economic studies on Germany of the same type as projects 20 through 27.

Technical industrial disarmament studies

TABLE OF CONTENTS

	Page
Project No. 1. Armament and munitions-----	1
Project No. 2. Aircraft-----	1
Project No. 3. Scientific research-----	2
Project No. 4. Secret weapons-----	1
Project No. 5. Light metals-----	3
Project No. 6. Petroleum-----	5
Project No. 7. Rubber-----	6
Project No. 8. Electronics-----	7
Project No. 9. Bearings-----	8

Technical industrial disarmament studies—Continued

TABLE OF CONTENTS—Continued

	Page
Project No. 10. Common components.....	9
Project No. 11. Machine tools.....	10
Project No. 12. Automotive.....	11
Project No. 13. Shipbuilding and shipping.....	12
Project No. 14. Machinery.....	13
Project No. 15. Ferrous metals.....	14
Project No. 16. Chemicals.....	16
Project No. 17. Solid fuels.....	17
Project No. 18. Power.....	18
Project No. 19. Nonferrous metals.....	20
Project No. 20. Foreign trade controls.....	21
Project No. 21. Allied Disarmament Commission.....	22
Project No. 22. Territorial separation.....	22
Project No. 23. Agriculture.....	23
Project No. 24. Development of safe industries.....	23
Project No. 25. External economic security.....	24
Project No. 26. International cartels.....	24
Project No. 27. Combined with project No. 20.....	21
* * * * *	
Project No. 30. Forest products.....	25
Project No. 31. Scientific equipment.....	26

TECHNICAL INDUSTRIAL DISARMAMENT STUDIES

Cooperating agencies:

	Letter of invitation addressed to—	Liaison representative
Department of Commerce.....	Mr. Wayne C. Taylor.....	Dr. Frank A. Waring.
Department of Interior.....	Hon. Harold Ickes.....	Mr. Stephen Raushenbush.
Department of the Navy.....	Hon. James Forrestal.....	Admiral T. D. Rudderock.
Office of Scientific Research and Development.	Dr. Vannevar Bush.....	Dr. Lyman Chalkley.
Office of Strategic Services.....	Dr. William L. Langer.....	Mr. Sherman Kent.
Department of State.....	Mr. Emile Despres.....	Mr. John C. De Wilde.
War Department.....	Hon. Henry Stimson.....	Maj. Gen. K. B. Wolfe.
War Production Board.....	Mr. J. A. Krug.....	Mr. William Batt.
War Shipping Administration.....	Vice Adm. E. S. Land.....	Vice Adm. H. L. Vickery.

Other agencies contributing personnel:

Department of Agriculture
 Bureau of the Budget
 Federal Power Commission
 Department of Justice
 Office of War Mobilization and Reconversion
 U. S. Tariff Commission
 Department of the Treasury

Technical Industrial Disarmament Committee to Study the Treatment of German Production of Armaments, Munitions, and Implements of War (project No. 1); Technical Industrial Disarmament Committee to Study the Treatment of the German Aircraft Industry (project No. 2); Technical Industrial Disarmament Committee to Study the Treatment of German Engineering and Research in the "Secret Weapon" Field (project No. 4): These projects are being handled by the Army-Navy Ad Hoc Interdepartmental Committee for FEA Projects. Members of the committee are—

Rear Admiral T. D. Rudderock, USN
 Maj. Gen. K. B. Wolfe, USA
 Brig. Gen. H. C. Minton, GSC
 Capt. B. G. Leighton, USNR, Retired

Executive officers:

Capt. A. M. Hartman
Lt. F. D. McAlister, USNR

Technical Industrial Disarmament Committee to Study the Treatment of German Research Related to Armaments, Munitions, and Implements of War (project No. 3): This project was delegated to the Office of Scientific Research and Development which invited certain members of the National Academy of Sciences to serve on the Committee. They include—

Dr. Roger Adams, Chairman
Dr. R. W. King, Secretary
Dr. O. E. Buckley
Dr. George O. Curme, Jr.
Dr. Hugh Dryden
Dr. Ross G. Harrison
Dr. Zay Jeffries
Dr. W. K. Lewis
Dr. I. I. Rabi

Mrs. Helen Hill Miller, Foreign Economic Administration Liaison Officer

Technical Industrial Disarmament Committee to Study the Treatment of the German Light Metals Industries (project No. 5):

Mr. Arthur Bunker, Chairman; Foreign Economic Administration Consultant.
Mr. Philip D. Wilson, Vice Chairman; Combined Production and Resources Board.

Mr. Thomas Covell, War Production Board, Deputy Director, Aluminum and Magnesium Division.

Miss Dorothy Cruger, Combined Production Resources Board, Aluminum and Magnesium Consultant.

Lt. Comdr. J. H. Faunce, Navy Department, Head, Materials Branch, Bureau of Aeronautics.

Lt. Isaiah Frank, Office of Strategic Services, Acting Chief, Industry and Trade Section, Research and Analysis Branch.

Mr. Leo Grant, Foreign Economic Administration Consultant.

Mr. Arthur P. Hall, Foreign Economic Administration Consultant.

Mr. T. E. Hancock, Counsel; War Production Board, Attorney for the Aluminum and Magnesium Division.

Mr. Walter A. Janssen, Department of Commerce, Chief, Metals and Minerals Unit.

Lt. Col. N. O. Kraft, War Department, Chief, Aluminum and Magnesium Section, Army Service Forces.

Mr. Samuel Lipkowitz, State Department, Chief, Minerals Section, Commodities Division.

Mr. Arthur B. Menefee, War Production Board, Chief, Bauxite Section.

Mr. Thomas Miller, Department of the Interior, Assistant Chief, Economics and Statistics Branch, Bureau of Mines.

Technical industrial disarmament committee to study the treatment of the German oil and petroleum industry (project No. 6):

Mr. Ralph K. Davies, Chairman; Deputy Petroleum Administrator for War.

Rear Admiral A. F. Carter, USNR, Army-Navy Petroleum Board.

Brig. Gen. H. L. Peckham, Fuels and Lubricants Division, War Department.

Mr. Charles Rayner, State Department.

Col. Jay L. Taylor (Alternate), War Department.

Mr. Brandon H. Grove, Executive Officer; Foreign Economic Administration, Assistant Chief, Petroleum Division.

Mrs. Miralotte Ickes, Executive Secretary; Foreign Economic Administration Analyst.

Technical industrial disarmament committee to study the treatment of the German rubber and rubber products industry (project No. 7):

Mr. Lucius D. Tompkins, Chairman; Office of War Mobilization and Reconversion.
 Mr. E. B. Babcock, Combined Production Resources Board Consultant.
 Mr. Golden W. Bell, War Production Board, Assistant General Counsel.
 Mr. John Collyer, War Production Board, Director, Rubber Programs.
 Mr. Joseph N. DuBarry IV, State Department, Commodity Specialist.
 Dr. E. R. Gilliland (Alternate), Office of Scientific Research and Development.
 Mr. Robert A. Gordon (Alternate), Combined Raw Materials Board.
 Capt. Henry E. Haxo, Jr. (Alternate), War Department, Headquarters, ASF.
 Mr. Everett G. Holt, Department of Commerce Rubber Analyst.
 Lt. Comdr. H. W. Julian, Navy Department.
 Mr. Thomas J. Lynch, Treasury Department Assistant General Counsel.
 Mr. Sheldon P. Thacher, War Department Consultant.
 Mr. Walter Emery, Executive Officer; Foreign Economic Administration Consultant.
 Miss Mildred Zahn, Executive Secretary; Foreign Economic Administration Analyst.

Technical industrial disarmament committee to study the treatment of the German electronics equipment industry (project No. 8):

Mr. Ray C. Ellis, Chairman; Foreign Economic Administration Consultant.
 Mr. Ralph Bown, Office of Scientific Research and Development.
 Mr. Louis J. Chatten, War Production Board, Director, Radio and Radar Division.
 Capt. F. C. Layne, Navy Department, Chief, Electronics Division.
 Capt. Gilbert B. Myers, Navy Department, Secretary of Joint Communications Board.
 Brig. Gen. T. C. Rives, Army Air Forces.
 Mr. James M. Kerbey, Executive Officer, Foreign Economic Administration Consultant.
 Mrs. Elizabeth Hawkins, Executive Secretary, Foreign Economic Administration Analyst.

Technical Industrial Disarmament Committee to Study the Treatment of the German Anti-Friction Bearing Industry (Project No. 9):

Mr. Stanley M. Cooper, Chairman; Foreign Economic Administration Consultant.
 Mr. Albert E. Fawley, Vice Chairman; Foreign Economic Administration Consultant, detailed from War Production Board.
 Lt. Comdr. Preston Gaddis (Alternate), Navy Department, Assistant to Assistant Director of Production, Bureau of Ordnance.
 Mr. Aldon B. Gomez, War Production Board, Legal Counsel, Tools Division.
 Brig. Gen. F. M. Hopkins, War Department, Chief, Resources Division, AC/AS. Materials and Services.
 Mr. Claude C. Ostrom, War Production Board, Assistant Director, Tools Division.
 Lt. H. F. Venneman, Navy Department, Machine Tools Section.
 Lt. Col. Ralph M. Wood (alternate).
 Mr. Lester G. Hawkins, Executive Officer; Foreign Economic Administration Analyst.
 Miss Louise Eaton, Executive Secretary, Foreign Economic Administration Analyst.

Technical Industrial Disarmament Committee to Study the Treatment of the German Common Components Industries (Project No. 10):

Mr. Michael J. Deutch, Chairman; War Production Board, Special Assistant to the Chairman.
 Mr. James J. Farriss, State Department Assistant Advisor, Commodities Division.
 Mr. W. M. Haile, War Production Board, Director, General Industrial Equipment Division.
 Mr. V. S. Kolesnikoff, Bureau of the Budget, Chief Economist.
 Dr. Heinrich Kronstein, Department of Justice, Special Attorney.

Lt. Comdr. H. D. Murray, Navy Department, Executive Officer, Production Division.
 Mr. William H. Myer, Department of Commerce, Chief, Machinery and Motive Products Unit.
 Mr. J. W. Ould, Counsel, War Production Board, Counsel, General Industrial Equipment Division.
 Mr. Virgil Tobin, Combined Production Resources Board, Program Officer.
 Col. G. D. Woods, War Department, Assistant Director for Production Services.
 Mr. Lester G. Hawkins, Executive Officer; Foreign Economic Administration Analyst.
 Miss M. J. Wichser, Executive Secretary; Foreign Economic Administration.

Technical Industrial Disarmament Committee to Study the Treatment of the German Machine Tool Industry (project No. 11):

Mr. Mason Britton, Chairman, Foreign Economic Administration Consultant.
 Mr. George Adams, State Department, Economist, Division of Territorial Studies.
 Mr. William L. Beck, Department of Commerce, Assistant Chief, Machinery Unit, Bureau of Foreign and Domestic Commerce.
 Lt. William Bray, Office of Strategic Services Economist.
 Mr. John S. Chafee, War Production Board, Director, Tools Division, Equipment Bureau.
 Cdr. E. A. Ewing, Navy Department, Chief, Machine Tools Section.
 Mr. Frederick Geier, Foreign Economic Administration Technical Consultant.
 Mr. Aldon B. Gomez, War Production Board, Legal Counsel, Tools Division.
 Lt. Col. P. L. Houser, War Department, Chief, Equipment Branch, ASF Prod. Division.
 Brig. Gen. H. F. Safford, War Department, Chief, Production Service Division Office, Chief of Ordnance.
 Mr. Franz T. Stone, Executive Officer; Foreign Economic Administration Consultant, detailed from War Production Board.
 Miss Louise Eaton, Executive Secretary; Foreign Economic Administration Analyst.

Technical Industrial Disarmament Committee to Study the Treatment of the German Automotive Industry (project No. 12):

Mr. Courtney Johnson, Chairman; Foreign Economic Administration Consultant.
 Lt. William Bray, Office of Strategic Services, Economist.
 Mr. John P. Brown, War Production Board, Divisional Counsel, Automotive Division, Equipment Bureau.
 Mr. James Cope, Foreign Economic Administration, Consultant.
 Brig. Gen. A. R. Glancy (retired), Combined Production Resources Board Consultant.
 Lt. Cdr. E. E. Krogstad, Navy Department, Bureau of Yards and Docks, Transportation Subsection Head.
 Mr. Francis F. Lincoln, State Department, Economist, Division of Territorial Studies.
 Mr. Oscar P. Pearson, Foreign Economic Administration, Consultant.
 Mr. R. I. Roberge, Foreign Economic Administration, Consultant.
 Lt. Col. H. P. Valentine (alternate), War Department, Chief, Transport and Automotive Branch Production Division, Headquarters, ASF.
 Col. G. W. White, War Department, Office, Chief of Ordnance.
 Mr. Carl Wynne, Foreign Economic Administration, Consultant.
 Mr. Charles R. Weaver, Executive Officer; Foreign Economic Administration, Consultant.
 Miss Peggy Garrison, Executive Secretary; Foreign Economic Administration.

Technical industrial disarmament committee to study the treatment of the German shipbuilding industry (project No. 13): This project has been delegated to the War Shipping Administration to be dealt with by—

Vice Admiral Emory S. Land, War Shipping Administrator, Chairman, Maritime Commission.
 Vice Admiral H. L. Vickery, Deputy War Shipping Administrator, Vice Chairman Maritime Commission.

Technical industrial disarmament committee to study the treatment of the aggregate of the German machinery industries (project No. 14): This project is being handled by a Foreign Economic Administration Drafting Committee.

Mr. Albert C. Shire, chairman.
Mr. H. C. Cassell.

Mr. John Ehrhardt
Mr. John F. Coneybear, executive officer

Technical industrial disarmament committee to study the treatment of the German ferrous metals industries (project No. 15):

Mr. Hiland G. Batcheller, chairman; War Production Board, Chief of Operations.
Mr. Leon Goldenberg, executive officer; Foreign Economic Administration, Acting Chief, Basic Industries.
Mrs. Alice Nagel, executive secretary; Foreign Economic Administration, analyst.

Iron and steel subcommittee:

Mr. Norman W. Foy, chairman; War Production Board, consultant.
Lt. Comdr. Roger S. Ahlbrandt, Navy Department.
Lt. Isaiah Frank, Office of Strategic Services, Industry and Trade Section.
Col. Thomas Galbreath, Office of Chief of Ordnance, War Department.
Mr. Sidney D. Merlin, Department of State, Division of Commercial Policy.
Mr. C. E. Nighman, Interior Department, Bureau of Mines.
Mr. Peter M. Rouzitsky, Combined Production Resources Board.
Dr. Walter S. Tower, Foreign Economic Administration Consultant.

Ferro-alloys subcommittee:

Dr. A. B. Kinzel, chairman; Foreign Economic Administration, consultant.
Mr. Charles E. Adams, Combined Production Resources Board.
Lt. Comdr. Roger S. Ahlbrandt, Navy Department.
Col. John Frye, War Department, Office of Chief of Ordnance.
Mr. Edwin K. Jenckes, Interior Department, Bureau of Mines.
Mr. Carl M. Loeb, Jr., Foreign Economic Administration, consultant.
Dr. Paul D. Merica, Foreign Economic Administration, consultant.

Technical Industrial Disarmament Committee to Study the Treatment of the German Chemical Industries (project No. 16):

Col. Frederick Pope, chairman; Office of War Mobilization and Reconversion.
Dr. D. P. Morgan, (acting Chairman), War Production Board, Director, Chemicals Bureau.
Mr. John W. Barnet, Department of State, Minerals Specialist, Commodities Division.
Lt. Comdr. R. B. Colgate, Navy Department, Chief, Chemicals Section, Office of Procurement and Material.
Mr. C. C. Concannon, Department of Commerce, Chief, Chemical Unit, Bureau of Foreign and Domestic Commerce.
Mr. J. Forsyth Glenn, War Production Board, Counsel, Chemicals Bureau.
Mr. Thomas S. Nichols, War Production Board, Principal Consultant.
Mr. Oliver Ralston, Department of Interior, Assistant Chief, Metallurgical Branch.
Lt. Col. W. F. Sterling, War Department, Chief, Commodities Branch, Production Division, Headquarters, ASF.
Mr. Martin T. Bennett, Executive Officer; Foreign Economic Administration, Chief, Industry Division.
Mrs. Thelma Lewis, Executive Secretary; Foreign Economic Administration, Editor.

Technical Industrial Disarmament Committee to Study the Treatment of the German Coal Industry (project No. 17):

Mr. Charles J. Potter, Chairman; Interior Department, Deputy Solid Fuels Administrator.
Mr. George Lamb, Vice Chairman; Department of Interior, Assistant Director, Bureau of Mines.
Mr. Ralph Bowen, State Department, Country Economics Specialist, Division of Commercial Policy.

Lt. R. S. Hauck, Navy Department.

Lt. Col. C. R. Mabley, War Department, Chief, Solid Fuels Branch, Office of Quartermaster General.

Mr. Arthur Notman, Foreign Economic Administration, Technical Consultant.

Mr. Sam Schurr, Office of Strategic Services, Economist.

Mr. R. M. Weldenhammer, Department of Commerce, Assistant Chief, Metals and Minerals Unit.

Mr. Antonio Villa, Executive Officer; Foreign Economic Administration, Planning Staff.

Mrs. Phenola Carroll, Executive Secretary; Foreign Economic Administration Analyst.

Technical Industrial Disarmament Committee to Study the Treatment of the German Electric Power Industry (project No. 18):

Mr. Edward Falck, Chairman; War Production Board, Director, Office of War Utilities.

Mr. Curtis E. Calder, War Production Board Consultant.

Mr. C. Girard Davidson, War Production Board, Assistant General Counsel.

Mr. Samuel Ferguson, Foreign Economic Administration Consultant.

Mr. Arthur Goldschmidt, Department of Interior, Director, Division of Power.

Lt. Col. Preston E. James, Office of Strategic Services, Chief, Geographic Sub-division, Europe-Africa Division.

Dr. Herschel F. Jones, War Production Board, Assistant to Director, Office of War Utilities.

Mr. Basil Manly, Federal Power Commission Chairman.

Lt. Daniel V. McNamee, USNR, War Production Board, Legal Counsel.

Mr. Herbert S. Marks, Department of State, Assistant to Assistant Secretary Acheson.

Lt. Comdr. C. N. Metcalf, Navy Department, Bureau of Yards and Docks.

Dr. John C. Parker, Foreign Economic Administration Consultant.

Mr. Walter A. Radius, State Department, Special Assistant to Director, Office of Transport and Communication.

Mr. Philip Sporn, War Production Board Consultant.

Brig. Gen. J. H. Stratton, War Department.

Lt. Col. A. R. Williams (Alternate for General Stratton), War Department, Production Division.

Warren H. Marple, Executive Officer; Foreign Economic Administration Consultant.

Miss Jewell Wilson, Executive Secretary; Foreign Economic Administration.

Technical Industrial Disarmament Committee to Study the Treatment of the Strategic Minerals for German Industries (project No. 19):

Mr. Arthur Notman, Chairman; Foreign Economic Administration.

Dr. C. K. Leith, Acting Chairman; Combined Production Resources Board.

Mr. Alan Bateman, Foreign Economic Administration, Assistant Director, Foreign Procurement and Development Branch.

Lt. Col. J. A. Church, Army Service Forces, Chief, Miscellaneous Metals and Minerals Section.

Mr. James Douglas, War Production Board, Deputy Vice Chairman for Metals and Minerals.

Mr. Thomas Helde, Office of Strategic Services, Chief, Industries Subsection, Europe-Africa Division.

Mr. Walter A. Janssen, Department of Commerce, Chief, Metals and Minerals Unit, Board of Foreign and Domestic Commerce.

Mr. Andrew Leith, Foreign Economic Administration Consultant.

Mr. John C. Parsons, War Production Board Attorney, Miscellaneous Minerals Division.

Mr. Elmer Pehrson, Interior Department, Chief, Economic and Statistics Branch.

Lt. J. F. Widman, Navy Department.

Mr. Leon Goldenberg, Executive Officer; Foreign Economic Administration, Acting Chief, Basic Industries.

Mrs. Phenola Carroll, Executive Secretary; Foreign Economic Administration Analyst.

Technical Industrial Disarmament Committee to Study the Treatment of German Foreign Trade and Import Controls (projects Nos. 20 and 27):

Mr. Clair Wilcox, Chairman; State Department Consultant, Office of International Trade Policy.
Lt. S. S. Alexander, Office of Strategic Services, Chief, Economic Subdivision, Europe-Africa Division.
Mr. Norton M. Banks, War Production Board, Director, Division of Stock-piling and Shipping.
Lt. William Bray, Office of Strategic Services, Economist.
Mr. Edward J. Browning, War Production Board, Deputy Vice Chairman, International Supply.
Dr. Arthur Burns, Foreign Economic Administration, Consultant.
Mr. Louis Domeratzky, Bureau of Foreign and Domestic Commerce, Chief, European Unit.
Mr. Hal B. Lary, Department of Commerce, Chief, International Payments Unit, Bureau of Foreign and Domestic Commerce.
Mr. Sidney D. Merlin, State Department, Country Specialist, Division of Commercial Policy.
Mr. John Parsons, War Production Board, Attorney, Legal Division.
Miss Ethel Dietrich, Executive Officer; Foreign Economic Administration, Chief, Export-Import Control Division.
Miss Beatrice Rosholt, Executive Secretary; Foreign Economic Administration, Analyst.

Technical Industrial Disarmament Committee to Study the Technical Requirements for a Permanent Allied Commission to Enforce International Arrangements Relating to German Industrial Disarmament (project No. 21): Completion of this report has been delayed pending completion of the other reports.

Technical Industrial Disarmament Committee to Study the Economic Consequences of a Separation from Germany of the Rhineland and/or the Ruhr and/or Areas East of the Oder River (project No. 22): This project is being handled by a Foreign Economic Administration Drafting Committee of which Philip M. Kaiser, FEA, is Chairman and on which Committee also serve Mr. Martin Bennett, Mr. David Levitan, Mr. Frank Lorimer, Miss Margaret Stone, Dr. George Wonderligh.

Technical Industrial Disarmament Committee to study the treatment of German landed estates and the practice of economic autarchy in food products (project No. 23): This project is being handled by a Foreign Economic Administration Drafting Committee of which Mr. Herbert Parisius, FEA, is chairman, and on which also serve—

From FEA:

Dr. Carl Brandt
Mr. Theo. W. Schultz
Mr. John Cassels
Mr. Norman Jasny

From OSS: Mr. Wilfred Mallenbaum

From Agriculture:

Mr. Hans Richter
Mr. H. R. Tolley

Technical Industrial Disarmament Committee to appraise the technical potentialities for the development of "Peaceful" industrial activity in Germany for both home consumption and export (project No. 24): This project is being handled by a Foreign Economic Administration Drafting Committee, of which Mr. Donald Longman, FEA, is Chairman.

Technical Industrial Disarmament Committee to study the need for and nature of Allied activities relating to German property assets, industrial personnel, and economic activities outside Germany, designed to enforce economic and industrial security measures pertaining to Germany (project No. 25): This project is being handled by a Foreign Economic Administration Drafting Committee, of which Mr. Richard C. Harrison, FEA, is Chairman.

Technical Industrial Disarmament Committee to study the treatment of German participation in international cartels affecting international security (project No. 26): This project is being handled by a Foreign Economic Administration Drafting Committee, of which Mr. David M. Levitan, FEA, is Chairman.

Project No. 27 has been combined with project No. 20.

Technical Industrial Disarmament Committee to Study the Treatment of the German Forest Resources and Forest Products Industries (project No. 30):

Mr. Lyle F. Watts, Chairman; Department of Agriculture, Chief, Forest Service.
Mr. E. I. Katok, Vice Chairman; Department of Agriculture, Assistant Chief, Forest Service.

Mr. John B. Appleton, Office of Strategic Services, Assistant Chief, Far East Division; Chief, Geographic Subdivision.

Mr. Arthur Bevan, Foreign Economic Administration, Chief, Paper, Lumber, and Containers Section, Requirements and Supply Branch.

Mr. Benton R. Cancell, War Production Board, Chief, Forest Products Bureau.

Colonel John G. Cooke, War Department, Assistant Director for Materials and Products, Production Division, ASF.

Lt. Lawrence B. Culter (Alternate), War Department, Commodities Branch, Production Division, ASF, Forest Products Section.

Commander W. W. Kellogg, Navy Department, Lumber Coordinator, Navy Lumber Coordinating Unit, Bureau Supplies and Accounts.

Mr. Franklin H. Smith, U. S. Tariff Commission, Chief, Lumber and Paper Division.

Mr. Henry W. Spiegel, Office of Strategic Services, Europe-Africa Division, Economics Subdivision.

Dr. Amos E. Taylor, Department of Commerce, Chief, Bureau of Foreign and Domestic Commerce.

Dr. Edward C. Crafts, Executive Officer; Department of Agriculture, Forest Service.

Miss Ruth Coffman, Executive Secretary; Department of Agriculture, Forest Service.

Technical Industrial Disarmament Committee to Study the Treatment of the German Optical Glass and Technical and Scientific Equipment Industries (project No. 31):

Mr. Frank Howard, Chairman; War Production Board, Chief, Safety and Technical Division.

Mr. Mort N. Lansing, Department of Commerce, Specialties Unit, Bureau of Foreign and Domestic Commerce.

Mr. Lawrence Radford, Navy Department, Bureau of Ordnance, Production Division TR-7.

Mr. Francis M. Shields, Foreign Economic Administration Consultant.

Dr. F. E. Wright, War Department, Army, Navy Munitions Board.

Mr. John Flynn, Executive Officer; War Production Board, Chief, Facilities Section, Safety and Technical Equipment Division.

Mrs. Elizabeth Hawkins, Executive Secretary; Foreign Economic Administration Analyst.

SUPPLEMENT TO EXHIBIT 8

For the information of the Committee, there are added below notes concerning the principal public and private affiliations of the TIDC Project Chairmen designated by FEA and those Technical Consult-

ants brought in by the FEA to advise with the TID Committees. Any further information concerning the individuals designated by the participating agencies can be secured from these agencies.

Individual	Agency and title	Principal present affiliation outside Federal Government
Mr. Hiland G. Batcheller, Chairman, project No. 15, Ferrous Metals.	WPB, Chief of Operations.	President, Allegheny-Ludlum Steel Corp., Pittsburgh, Pa.
Mr. Arthur Bunker, Chairman, project No. 5, Light Metals.	FEA Consultant.....	Executive Vice President, the Lehman Corporation, New York, N. Y.
Dr. Arthur Burns, FEA Member, projects Nos. 20 and 27, Foreign Trade Controls.	.....do.....	Professor of Economics, Columbia University, New York, N. Y.
Mr. Stanley M. Cooper, Chairman, project No. 9, Bearings.	.....do.....	Executive Vice President, Fafnir Bearings Co., New Britain, Conn.
Mr. James Cope, FEA Member, project No. 12, Automotive.	.....do.....	Assistant to President, Chrysler Corporation, Detroit, Mich.
Mr. Ralph K. Davies, Chairman, project No. 6, Petroleum.	Deputy Petroleum Administrator for War.	Formerly Vice President, Standard Oil of California, San Francisco, Calif.
Mr. Michael J. Deutch, Chairman, project No. 10, Common Components.	Regularly employed by WPB as Special Assistant to the Chairman.	
Mr. Ray C. Ellis, Chairman, project No. 8, Electronics.	FEA Consultant.....	Applied Physics Laboratory, Johns Hopkins University, Silver Springs, Md.
Mr. Edward Falch, Chairman, project No. 18, Power.	Regularly employed by WPB as Director of the Office of War Utilities.	
Mr. Albert E. Fawley, Vice Chairman, project No. 9, Bearings.	FEA Consultant, detailed from WPB.	Manager, Detroit Office, Marlin-Bockwall Corp., New York, N. Y.
Mr. Samuel Ferguson, FEA Member, Power.	FEA Consultant.....	President, Hartford Electric Co., Hartford, Conn.
Mr. Howard Frank, Chairman, project No. 31, Scientific Equipment.	Regularly employed by WPB as Director of Safety & Technical Division.	
Mr. Frederick Geier, FEA Member, project No. 11, Machine Tools.	FEA Consultant.....	President, Cincinnati Milling Machine Co., Cincinnati.
Mr. Leo Grant, FEA Member, project No. 5, Light Metals.	.....do.....	The Dow Chemical Co., Midland, Mich.
Mr. Arthur Hall, FEA Member, project No. 5, Light Metals.	.....do.....	Aluminum Co. of America, Washington, D. C.
Mr. Richard C. Harrison, Chairman, Drafting Committee, project No. 25, External Economic Security.	Regularly employed by FEA as Chief of External Economic Security Staff.	
Mr. Courtney Johnson, Chairman, project No. 12, Automotive.	FEA Consultant.....	Vice President, Studebaker Co., South Bend, Ind.
Mr. Philip M. Kaiser, Chairman; Drafting Committee, project No. 22, Territorial Separation.	Regularly employed by FEA as Assistant Chief of Planning Staff, Enemy Branch.	
Dr. A. B. Kinzel, Chairman; project No. 15, Ferrous Metals.	FEA Consultant.....	Vice President, Electro-Melt, and Chief of Research Laboratories, Union Carbon & Carbide, New York, N. Y.
Vice Admiral Emory S. Land, Co-chairman, project No. 13, Shipbuilding and Shipping.	Regularly employed as War Shipping Administrator and Chairman, Maritime Commission.	
Mr. Andrew Leith, FEA Member, project No. 19, Nonferrous Metals.	FEA Consultant.....	Lavine Co., Philadelphia, Pa.
Mr. David Levitan, Chairman, Drafting Committee, project No. 26, International Cartels.	Regularly employed by FEA as Chief of Property Control Division, Enemy Branch.	
Mr. Carl M. Loeb, Jr., FEA Member, project No. 15, Ferrous Metals.	FEA Consultant.....	Vice President, Climax Molybdenum Co., New York, N. Y.
Mr. Donald Longman, Chairman, Drafting Committee, project No. 24, Safe Industries.	Regularly employed by FEA as Chief of Consumer Economy Division, Enemy Branch.	
Dr. Paul D. Merica, FEA Member, project No. 15, Ferrous Metals.	FEA Consultant.....	Vice President, International Nickel Co., New York, N. Y.
Mr. Arthur Notman, Chairman, project No. 19, Nonferrous Metals; FEA Member, Project No. 17, Solid Fuels.	.....do.....	Consulting Engineer, 40 Wall Street, New York, N. Y.
Mr. Herbert Parisius, Chairman, Drafting Committee, Project No. 23, Agriculture.	Regularly employed by FEA as Director of the Office of Food Programs, Bureau of Supplies.	

Individual	Agency and title	Principal present affiliation outside Federal Government
Dr. John C. Parker, FEA Member, project No. 18, Power.	FEA Consultant.....	Vice President, Consolidated Edison Co., New York, N. Y.
Mr. Oscar P. Pearson, FEA Member, Project No. 12, Automotive.	.....do.....	Manager, Statistical Department, Automobile Manufacturers' Assn., Detroit, Mich.
Col. Frederick Pope, Chairman, project No. 16, Chemicals.	Office of War Mobilization and Reconversion.	American Cyanamid Co., 30 Rockefeller Plaza, New York, N. Y.
Mr. Charles J. Potter, Chairman, project No. 17, Solid Fuels.	Deputy Solid Fuels Administrator.	Assistant to the President, Rochester & Pittsburgh Coal Co., Indiana, Pa.
Mr. R. I. Roberge, FEA Member, project No. 12, Automotive.	FEA Consultant.....	In charge of Foreign Operations, Ford Motor Co., Dearborn, Mich.
Mr. Francis M. Shields, FEA Member, project No. 31, Scientific Equipment.	FEA Consultant; formerly regularly employed by WPB as Deputy Bureau Director of the Equipment Division.	
Mr. Albert C. Shire, Chairman, Drafting Committee, project No. 14, Machinery.	Regularly employed by FEA as Chief Engineer, Engineering Service, Bureau of Supplies.	
Mr. Lucius D. Tompkins, Chairman, project No. 7, Rubber.	Office of War Mobilization and Reconversion.	Vice President, U. S. Rubber Co., New York, N. Y.
Dr. Walter S. Tower, FEA Member, project No. 15, Ferrous Metals.	FEA Consultant.....	President, American Iron and Steel Institute, New York, N. Y.
Vice Adm. H. L. Vickery, Cochairman, project No. 13, Shipbuilding and Shipping.	Regularly employed as Deputy War Shipping Administrator and Vice Chairman, Maritime Commission.	
Mr. Lyle F. Watts, Chairman, project No. 30, Forest Products.	Regularly employed as Chief of Forest Service, Department of Agriculture.	
Mr. Clair Wilcox, Chairman, project Nos. 20, 27, Foreign Trade Controls.	Department of State, Consultant to the Office of International Trade Policy.	Professor of Economics, Swarthmore College, Swarthmore, Pa.
Mr. Carl Wynne, FEA Member, Project No. 12, Automotive.	FEA Consultant.....	Director of Exports, Diamond T Motor Car Co., Chicago, Ill.

EXHIBIT 9

[Excerpt from The Sun, Baltimore, June 30, 1945]

WARNINGS ON GERMANY OPPORTUNE

(By Philip W. Whitcomb, Sun staff correspondent)

PARIS, June 28 [By radio—delayed]—One day after the statement from the head of the United States Foreign Economic Administration that Germany stands next to America as “the outstanding armaments machine shop of the world,” comes a declaration by the chief of the American Army’s enemy technical intelligence branch that 1,200 topline German scientists, whom he has interrogated and classified, had made such fantastic advances in scientific modes of attack that our own excellent equipment would soon have been “hopelessly antiquated.”

Leo T. Crowley’s warning that Germany’s economic power could be greater than ever in a few years, and Lt. Col. John A. Keck’s implication that the capture of 1,200 military scientists in 1945 doesn’t prevent thousands more being ready in 1950, must be added to the stern declaration by Gen. Dwight D. Eisenhower in Paris the day before he returned home, that: “the German people show no sense of responsibility and almost no remorse for what has happened.”

WARNINGS FULLY SUPPORTED

Each of these three warnings, coming so opportunely at this moment when plans for the occupation of western Germany are still undecided, are fully supported by all that this correspondent has learned in nearly 6 years of continuous reporting of this war on the spot.

There was a tendency in FEA, in the days before teams of experts could enter Germany and study production capacity, to minimize dangerously Germany’s resources and output and to exaggerate ridiculously the effect of bombing.

Crowley’s statement yesterday shows that these days have passed.

CONFIRMS WRITERS’ OPINIONS

In saying that “practically all the iron and steel furnaces are ready for operation,” that “Germany’s potential in machine tools was greater in 1939 than America’s and she has today 4,000,000 more tons of machine tools than she needs and a vast undamaged capacity for new machine-tool production,” that, “contrary to belief, Allied bombing did not reduce most German plants to ruin,” and finally that “five years from now Germany could be far better prepared for war than she was in 1939,” Crowley was confirming the opinion of every American correspondent familiar with Germany who has been studying results since V-day.

Colonel Keck’s disclosures also confirm what had gradually become a certainty, that Germany intended to bring the entire war onto a new scientific plane where all our weapons would prove as outdated as bows and arrows.

This favorite German thesis was often reported in the newspapers, and the basis for it stands out clearly in these statements by the chief of enemy equipment intelligence in the American Army.

GRIM STORY OF ROCKETS

His grim stories of giant rockets that could be guided for thousands of miles, of cannon 400 feet long with a range of 82 miles and muzzle velocity of 4,500 feet a second, of rockets that shoot up from apparatus under the sea, and of antiaircraft rockets that can come within ten yards of planes flying 10 miles in the air, all show what Germany was up to.

“And Hitler almost made it,” were Colonel Keck’s exact words to the war correspondents in Paris. This statement, like every other coming from competent experts, shows how vital was the speed with which General Eisenhower drove his

armies, equipped as they were with what, in the next war, will probably be regarded as "hopelessly old-fashioned" equipment, until they made their most important capture of all—not of forts, guns, and soldiers, but of scientists.

RUSSIA USES DEFINITE PLAN

The Western Allies in general, and the Military Government in particular, have not yet found a way to deal with this new triple threat—the total absence of a feeling of remorse or guilt on the part of the German people, Germany's industrial power and the apparently unending crop of scientists whom Keck described as "practical, sound, and completely free from fantasy."

Russia seems to be following a definite plan, and following it fast, to judge by Radio Berlin and other broadcasts describing what they are doing. We, on our side, are still in "the day-to-day stage."

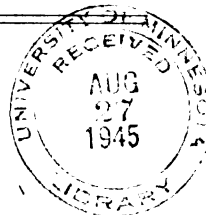
We are certainly right in taking time to make up our minds; but we must not wait too long. While we are busy interrogating our 1,200 classified scientists, as Colonel Keck calls them, another 12,000 may be busily preparing new atomic bombs which can be made in grease-paint factories and which, when they are put into use by 80,000,000 unrepentent Germans, will make the V-2's as out of date as tomahawks.

×

4. 1. 57 : 6. 21 p. 4 ✓

ELIMINATION OF GERMAN RESOURCES FOR WAR

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON MILITARY AFFAIRS UNITED STATES SENATE



SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 107
(78th Congress)

AND

S. Res. 146
(79th Congress)

AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS

PART 4

TESTIMONY OF
JUSTICE DEPARTMENT
ALIEN PROPERTY CUSTODIAN
WAR DEPARTMENT

JUNE 28 AND 29, 1945

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, Utah, *Chairman*

EDWIN C. JOHNSON, Colorado	WARREN R. AUSTIN, Vermont
LISTER HILL, Alabama	STYLES BRIDGES, New Hampshire
SHERIDAN DOWNEY, California	CHAN GURNEY, South Dakota
ALBERT B. CHANDLER, Kentucky	CHAPMAN REVERCOMB, West Virginia
HARLEY M. KILGORE, West Virginia	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	JOHN THOMAS, Idaho
JOSEPH C. O'MAHONEY, Wyoming	HAROLD H. BURTON, Ohio
ROBERT F. WAGNER, New York	
TOM STEWART, Tennessee	
BURNET R. MAYBANK, South Carolina	

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, West Virginia, *Chairman*

ELBERT D. THOMAS, Utah	CHAPMAN REVERCOMB, West Virginia
EDWIN C. JOHNSON, Colorado	GEORGE A. WILSON, Iowa ^a
JAMES E. MURRAY, Montana	

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

CONTENTS

Statement by—	Page
Wendell Berge, Assistant Attorney General in charge of the Antitrust Division, Department of Justice.....	555
Herbert Wechsler, Assistant Attorney General in charge of the War Division, Department of Justice.....	564
James E. Markham, Alien Property Custodian.....	580
Maj. Gen. John H. Hildring, Director, Civil Affairs Division, War Department.....	615

SCHEDULE OF EXHIBITS

No.	Exhibit	Appears on p.—
1	Translation of German document regarding transfer of I. G. Farben's chemical patents to General Aniline & Film Corp., submitted by the Justice Department.....	573
2	Typical provisions contained in vested patent contracts, submitted by the Alien Property Custodian.....	603
3	Documents relating to the offer for sale at public auction by General Aniline & Film Corp. of 6,150 shares of class B common stock of Winthrop Chemical Co., submitted by the Alien Property Custodian.....	604
4	Translation from the German of the 1944 Report of the Reichs-ministry for Armaments and War Production, submitted by the War Department.....	632
5	Fragebogen, questionnaire used by military government officials, submitted by the War Department, and filed with the committee.....	

ELIMINATION OF GERMAN RESOURCES FOR WAR

THURSDAY, JUNE 28, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:45 a. m., pursuant to adjournment on Tuesday, June 26, 1945, in room 357, Senate Office Building, Senator Harley M. Kilgore, West Virginia (chairman) presiding.

Present: Senator Harley M. Kilgore, West Virginia.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order.

Mr. Wendell Berge, Assistant Attorney General of the United States, will be the witness this morning.

Please go ahead with your statement, Mr. Berge. We will ask questions as you go along.

STATEMENT OF HON. WENDELL BERGE, ASSISTANT ATTORNEY GENERAL IN CHARGE OF THE ANTITRUST DIVISION

Mr. BERGE. For the second time within a single generation the United States and its allies have defeated Germany's ambition to conquer and rule the world. Both times the price of victory has been high and the second struggle was measurably longer, more costly in human lives and many times more expensive in economic terms than its earlier counterpart. There are many lessons for the United States and indeed for all the United Nations in the scale of the effort required to defeat Germany's second assault on the world.

When Germany surrendered in 1918 the Allies were confident that she had been rendered incapable of making war. When it was finally appreciated that in the years following 1919 Germany had succeeded in rebuilding a war economy to unprecedented dimensions, it was too late to do anything about it. It should be clearly understood that the Nazi regime could not and did not build a colossal war economy in 6 short years from 1933 to 1939. In effect, the Nazis found that the economic and industrial basis for a resurgence of Germany's military power had been substantially reconstructed during the 1920's. It was upon this basis that Hitler's war machine was built.

The CHAIRMAN. After 1918 we failed to recognize that Germany's attempt at world conquest had been based upon a close partnership of the Government and industry?

Mr. BERGE. Yes.

The CHAIRMAN. That, I believe, largely accounts for the second war—we failed to recognize that fact and failed to take the steps necessary to break that partnership.

Mr. BERGE. I think there is no doubt about that, Senator. Of course there were a few people, though not many, who had a glimpse of what might be in store. I recall that President Wilson, in one of his last messages to Congress, warned of the danger of the German dye trust immediately rebuilding its power, and urged that this problem be faced by this country and the Allies. But his warning was not heeded and certainly what you say was generally true. There was not any full appreciation of the power that German industry exerted, the extent to which it was the controlling factor in the war, and that it was the thing really to be feared and watched.

The CHAIRMAN. I was informed many years ago that the late General Bliss, who was one of our observers, made the statement in Paris that there were three courses of action open to the United States at the conclusion of the First World War: The best was the complete economic dismemberment of Germany as a nation. If we failed to do that, the second course of action was to form such strong alliances that the Germans could never defeat us. The third course of action was to come home and arm to the teeth and wait for the next fight.

It seems to me that time has shown that if that statement was made by General Bliss he had considerable foresight.

Mr. BERGE. I don't recall the statement, but I think it was a good analysis of the problem which the world faced then.

The CHAIRMAN. Please go ahead, Mr. Berge.

Mr. BERGE. How may we account for these events, that is, for the fact that so early after the last war Germany was able to lay the basis in industrial power for its military aggression? It must be recognized that at the end of the World War in 1918 the fundamental structure of German industry was untouched. Under the Treaty of Versailles the manufacture of many strategic products was prohibited in Germany. Some types of machinery were ostensibly dismantled and controls were instituted over the manufacture of armaments by German firms. These measures proved to be ineffective, first, because the essential organization of German industry was not disturbed and, second, because German industry in many instances was able to nullify the provisions of Versailles by systematic sabotage and by a succession of economic and technical evasions.

Many evidences of this policy have come to light within recent years. It will suffice to mention that in such vital fields as military optical goods, heavy ordnance, synthetic chemicals, electrical equipment, and similar important branches of production German firms either continued their research underground or through foreign subsidiaries. At the same time the world network of German cartel agreements which grew up after 1920 enabled German industry to acquire an intimate acquaintance with scientific and industrial advancement in other countries and to obtain a dominating position over research and production in numerous industries important to peacetime economy but even more crucial to the conduct of military operations.

The CHAIRMAN. It is interesting that the Norden bombsight was probably the only development which we were able to retain of all the military inventions we made during that interval. We retained it because we kept it in a company independent of cartel arrangements, a company in New York organized especially to develop it.

We could not turn it over to any instrument company with the assurance that it would be kept secret.

A well-known scientist has said that it was a good thing that our research was not done before the war, because it would all have been in German hands within 90 days.

Mr. **BERGE**. That is an extraordinary commentary, but I am afraid it is true.

The **CHAIRMAN**. Germany built up a large armament industry before the First World War. She sold armament and military equipment to other countries. We, who did not build up a large armament industry, were able to convert our own industrial potential into war production. Think how much faster Germany could convert to war.

Mr. **BERGE**. Yes.

The **CHAIRMAN**. Particularly with their knowledge of our research.

Mr. **BERGE**. I think that is undoubtedly true.

We have come to recognize that long before Germany hurled its armies at peaceful nations, German industry had provided the economic foreground of aggression. It is certainly not coincidence that the many conquests of Germany's cartels on the economic level were designed to pave the way for ultimate military gains. It becomes entirely clear if we examine the long roster of cartels in key world industries in which German interests were represented prior to 1939 that German industry was waging economic war and waging it effectively. The appearance of many shortages in the wartime economies of democratic countries, as well as the economic infiltration by German interests into the industrial structure of both allied and neutral countries, is traceable to the combined effects of German economic warfare and the acceptance of the cartel philosophy by many democratic industrialists.

Data presented to this committee and to numerous other congressional bodies have fully documented the German cartel technique, and it is unnecessary to recount this aspect of the problem at length.

The **CHAIRMAN**. I believe it is worth recalling how the Standard-I. G. Farben cartel operated. Standard's research went to Germany under the cartel arrangement, but as Standard has admitted they got only a license to manufacture. When they asked for the know-how it was not forthcoming. The cartel arrangement was designed to get for Germany the know-how of the cartel partners abroad, and to keep German know-how from the cartel partners.

American cartel partners were trying to prevent competition, but the Germans were not worrying about competition. They were after information.

Mr. **BERGE**. Yes. And I think that points up the fact that the German philosophy of business in its relation to government was so different from our own. The Germans were frankly regarding their business operations as instruments of the governmental policy of preparing for war and preparing to spread German industrial control over the world; whereas our businessmen regarded their operation merely as business transaction—not part of governmental policy or public policy—and thought in terms of business as usual, regarding an agreement with a German firm as simply and merely a business transaction to be adhered to irrespective of its effect on our own economy. They were thinking of spreading their power and control.

The CHAIRMAN. The Germans were able to take care of themselves by taking advantage of, shall we say, the cupidity of American cartel partners whose desire was to eliminate competition for the unbridled exploitation of the American public.

Mr. BERGE. That is well put, Senator. They saw that American businessmen in many instances were primarily concerned with monopoly control, and to achieve it were willing to make these arrangements which played into the hands of the German industrialists.

The CHAIRMAN. And when they played into the hands of the German industrialists they played into the hands of the German war machine.

Mr. BERGE. Yes.

The CHAIRMAN. Because the real German war machine was industry. The Wehrmacht was just the operating factor.

Mr. BERGE. In formulating a policy to deal with German industry it is well to recall that despite the defeat which Germany suffered in the World War she became in the decade from 1920 to 1930 the second most powerful industrial nation in the world. How rapid and far-reaching was the recovery of German industrial potential in this period was summarized by a French journalist in 1926. He wrote:

We who have arrived; it seems, at a critical epoch in our economic and financial situation should constantly bear in mind this extraordinary "rebound" of German industry after the war * * * when we traveled through Germany in 1919 * * * and saw for ourselves the deterioration in material and men, we ourselves believed that several generations would go by before they would be sufficiently strong to raise themselves out of this state * * *. However, we see, now, that the very generation which went through the war is capable of this surprising recovery. It is this generation which today undertakes to reform the economic structure of Europe completely and to effect its adaption to the progress of industrial techniques by means of a certain number of centers of force, of poles of concentration established in Germany * * *.

Only 90 months have passed since the Treaty of Versailles, and Germany, by force of patient willpower, of determined labor, of discipline and thanks also to a little abandon, indolence, enervation, and disorder on the part of the "victors" exhibits a productive power in the three principal branches of industrial activity, mining, metallurgy, and chemistry, greater than before the war, and indeed greater than our own * * *.

In particular we see that the German chemical industry united into a trust * * * not content with being first at home, has become the greatest in the world and claims henceforth the exercise of an authority corresponding to its size. Magnificent lesson, but what (a) disturbing figure of colossus * * * cast over our future.

We are faced by many parallels as well as by many contrasts at the present time.

With respect to Germany's over-all industrial potential it is estimated that although Allied bombardment proved sufficient to interrupt production and has therefore been effective for military purposes, Germany's total industrial capacity has not been greatly reduced. Total damage to industrial capacity according to estimates is in the neighborhood of 20 percent, so that probably three-fourths, if not more, of the industrial power with which Germany wages this war, remains relatively intact. In the steel and chemical industries this is particularly true.

Moreover, account must be taken of the speed with which Germany demonstrated that even the most complex industrial facilities can

be restored or replaced. For example, the synthetic oil plants were among the most frequent targets of Allied bombers and were in some instances put out of commission almost entirely. Investigation since V-day, however, has disclosed that replacement of synthetic oil plants was progressing very rapidly at the time of Germany's defeat and that by September of this year new plants located in some cases underground would have been able to restore full production.

Statements made by leading German industrialists who have been captured are particularly revealing in this respect. The manager of the Krupp Works is reported to have stated that the great armament firm was still operating at nearly 60 percent capacity at the end of the war and would be able to resume full-scale output within a few months if we permitted them to do so. Similar statements have been made with respect to the vast industrial machinery of I. G. Farben which with the exception of synthetic oil refineries were relatively unscathed by air attack. The disposition of the enormous physical plant and capacity comprising German industry represents an intricate problem in itself. It would be shortsighted, to say the least, if the Allies were to permit the continued existence of plants and machinery devoted directly to the production of German armaments and munitions. The solution of this phase of the task will require a careful examination of the minimum equipment necessary for a peaceful German economy and a careful control of types of equipment which may be permitted in the future.

Beyond the concrete and relatively measurable difficulty embodied in plants and factories there are two principal aspects of German economy which are much more difficult to cope with at the present time. The first, and in some respects the more important element, is the collective assemblage of research and skill which underlies German military performance. Modern technology and scientific research have in Germany been perverted to provide instruments of aggression. The many secret weapons and novel techniques introduced by Germany during the course of the fighting in this war as well as in the World War should constitute a sufficient warning that we shall neglect the existence of German technological research at our mortal peril.

The CHAIRMAN. Or worse, to depend ourselves upon German research, as we have too often in the past.

Mr. BERGE. I hope, Senator, that we have learned our lesson on that.

The detailed discussion of these problems has been developed before this committee, I think, in some of your previous hearings. But the fact that so many industries in this country really used German research as a sort of a crutch and didn't develop the self-sufficiency that certainly our genius is capable of producing during the period of the twenties and the thirties is a lesson that I think has been driven forcibly home.

The CHAIRMAN. One reason for that, I think, is that it was easier to monopolize German patents than it was American patents.

Mr. BERGE. That, no doubt, was a reason.

The CHAIRMAN. American inventions, of equal value to the German, were frequently suppressed. German research went forward, and it was easier to monopolize. German patents were exclusively licensed.

Mr. BERGE. Yes. There was also the myth accepted by many industrialists that there was an innate superiority in German technology. I hope that myth has at last been exploded.

(Discussion off the record.)

Mr. BERGE. Much evidence has come to light within recent weeks that had the war continued only a few months longer new and more terrible instruments of destruction, particularly in the field of long-distance rockets and explosives, would have been thrown into the scales of battle.

At the present time Germany's research institutes, laboratories, and technologic organizations are largely uncontrolled. It is crucial to the maintenance of peace that the Allies shall have at all times complete access to the quantity and character of scientific and industrial research being conducted within Germany. We must acquire, as soon as possible, patents and technological know-how which the German firms acquired during the war years and in preparation for the war. We must get into their factories and laboratories in order to get this know-how. The patents and know-how must be made available to the American people.

The CHAIRMAN. And must not be monopolized by any one group.

Mr. BERGE. That is most important. I do not know what amount of research will be permitted to continue in Germany or what policy will be adopted in this regard. In the future, the work of such German laboratories as may be allowed to continue to exist must be made available to our firms on a general basis in this country. The Germans have made a habit of using their know-how as a means toward military domination. As a national security matter alone, the German laboratories which continue to exist must operate in full view of the rest of the world and with adequate safeguards so that their discoveries cannot be kept secret.

The second phase of the German economy which must receive the closest scrutiny is the network of economic controls and agreements which German industry has established. In this period of twilight suspense, German industrialists are acting to cloak themselves in a neutral, impartial guise. Despite the impressive compilation of evidence that the industrialists promoted and supported the Nazi regime, they will attempt to assume an aura of respectability in the eyes of occupation authorities. Reports which have come back indicate that many German industrialists blandly assume that they will be permitted not only to resume production but to reestablish their relations with world industry. It may appear almost incredibly naive, but it is nevertheless true that German industrialists appear to take it for granted that American, British, French, and other businessmen and firms are ready to engage further in cartel operations.

The CHAIRMAN. They have good grounds for it after the Rye conference, don't you think, Mr. Berge?

Mr. BERGE. I am afraid there are some things that have happened and been said in this country that do encourage that view.

The CHAIRMAN. It is not so naive for German industrialists to take that view when American businessmen organize such a conference as that at Rye.

Mr. BERGE. In characterizing them as naive, I was thinking rather of the determination of the American people—I hope I am not overconfident—that this country shall not permit that kind of thing to happen

again, and that it is naive to assume that the policy of this country would permit the resumption of those agreements.

On the other hand, I have to admit that there have been statements made, and conferences held, and things done by some of the cartel-minded industrialists in this country, and in the Allied countries, that do give some encouragement and some justification to that assumption of the German cartellists.

The CHAIRMAN. We had an Alien Property Custodian during the First World War, and when the war was over we built a fire under him and told him to liquidate what he had with the utmost speed. The result was that in a very short time the German holdings were right back in the very same hands.

Again, in this war, we are treating the Alien Property Custodian as only a war agency, when, frankly, its biggest job should be in the postwar period. Rather than to liquidate and go out of existence at the end of the war, the APC can do a most important job in cooperation with other Government agencies in preventing the dangerous things which have been seized from getting back into the hands that made them dangerous.

In regard to the naive attitude which you mentioned, I had the pleasure of being present when the head of the Farben Industries was being examined by an Allied commission. Strange to say, for all his former brilliance, he had suddenly become senile. He just could not remember a thing. His age would not account for his loss of memory, but he couldn't remember anything at all and had to call upon an attorney to answer questions for him.

Mr. BERGE. Probably, though, he could remember that after the First World War the administration of alien property matters was such that German industry was able to reacquire much of the property and many of the patents which had been seized.

I quite agree with you that there is in the history of the Alien Property Administration after the first war a good deal to lend encouragement to this German attitude at the present time.

Two instances, minor in themselves but not without significance, provide an amusing side light on this attitude. One prominent German industrialist, who has been consistently and closely identified with the Nazi regime since its inception as well as before Hitler came into power, was recently taken prisoner. This particular individual, who has been one of the most prominent business representatives of the Nazi regime, protested that he was simply a neutral businessman. In his pocket was a long list of prominent American and British industrialists with whom he expected to communicate, apparently to establish his good character and to protect him from imprisonment or prosecution. In another instance the manager of a chemical plant asked permission to remove a parcel which he claimed contained only personal effects. The parcel was opened by military authorities and examination revealed that underneath 2 inches of knives, spoons, and forks there was a layer 10 inches thick of international agreements in the dyestuff industry.

A summary of the objectives of German industrialists in their attempt to escape the consequences of their support of nazism, to shift responsibility for their complicity in aggression, and to retain the basis for a revival of German power can be drawn from the large body of evidence which has been accumulated.

1. German industry hopes to remain untouched by Allied occupation. Any policy placed in effect with regard to the dissolution or de-concentration of German industry must not permit loopholes for the continued domination by the small powerful cliques who fostered and served nazism. Thus, for example, when I. G. Farben decided that this war was irrevocably lost, plans were devised to maintain the essential cohesion of its interests. Believing that Allied authorities would attempt to split up its tightly knit organization, I. G. Farben drew up plans for its own dissolution, in the belief that the Allies could be persuaded to accept them at face value.

2. Within Germany, the industrialists will endeavor to maintain the core of organized research personnel and technical facilities upon which their know-how depends.

The CHAIRMAN. As an example of that, our Army has had to go to the German coal cartel to get the necessary technical personnel to get coal out of the Ruhr and the Saar because the German operating companies themselves did not have it. The cartel was willing, if they would be permitted to operate the mines, to pay the wages of the workmen and even deliver the coal produced to the occupation forces.

Mr. BERGE. That is a good example.

Allied authorities must be able to exercise careful surveillance over research programs carried on by German industry, particularly in fields having military significance. This war has demonstrated that the fields of major importance in this respect are synthetic chemistry, ranging from explosives and fuels to poison gas; metallurgy, especially in the field of light metals; electronics in numerous applications; and aerodynamics, including rockets and jet-propelled planes.

3. The German industrialists hope to continue economic domination of Europe. In the continent of Europe, the industrialists, during the occupation of Germany's neighbors, pursued a program of confiscation, reorganization, and transfer of assets for the purpose of bringing European industry under complete control. The complicated maze of ostensibly legal purchases of plants and stock interest by the Germans presents one of the most difficult phases of the reconstruction of Europe.

Utmost care will be necessary to trace down these maneuvers and to divest German interests of ownership and control acquired by conquest. Otherwise Germany's grip on European economic life will not be broken.

The CHAIRMAN. It is interesting to see how Goering operated in the acquisition of paintings and sculpture. He got, by one way or another, a bill of sale from the record owner in each case. Goering's curator or expert is now trying to convince us that these bills of sale give him bona fide legal possession of that loot.

But he was too systematic. Those bills of sale make it possible for us to return the paintings and sculpture to the true owners.

Mr. BERGE. The problem of straightening out titles to property in Europe and determining what of these sales and transactions that took place during the war are to be recognized and what are not to be recognized will be a most complex and difficult thing, but it seems to me that in the occupied countries—France, Czechoslovakia, and the eastern countries, that portion of the Balkans that was occupied, and all through the occupied regions—we know that Germans acquired the control of the domestic companies, but we don't know, and necessarily

cannot know for some time, all the devices and the subterfuges and the dummy companies, and so forth, that have been resorted to in the process.

It is hard enough to straighten out questions of that kind sometimes in a democratic country where transactions are supposed to be in the open and where we have our laws. Where it was done in a regime of lawlessness, it really staggers the imagination, but nevertheless we cannot turn and run from it.

The CHAIRMAN. They improved upon the old methods of looting. One way of getting bills of sale was to set up printing presses and run off paper money with which they "bought" what they took.

There was a case in Greece where the "sale" of an automobile was delayed because the ink had not yet dried on the invasion marks that were used in the transaction.

But they went through the motions of acquiring legal ownership, in the hope that civilized nations would accept the legal technicalities as establishing rightful ownership to the loot.

I fully expect that somebody will turn up with bills of sale for those fillings which were knocked out of the mouths of prisoners in the prison camps—those fillings that were legally on deposit in the Reichsbank.

Mr. BERGE. It is conceivable that Germany as a political entity could disappear from the face of the earth and yet the same industrial power could dominate, not only what was Germany but the whole continent of Europe, through this series of corporation penetrations that have occurred in the last 4 years.

4. With regard to the international economy, the entire array of cartel agreements, as well as the commercial and trading outposts which German industry amassed in the years before the war and maintained where possible during hostilities, should be fully explored and exposed. German interests hope that it will be possible for them to regain their foothold in world industry and to manipulate financial, legal, and technical understandings and commitments for their own purposes.

5. The Germans hope to regain holdings seized during the war. This is the point which your previous question anticipated, Senator. Where holdings of German industry have been vested by Allied governments, as, for instance, the large aggregation of corporate holdings, subsidiaries, and patents which have been seized by the Alien Property Custodian in this country, extreme care must be taken that strategic interests do not revert to German control. After the last war the Germans were able to circumvent the policies of the Alien Property Custodian, with the consequence that within a decade after the war most of the important assets had been brought again within the sphere of either German influence or domination. We know that efforts were made to avoid seizure of German holdings before the outbreak of this war, and that camouflaged transfers of stock ownership, assignments of patents, and concealment of interest through the use of dummy firms were resorted to. Many such instances have been uncovered. Every effort must be made to prevent such evasions from achieving their purpose.

6. The Germans hope to rebuild their industries and maintain their foreign investments by giving American and British industrialists shares in their enterprises. This may almost seem ridiculous, but it

was definitely stated by one of the leading industrialists of Germany who is now a captive of our armed forces.

7. The Germans hope to retain the physical, political, and economic basis of their military power. They will seek to regroup and consolidate both their domestic and their international position through the various subterfuges and devices which have been employed previously and which they believe have a chance to work again. This includes cartel agreements, technical and financial affiliations, the use of foreign agents and of neutral representatives and similar stratagems. Their success in these efforts would imperil world peace. This danger must not be forgotten.

The CHAIRMAN. I believe the records of the German cartels must be carefully studied. Those records can give us leads in tracking down information that we could never get elsewhere.

Mr. BERGE. Yes; in the occupied areas we have an extraordinary opportunity now to secure evidence on this type of activity.

The CHAIRMAN. It is an opportunity which did not exist after the First World War, when we signed an armistice with the German Government and left it in control. Now with unconditional surrender, and military occupation, we have an opportunity which if we fail to use we will be failing to cut out the roots of future war.

Mr. BERGE. I believe that it is most important that we make the most of our opportunity.

The CHAIRMAN. Thank you for your testimony, Mr. Berge.

The second witness will be Mr. Herbert Wechsler, Assistant Attorney General in Charge of the War Division.

Mr. Wechsler, you have the most direct contact with the records I have been speaking about.

STATEMENT OF HERBERT WECHSLER, ASSISTANT ATTORNEY GENERAL IN CHARGE OF THE WAR DIVISION

Mr. WECHSLER. Right, sir. I am going to talk about them.

In previous hearings this committee has undertaken to uncover the German plan for the conduct of economic warfare in the years between the two World Wars. You have revealed, in general terms, the pattern of economic penetration of neutral countries, and especially the United States and Latin America; and you have depicted the systematic efforts of the Germans to sap our potential military strength by the type of restrictive agreement that has become known as the international cartel. In broad outline the story has been told. Remedial measures have, of course, been taken in the course of the war by vesting and freezing enemy property, blacklisting, and similar devices. The problem now, as you have properly pointed out in your last report, is to make certain that in the relaxation of our war-time defenses German economic influence is not permitted to revive. We must, in short, avoid the mistake of the last war when, following the cessation of hostilities, so many of the spearheads of German economic aggression in this country ultimately reverted to German hands.

For the achievement of these ends the evidence that will be uncovered in the course of the occupation abroad is, as you have said, of the utmost significance. Now that many of the German records are in the hands of the Allies and many of the principal actors have

become military prisoners, it may be possible to obtain in documented detail a complete inventory of those German holdings and activities in other countries which are the proper subject of concern. In illustration of the point, I shall call your attention to a document made available to the Department of Justice during the first weeks of the occupation which shows the deliberate plan adopted by I. G. Farbenindustrie, A. G., the giant chemical combine referred to so frequently in your hearings, in the effort to prevent the seizure of its interests in the countries that were to become its enemies and to preserve those interests for postwar use.

It is seldom that conspirators sit around a conference table, fashion their plans by formal resolution and prepare minutes of the meeting. This, however, is exactly what was done by the I. G. Farben lawyers and we are fortunate to have obtained a summary of the minutes of a meeting of the Farben lawyers prepared for the Farben directors themselves. The essence of the plan was to avoid those transactions which led to seizure in England and the United States during the last war and instead to transfer title to the foreign Farben holdings to "American friends" or to neutrals who would not be suspect. By far the most striking element in the plan was the confidence of the Farben officials that such transfers could be made without actually weakening Farben interests or influence in the period that would follow the war.

On March 17, 1939, the Juristische Abteilung Farben, the legal committee of I. G. Farben, met in Berlin to discuss the question of the "protection of I. G. assets abroad" against seizure by prospective enemy governments and attachment by foreign creditors.

The CHAIRMAN. When was that in relation to the invasion of Czechoslovakia?

Mr. JOSEPH BORKIN (economist, Antitrust Division, Department of Justice). Four days afterward.

Mr. WECHSLER. These foreign assets were said to consist principally of (a) sales organizations, (b) inventories, (c) claims, and (d) patents. I may say they referred to sales organizations in a very broad way.

The lawyers considered the trading-with-the-enemy legislation adopted in England during the last war as the type of control which they would have to safeguard against. It was apparently assumed that no more stringent measures would be taken by Germany's enemies during the war which was then imminent; and I. G.'s plans were accordingly fashioned with an eye to evading the kind of protective measures adopted by the Allies in World War I.

The lawyers pointed out that a certain amount of camouflaging of I. G.'s sales agencies abroad had already been effected for reasons of—

taxation * * * national sales propaganda, * * * to avoid boycotts (and) to avoid special controls applicable to foreign companies.

Thus I. G. interests abroad had been organized—

* * * in such a fashion that I. G. or its several affiliated companies do not openly hold (the) shares or other interests * * *. While formerly the shares or similar interests in these agent firms were largely held by individuals, mostly citizens of the particular country or by companies, as trustees for I. G., this system has, to an ever-increasing extent, in the last few years, been abandoned in favor of an arrangement under which shares or similar interests are

acquired by individuals or firms with their own means (occasionally assisted by credits extended by I. G.) subject, however, to an option in favor of I. G. permitting I. G. to acquire the shares for itself or to have third parties acquire them.

In other words, by staying within the confines of the apparent law of property, they were able to retain everything that was valuable to them in having property.

The CHAIRMAN. The purchasers were really bailees for I. G. Farben?

Mr. WECHSLER. Yes; they held subject to recapture.

The I. G. Farben jurists then pointed out that in view of enemy economic warfare legislation it was to be anticipated that if I. G. or "German nationals" were known to be the owners of any interest in the property, seizure would result; if the interest were held for I. G. by non-German trustees living in England or the United States, they would be required to report the beneficial ownership in I. G. and this would again lead to seizure; and if the interest were to be held for I. G. by non-German trustees living in neutral countries the danger of seizure still existed in case the actual beneficial ownership became known. But, the lawyers concluded that "if the shares or other interests are actually held by a national of an enemy country—for example, an American or English citizen, such holdings will not be affected by economic warfare measures of the enemy, unless the owner comes under suspicion of maintaining relations with the enemy." But should any option to reacquire the property transferred to the prospective enemy be retained in favor of I. G. the arrangement would be annulled since "any contracts that may strengthen the enemy's economic position even after the war, are considered voided by the outbreak of the war." On the other hand "if the shares or similar interests are actually held by a neutral who resides in a neutral country, enemy economic warfare measures are ineffective; even an option in favor of I. G. will remain unaffected."

The only danger in the use of neutrals to which the I. G. lawyers thought it necessary to refer was the situation in which the neutral might be "blacklisted," but the minutes went on to point out that during the last war the English had made "very sparing use of the authority to liquidate assets of a 'blacklisted' neutral resident in England" because of the diplomatic complications involved. Accordingly, the lawyers concluded that—

* * * the risk of seizure of the sales organizations in the event of war is minimized if the holders of shares or similar interests are neutrals residing in neutral countries. Such a distribution of holdings of shares or other interests has the further advantage of forestalling any conflicts which may trouble the conscience of an enemy national who will inevitably be caught between his patriotic feelings and his loyalty to I. G. A further advantage is that the neutral, in case of war, generally retains his freedom of movement, while enemy nationals are frequently called into the service of their country, in various capacities, and therefore can no longer take care of business matters.

So the net result of it, Mr. Chairman, was the conclusion, which follows:

The directors were therefore advised that "neutral influences should be strengthened in our agencies abroad by the transfer of shares or similar interests to neutral holders," though it was noted that "the number of trustworthy persons who can be considered as suitable holders of such shares or similar interests is limited." If this method was not possible the directors were told that "it seems advisable to transfer the shares or similar interests to parties who are nationals

of the particular country and to provide for options on these shares or similar interests not in favor of I. G. directly but of some neutral party with an ultimate option in I. G.'s favor."

They might have said "an ultimate concealed option."

The CHAIRMAN. Might that not account for the neutrality of certain countries which Germany so carefully respected? The extent to which Germany went to protect the neutrality of Switzerland and Sweden suggests the stake which Germany had there. I believe an investigation in those countries would provide a harvest of information.

Mr. WECHSLER. You find, interestingly enough, in this document that they clearly anticipated the neutrality of Sweden, and they distinguished the situation of Sweden from the Netherlands, for example.

The CHAIRMAN. They evidently did not have as many friends among the Dutch as they had in Sweden.

(Off the record.)

Mr. WECHSLER. In all this planning officials were careful not to overlook I. G.'s commercial interests after the war. They pointed out that—

* * * it is necessary that protective measures to be taken by I. G. for the eventuality of war should not substantially interfere with the conduct of business in normal times. For a variety of reasons it is of the greatest importance for the normal conduct of business that the officials heading the agent firms who are particularly well qualified to serve as cloaks—

and I might say that the document uses the German word for "cloaks"—

should be citizens of the countries wherein they reside. Consequently, when sales firms are organized and the shares or similar interests in the firms are being distributed, the protection against seizure in wartime should, on principle, be only one of several pertinent considerations, in setting up sales organizations a decision must be reached in each case as to the extent to which protection against war seizure can be secured without interfering with other interests that should be safeguarded.

The CHAIRMAN. There was a matter which came to my attention abroad which interested me considerably. We had a mission in Luxemburg which was obtaining quite a bit of information on the steel cartel until the Grand Duchess returned. Immediately upon the return of the Grand Duchess, information in Luxemburg was blocked off from us and the mission had to retire with what information they had already collected. There was much to learn about the way in which small states like Luxemburg had been used by the cartels. The episode suggests that some rulers, whom we have befriended, may be expected to assist the cartelists in their postwar efforts to regain dominance.

Mr. WECHSLER. To protect its inventories abroad the device was suggested of pledging I. G.'s foreign inventories to banks and other creditors. I. G. would attempt to obtain credit from foreign lenders in an amount as far as possible equal to the value of the inventories maintained in each country. The lawyers thought that the right of such secured creditors to attach the goods given as security would be recognized in England and in the United States in the event of war. Hence, should there be an attempted seizure of the property, I. G.'s creditors would be protected by their security interest in the goods and I. G. would have already received payment for the property.

Accordingly, the directors were advised to obtain credit covering as large a part as possible of the value of inventories maintained abroad.

The difficulties in obtaining credit under this scheme were explored. The lawyers were concerned lest the terms imposed by creditors would make it impossible for I. G. to maintain direct contacts with its customers. I. G. Farben controlled two finance corporations abroad, one in England and the other in Holland, but it was feared that when war came they would be in enemy territory and it was therefore suggested that a similar financing corporation be created in Sweden. The plan for such a company was to include "our Scandinavian business friends, the most important three Swedish, and both Norwegian banks" and in addition a Swiss banking firm which I. G. used extensively in its international deals.

The care with which the I. G. officials laid its plans is indicated by the fact that they even considered means of protecting "increases in value [of their goods abroad] which might be caused by outbreak of war." The lawyers regretfully concluded that it would not be possible to capitalize on this rise in values by means of credit arrangements.

As we know, I. G.'s foreign holdings included thousands of valuable patents. Unwilling apparently to contemplate outright sale, the attorneys considered setting up a patent holding company in a neutral country to which I. G.'s patents would be transferred. Such a scheme would entail considerable cost. The transfer of the estimated 28,000 I. G. foreign patents to such a holding company would cost 280,000 marks "payable mostly in foreign exchange," a matter of great importance. It was also pointed out that in the transfer of French patents alone, taxes which would have to be paid would involve an additional expense "in foreign exchange" amounting to 1,000,000 marks. I. G. was willing to incur these expenses if the transfer of patents to a foreign corporation would give "even a reasonable degree of protection against the danger of seizure in the event of war". But the lawyers pointed to the fact that under British war legislation, the Government could cancel enemy patents, transfer them to a trustee or issue licenses under them. And since for practical purposes such a foreign patent holding company would have to remain in close touch with I. G. in utilizing these patents, "these contacts could not possibly escape the notice of the foreign intelligence service, particularly since, from the outset, such a patent holding company would be suspected because it has taken over our foreign patent holdings." Furthermore, it was pointed out that such a transfer would have to be for a fixed price since an arrangement for the payment of a percentage of profits from the use of the patents would make the neutral a technical enemy because of its acting for the benefit of German interests. And since I. G. was not, considering a real sale of its patents such an arrangement would not serve Farben's purposes. It was therefore concluded that protection of its foreign patents from confiscation in the event of war was "practically impossible."

The CHAIRMAN. Wasn't the Standard-I. G. in this country one of the companies set up on that basis?

Mr. WECHSLER. That, of course, was an earlier arrangement. It is now in part in the courts awaiting decision, Mr. Chairman, and I believe I should not discuss it.

I should state that this pessimistic view of the patent problem was later found to be exaggerated. It was apparently subsequently realized that if I. G. could devise effective means of cloaking the ownership of its foreign business organizations, I. G.'s patents could be protected by transferring them to these companies after they had been "Americanized" or "cloaked" in neutral guise. Thus, early in 1940 in anticipation of the measures to be taken to protect General Aniline & Film Corp. from seizure, I. G. transferred to this large affiliate in the United States most of its American chemical patents. Needless to say, the cloak was swept aside in the United States, with the vesting of the General Aniline stock.

I shall file with the committee a full (though unofficial) translation of this unusual document because I think there can be no more succinct evidence of German's plan to protect its industrial interests abroad from the vicissitudes of war and to permit German industry to resume its international economic activities after hostilities would cease, regardless of who won the war.

The CHAIRMAN. Put that in the record at this point.

(The document referred to was marked "Exhibit No. 1" and appears on p. 573.)

Mr. WECHSLER. There is ample evidence that this plan was not a mere theoretical discussion which went no further than the planning stage. I. G. lost no time in putting the scheme of its lawyers into operation. Shortly after the plan was submitted to the directors in June 1939 measures were taken to safeguard I. G.'s holdings abroad through the instrumentality of neutrals as well as nationals of the prospective enemy countries themselves.

While many illustrations are possible I think the committee would be most interested in a sketch of how I. G. proceeded to enlarge the neutral participation in General Aniline & Film Corp., the largest single interest of I. G. abroad. Here, too, I shall rely upon excerpts from documents from the I. G. files in Germany made available to the Department of Justice since the occupation.

The committee will recall that after recovering some of its important chemical and dyestuffs properties in this country which were seized during the last war, I. G. set up the American I. G. Chemical Corp., to become General Aniline & Film Corp., late in 1939, in which were merged Farben's photographic, dyestuffs and pharmaceutical interests in the United States. In 1928 it formed a Swiss corporation, I. G. Chemie, as a holding company for the shares of General Aniline & Film Corp. I. G. held no shares in its own name but by a "community of interests" contract with I. G. Chemie and by interlocking management and stockholders, it controlled I. G. Chemie and obtained the right to take over Chemie's assets at any time.

Promptly after the legal committee's recommendations were submitted to the I. G. directors, steps were taken to safeguard General Aniline & Film Corp. from seizure. By January 1940, as shown by the applications of I. G. to the German Government to obtain approval of its plans with respect to I. G. Chemie, "several of * * * (I. G.'s) American friends * * * (were) in Basel" and were in "consultation with * * * (I. G.) concerning the best and most successful measures to be taken to avoid the danger" of seizure "in the event of war entanglements with the United States," and also "against the inroads of our American competitors."

The CHAIRMAN. American businessmen were in Basel engaged in planning to protect business interests in the event of a war by Germany against the United States?

Mr. WECHSLER. That is right.

The German Government was informed that I. G. and its "American friends are most anxious to prevent that forcible action on the part of the American authorities which would enable our American competition to gain possession of these companies and thereby, as it happened during the World War, obtain the results of our experience." Accordingly, the Reich Economic Ministry was advised in May of 1940 that as a result of many discussions and conferences "measures had been agreed upon for revamping the relationship between" I. G. Farben, I. G. Chemie, and General Aniline & Film Corp. The plan was set forth in I. G.'s letter to the Ministry and was stated to involve the following measures: (1) General Aniline & Film Corp. was to "become somewhat more Americanized" by acquiring from I. G. Chemie 1,000,000 of its own class B shares; (2) I. G. Chemie was to be "freed from all links which may be interpreted as being under German influence" by the cancellation of certain dividend guaranteeing agreements and by I. G. Chemie's picking up 13 percent of its capital stock held by shareholders in Germany. This was to be done by giving German owners of I. G. Chemie shares equivalent stock in I. G. Farben. German holdings of I. G. Chemie shares were thus to be reduced from about 28 percent to 15 percent. Finally, Geheimrat Schmitz, chairman of the board of I. G., was to resign as chairman of the board of I. G. Chemie. The Ministry was further told that careful investigations have shown that these steps provide the best possible safeguard of Farben's interests in General Aniline & Film Corp. The Farben officials wrote:

We know from previous experience that our American friends are handicapped in their work for us by the existing links and believe that we must help them in the defense of our interests by carrying out the measures described above which they have recommended to us.

The CHAIRMAN. And yet I expect that among the gentlemen at Basel were some who buy advertising space in American newspapers to cry about free enterprise and government intervention in business.

Mr. WECHSLER. The Ministry was informed that the matter was "particularly urgent" and that the president of General Aniline & Film Corp., a brother of the chairman of the board of I. G. Farben, was in Basel at the moment prepared to embark immediately for the United States to take "all steps required" there to effect this plan provided he was assured "before his departure that the execution of the measures discussed has been started and that permits * * * required from the authorities concerned have been promised to us in principle."

The CHAIRMAN. Was he not a naturalized American citizen?

Mr. WECHSLER. Yes.

The CHAIRMAN. Is he one of those who retired to a chicken farm during the war?

Mr. WECHSLER. I don't believe so. He spent a lot of time talking with us.

The matter was urgent moreover because, as I. G. advised the Economic Ministry, it had "decided to safeguard further parts of our extensive patent holdings in the United States by transferring these

patent holdings to the General Aniline & Film Corp." Secrecy was enjoined. The officials were told that "in view of possible repercussions * * * the authorities and ourselves are vitally interested in avoiding the use of the press in handling the entire action."

The German Government was not long in realizing that these measures were in full accord with its interests. The documents reveal that before June 1940 approval had been given by the Economic Ministry and the High Command of the Wehrmacht, and the company was working on the various tax problems which arose as a result of the "reorganization." There was extended correspondence with the tax officials to convince them that no taxes were due on the exchange of I. G. Chemie shares for those of I. G. Farben. The Finance Ministry was informed of the reasons leading to the conversion of the shares. In August of 1940 I. G. Farben's bankers wrote that—

* * * in view of a possible acute war entanglement between Germany and the United States * * * it was necessary to provide the General Aniline & Film Corp. with the appearance of an unquestionably non-German company in order to be able, first, to transfer to it the most important American patents of the I. G. Farbenindustrie; and, second, to prevent the General Aniline & Film Corp. from being considered a company mainly under influence from Germany and being treated accordingly. The latter could have completely destroyed the entire relationship of the I. G. Farbenindustrie to the General Aniline & Film Corp. (in particular the extensive technical collaboration with corresponding financial yields to the I. G. Farbenindustries, and further the export) and could have led to the complete capture of the American position of the I. G. Farbenindustrie by its competitors.

"For this purpose of 'Americanizing' the General Aniline & Film Corp." the tax officials were advised that the ties between the I. G. Farbenindustrie and the I. G. Chemie, Basel, the main shareholder of the General Aniline & Film Corp., had to be loosened considerably. It was urged upon the tax authorities that no profit was due as a result of the transfer of Chemie shares for Farben shares because prior to the exchange the international situation was such that "I. G. Chemie shares * * * must be regarded as virtual I. G. Farbenindustrie shares."

The Finance Ministry was told that the transactions had been approved by the various government agencies and it was submitted that "in view of the great political-economic importance of this transaction * * * it would be equitable to waive the speculation profit tax * * *" The letter concludes as follows:

We must emphasize that at the request of the authorities concerned this conversion must be treated as strictly confidential insofar as foreign countries are concerned and that no publicity must be given to it.

These brief excerpts from I. G. Farben documents afford a sample case history of the March 1939 plan in operation. With respect to the General Aniline & Film Corp., the plan has thus far been frustrated by the action of the Government in vesting substantially all of the corporate stock which is now held by the Alien Property Custodian. It illustrates nonetheless what it is of dominant importance to remember, that the German war plans embraced a studied effort to avert property seizure during the war, to safeguard the economic position abroad which German industries had carefully built up, and to resume that position at the close of hostilities in collaboration with their "American friends."

The CHAIRMAN. Mr. Wechsler, this is one case you have developed. Is it your belief that the records abroad will disclose similar cases in other cartels?

Mr. WECHSLER. Yes; I think there is a very substantial chance.

The CHAIRMAN. In this case on which you have been able to carry through, you have found that it was the pattern to attempt to hamstring American companies in anticipation for the war for world domination? They were afraid of American competition?

Mr. WECHSLER. Yes; they were concerned about the American companies who were their competitors or who might become their competitors.

The CHAIRMAN. Thank you, Mr. Wechsler.

I should like to present one reaction to the subcommittee hearings this week. On last Monday, Mr. Clayton, Assistant Secretary of State in Charge of Economic Affairs, testified before this subcommittee on the elimination of Axis economic spearheads in South America. According to his records, in Argentina no spearheads had been completely eliminated, 4 were in process of elimination, and in 104 cases no action had been taken or action of a noneliminative character was taken. Apparently Argentina was interested in this testimony, and according to an Associated Press report yesterday, which I want to quote, they state, under date line of June 27:

Cesar Ameghino, Foreign Minister of Argentina, said last night in a statement that Argentina had placed government interventors in control of 123 commercial firms "presumably owned by German or Japanese concerns," and said later at a press conference that 17 other firms would be intervened soon.

The Foreign Minister's statement and remarks apparently were intended as a reply to testimony given by William L. Clayton, United States Assistant Secretary of State, at a Senate Military subcommittee hearing in Washington Monday, that Argentina had not eliminated a single Nazi economic spearhead.

Ameghino talked to newspapermen after he had conferred earlier with Spruille Braden, United States Ambassador to Argentina, and Col. Manuel de Olano. Colonel de Olano is custodian of Axis property and firms placed under government intervention after Argentina's declaration of war on Germany and Japan as a preliminary to her reentry into the pan-American family of nations.

This statement of the Argentine Government is entirely consistent with the testimony presented before the subcommittee. But I would like to point out that intervention may be classed as a noneliminative type of action. As a matter of fact, this entire problem was discussed by the witness and the chairman at Monday's hearing as follows:

Mr. CLAYTON. The two letters which are filed here as exhibit 2 were written in the form of reports made by the Argentine subsidiary of the Bayer industry in Germany, and indicate that this subsidiary was in the nature of a kind of parent organization of the Latin-American countries and was coordinating their activities and taking actions to help one out, to get one to help the other, and so on.

The CHAIRMAN. Isn't it a fact also that when the blockade set in it was hard to get shipments and they endeavored to act through their cartel associates or former cartel associates in the United States to get American goods to supply their market down there, relabeling the goods?

Mr. CLAYTON. Yes, sir.

The CHAIRMAN. From these letters, it would tend to show that Argentina was somewhat the center for all of these activities, particularly during the war period and just before the war. I am not saying that as a reflection on the Argentine people itself, but that Germany centered her activities in Argentina more than any place else.

Mr. CLAYTON. It certainly shows it in this case. There was a certain laxity of Argentine controls which contributed to the success of that policy, of course, and

it would have been natural if that were not the situation in the beginning, that as time progressed it would more and more get to be the case.

The CHAIRMAN. For instance, quoting from one part of one of the Bayer letters, "The sister firm in this country (that has to do with the Colombian Bayer firm) has been under the direct control of a Government intervenor since the beginning of 1942 and can openly carry on normal business in a relatively unhindered manner." It is a rather interesting comment, I thought.

Would you not agree that this document shows that at least in certain instances, intervention is a totally inadequate method of combating Nazi economic pressure?

Mr. CLAYTON. Oh, yes; intervention has proved a pretty feeble effort to control.

The CHAIRMAN. Frequently intervention furnished a cloak under which to operate.

Mr. CLAYTON. It could easily do it; yes.

The CHAIRMAN. So the intervenor may not be a cure but only another cloak.

This will conclude today's hearing.

I want to congratulate both Mr. Berge and Mr. Wechsler upon their work and upon their presentation.

As a part of today's record I want to submit the testimony of the Honorable James E. Markham, Alien Property Custodian, which the committee received yesterday. This will be printed, as though read, just following the Justice Department exhibit.

We will continue tomorrow with Maj. Gen. John H. Hildring, Director of the Civil Affairs Division of the War Department, as our witness.

EXHIBIT No. 1

[Translated from the German]

LEGAL DIVISION FARBEN,
Frankfurt, Main, June 8, 1939.

[Confidential]

To: Direktor Dr. von Schnitzler, Kommerzienrat Waibel, Direktor Dr. ter Meer, Direktor Dr. Walther, Direktor von Bruning, Prokurist Eckert, Direktor Hoppen, Direktor Jungbluth, Direktor Kohler, Direktor Dr. Kugler, Dr. Overhoff, Prokurist Pabst, Direktor Schwab, Direktor Seyd, Direktor Voigt, Direktor Weigandt, Executive Division Farben.

Re Protection of I. G. assets abroad.

Enclosed herein we submit to you a summary of the minutes of the meeting of the legal committee in Berlin on March 17, 1939. We ask you to consider whether, within the scope of your authority, any further measures for the protection of I. G. assets abroad should be taken, and, if so, to get in touch with us for the purpose of taking such measures.

KUPPER.

The protection of these assets against seizure in the event of war calls for much more far-reaching measures than does protection against acts of attachment or execution. The following discussion with respect to the several groups of assets deals, therefore, first, with protection against seizure in the event of war, since conclusions reached for that purpose are also applicable to protection against writs of execution and attachment.

In this connection we must refer to the legislation developed in the enemy countries allied against us, during the last war, inasmuch as, in a new conflict, we should certainly have to anticipate a reenactment of the statutory provisions then in force. Economic warfare was most consistently conducted in England.

England's aim was also to coordinate, to the greatest possible extent, the legislation of the other allied enemy powers with its own, an effort in which she was largely successful at the Paris Economic Conference of 1916. The following discussion is therefore chiefly concentrated on English statutes and decisions,

unless other countries have adopted different measures with respect to specific problems.

As early as in the middle of the nineteenth century the principle was recognized in England that "since it is in the nature of war to put an end to the enemy trade and to obtain possession of it, a declaration of war is followed by a prohibition of commercial relationships and correspondence with the residents of enemy states unless a special license is obtained from the government. War leads to a number of well-known special regulations, it prohibits all trade with the enemy except for that licensed by the government, and it dissolves all contracts that presupposed the existence of such trade."

On the basis of these principles there were enacted, starting with the Trading With the Enemy Proclamation of August 5, 1914, numerous special provisions which led to more and more intensified economic warfare.

These regulations start with the prohibition of trade with persons in enemy territory including English citizens residing there ("territorial principle") and extend to all persons even if not in enemy territory to the extent that they either are enemy citizens or have relationships with the enemy, facts determined by findings based upon information received by the British intelligence services ("personal principle").

According to the original legislation of 1914, trade with enemy branch offices outside of enemy territory, for instance, in neutral countries or within the country itself, remained permissible. Due to that circumstance, Germany was still able to maintain its trade by making use of such neutral intermediaries. As a result, the prohibition of trading was extended in December 1915 to all persons and firms, "to the extent that, in the opinion of His Majesty, such prohibition appears advisable because of enemy citizenship or enemy connections."

Thus, trade with all firms that were regarded as suspect could be prohibited by placing their names on a "black list." The significance of this black list can be seen from the fact that in 1916, 2,416 firms were listed on it, among them, in the Netherlands, 211; in Norway, 138; in Greece, 95; in Argentina, 160, etc.

In addition to the black list, there existed a so-called "gray list." Its significance was that while trade with the firms placed on it was not prohibited, it was declared undesirable. In practice the gray list had much the same effect as the black list. The number of Swiss firms alone amounted to 134.

The prohibition against trade applied to—

- (1) Payment of money to or for the benefit of the enemy;
- (2) Direct or indirect delivery of goods to, or direct or indirect importation of goods from an enemy or on his behalf as well as trade in goods which are destined for enemy territory or originate there;
- (3) Making of contracts with enemies or on their behalf.

The concept "enemy" is here used in its broad definition, that is inclusive of black-listed neutrals.

As early as toward the end of 1914 trustees were appointed to whom all performance on behalf of the enemy had to be made. Receivers could be appointed for enemy enterprises who had the rights of liquidators and were authorized freely to sell these enterprises or their assets if it were considered to be in the interest of Great Britain.

By virtue of the amendments of January 27, 1916, these measures could be taken with regard to all persons on the black list, that is, businesses, persons, and enterprises that "because of enemy citizenship or relations to the enemy appear to be carried on entirely or predominantly on behalf or under the control of enemies."

These provisions also authorized annulment of individual contracts with neutrals and seizure of individual assets of neutrals if the foregoing definition was considered applicable and an ensuing controversy with the neutral government was deemed to be a lesser evil. These amendments constitute the high watermark of English economic warfare legislation.

With respect to the several groups of I. G. assets abroad, the following conclusions are reached in the light of the English economic warfare legislation of which the bare outlines have been just traced.

- (a) The sales apparatus of I. G. abroad (which includes agent firms with their good will, mailing lists, connections, etc.) has, because of (1) tax laws, (2) national sales propaganda ("buy in your own country"), (3) the desire to avoid boycotts, (4) the desire to avoid special controls applicable to foreign companies, been organized, as a matter of principle, in such a fashion that I. G. or its several affiliated companies do not openly hold shares or other interests in these agent firms. There are only a few exceptions to this principle as, for instance, in the case of Egfa-Photo/Romania.

While formerly the shares or similar interests in these agent firms were largely held by individuals, mostly citizens of the particular country or by companies, as trustees for I. G., this system has, to an ever-increasing extent in the last few years, been abandoned in favor of an arrangement under which shares or similar interests are acquired by individuals or firms with their own means (occasionally assisted by credits extended by I. G.) subject, however, to an option in favor of I. G. permitting I. G. to acquire the shares for itself or to have third parties acquire them.

In the light of enemy economic warfare legislation, the following observations with respect to this situation may be made:

(aa) If I. G. or German nationals are the declared owners of such shares or similar interests, seizure will result in case of war.

(bb) If the shares or similar interests are held for I. G. by non-German trustees residing in enemy territory, there is a duty to declare such holdings, which again will lead to seizure.

(cc) If the shares or similar interests are held for I. G. by non-German trustees who are not residents of enemy territory the danger of seizure arises in the event that for some reason I. G.'s actual ownership becomes known.

(dd) If the shares or other interests are actually held by a national of an enemy country, such holdings will not be affected by economic warfare measures of the enemy, unless the owner comes under suspicion of maintaining relations with the enemy. In that case, seizure and liquidation of the shares or similar interests may follow. Any option in favor of I. G. is extinguished since, according to English decisions, any contracts that may strengthen the enemy's economic position even after the war are considered voided by the outbreak of the war. If the option exists in favor of a neutral, the liquidation of such an option—as of any other asset—may be ordered, if the neutral is suspected of relationships with the enemy.

(ee) If the shares or similar interests are actually held by a neutral who resides in a neutral country, enemy economic warfare measures are ineffective; even an option in favor of I. G. will remain unaffected. A sole exception arises in the event that the neutral is placed on the blacklist, since then the liquidation of the shares or similar interests may also be ordered. The English during the war made very sparing use of the authority to liquidate assets of a blacklisted neutral resident in England, inasmuch as such procedure invariably resulted in controversies with the government of the neutral involved, controversies that frequently were out of all proportion to the results obtained by such liquidation.

This survey shows that the risk of seizure of the sales organizations in the event of war is minimized if the holders of shares or similar interests are neutrals residing in neutral countries. Such a distribution of holdings of shares or other interests has the further advantage of forestalling any conflicts troubling the conscience of an enemy national who will inevitably be caught between his patriotic feelings and his loyalty to I. G. A further advantage is that the neutral, in case of war, generally retains his freedom of movement, while enemy nationals are frequently called into the service of their country, in various capacities, and therefore can no longer take care of business matters.

Nevertheless, it is obvious that transfers of shares or similar interest in our sales companies to neutrals residing in neutral countries cannot be handled uniformly in all cases and without consideration of other aspects. To mention just two of these, an accumulation of such shareholdings in the few countries that will presumably remain neutral would arouse suspicion, and the number of trustworthy persons who can be considered as suitable holders of such shares or similar interests is limited. In addition, it is necessary that protective measures to be taken by I. G. for the eventuality of war should not substantially interfere with the conduct of business in normal times. For a variety of reasons it is of the greatest importance for the normal conduct of business that the officials heading the agent firms who are particularly well qualified to serve as cloaks (*die aus Gruenden der Tarnung als Anteilseigner besonders geeignet sind*), should be citizens of the countries wherein they reside. Consequently, when sales firms are organized and the shares or similar interests in the firms are being distributed, the protection against seizure in wartime should, on principle, be only one of several pertinent considerations; in setting up sales organizations a decision must be reached in each case as to the extent to which protection against war seizure can be secured without interfering with other interests that should be safeguarded. At the same time, it must be kept in mind that, in case of war, possibly a large number of countries—as, e. g., in the World War, China and some of the South-American countries—will be drawn into the war against their own wishes. Those

countries, specially when they do not become involved in actual warfare, are not particularly interested in an energetic enforcement of economic-warfare legislation. Protective steps against seizure in the event of war are obviously much less urgent in these countries.

However, as far as possible with due regard to the other interests which call for our consideration, neutral influences should be strengthened in our agencies abroad by the transfer of shares or similar interests to neutral holders. If this is not possible, it seems advisable to transfer the shares or similar interests to parties who are nationals of the particular country and to provide for options on these shares or similar interests not in favor of I. G. directly but running to some neutral party with an ultimate option in I. G.'s favor.

The adoption of these measures would offer protection against seizure in the event of war, although this protection may not be a complete one. At the same time, they would provide comprehensive safeguards against attachments and executions since such levies cannot be made, in the enforcement of claims against I. G., upon assets actually held by parties who are not connected with I. G.

(b) Inventories abroad: While formerly inventories abroad were mostly held on consignment from I. G., we have recently, for a variety of reasons, turned to selling these inventories outright to our agencies which sell them now as independent dealers.

In the event of war, inventories held on consignment and owned by I. G. are subject to seizure. Where agents own their inventories, however, the fate of these inventories depends on whether the agency itself is determined by the authorities to be an enemy of their country within the terms of the broad English definition. If such a determination is made with respect to any agency, notwithstanding such cloaking measures as may have been adopted (*trotz der fuer die Vertretung durchgefuehrten Tarnungs massnahmen*), its inventories will likewise be subject to seizure.

To avoid such seizure, consideration has been given to making sales through a genuine intermediary residing in a neutral country; this intermediary would also be the owner of the inventory consigned to and held by our agency. This method, however, is not feasible for I. G. for technical reasons and reasons of tax law, mainly because it would jeopardize the close contact with the ultimate processor, a contact which is absolutely essential for our business. Nor would this method be likely to afford effective protection in case of war since, in the light of our experience gained during the World War, it is most likely that the neutral intermediary would be put on the blacklist; the result would be that, in the enemy country, payment of the proceeds to the intermediary would be prohibited and the inventories owned by him might be seized.

Losses, however, occasioned by such seizure may, at least partially, be avoided by putting up the inventories as security for loans, the proceeds of which would be transferred directly or indirectly to I. G. Such steps have been taken by the Central Finance Administration for several years, up to now, it is true, mostly for reasons of maintaining market quotations and assuring the transfer of foreign exchange. They are, however, important also with respect to seizures in the event of war.

The reason is this. The enemy wartime legislation during the World War has explicitly held valid pledges or other creditors' rights in German property. Thus in England, for instance, the regulations concerning the branches of German banks in England provided that securities of German owners deposited in these branches and pledged to English citizens or neutrals should be liquidated, that the proceeds be used to satisfy the creditors and that only the balance be transferred to the Custodian. In the United States, the same principle was explicitly established by the act of October 6, 1917, subsection 8 (a). In France, the same principles were upheld by the courts.

Accordingly, insofar as inventories abroad are assigned to enemy and neutral banks as security for loans, the proceeds of which have been transferred to I. G., I. G. avoids, in the event of war, its loss from seizure up to the amount of the credit extended; the bank, on the other hand, which extended the credit is able to enforce its claim against the lien or pledge.

When such credit transactions are carried out, it must be kept in mind, however, that I. G.'s joint sales organizations have somewhat divergent interests with regard to protection of inventories, inasmuch as *Afga* and *Nitrogen* are exclusively interested in protecting the value of the inventories; whereas the interests of *Farben* and *Pharma* are more comprehensive since they are anxious to see that even in an emergency the ownership in the inventories should not pass into

foreign hands, since this would entail additional disadvantages and losses. (Compare, e. g., the seizure of dyestuff inventories for purposes of reparations.)

With respect to the first category, the most important consideration is that the loan to be obtained cover the largest possible proportion of the inventory. It does not matter whether the creditor be an enemy or a neutral, since, on the whole, it is a matter of indifference to I. G. how the creditor enforces his claim against the inventory transferred to him by way of security. In any event, the creditor himself probably could successfully resist a sale of the inventory at prices that were so low as to be manifestly unfair and would result in leaving the creditor partially unsatisfied and I. G. liable for the deficiency. The only matter to be kept in mind is that if the neutral creditor should be placed on the blacklist he would not be able to collect the proceeds of the liquidation.

If, as in the case of the Farben and Pharma inventories, we have an interest in preventing the inventories from passing into foreign channels, an assignment to neutrals by way of security seems more practical because then we have better reason to hope that we may exercise some influence upon the liquidation of those inventories. It must be kept in mind, however, that according to the law of almost all countries a forfeiture clause providing that after the debt becomes due, full title to the chattel pledged vests in the creditor is void. In such cases, an attempt must therefore be made to agree with the creditors that when the loans fall due, the liquidation of the goods should be made through certain firms which are to be set forth in the agreement. It can be pointed out that this method of liquidation serves also the interest of the creditor; nevertheless, the danger should not be overlooked that, when the crucial moment arrives, such stipulations will be considered invalid.

The prospects for obtaining credit for purposes of protecting the various inventories are by no means unlimited. Experiences such as those gained in the case of the inventories of I. G. Dyestuffs, Manchester, show that such credits are sometimes obtainable only upon conditions that, in turn, entail considerable complications in the normal sales business (in the case of I. G. Dyestuffs it would have been possible to obtain credit only if the agency would have been changed from a commission basis to that of an independent dealer. In the case of the Farben business, however, this would result in particularly grave complications since in that case the intensive sales work with each individual customer with respect to prices and technical problems could no longer be handled through I. G. directly). It is therefore necessary that here also all interests be weighed and that, in particular cases, the aim to protect be abandoned if the cost of such protection, comprehensively viewed, is out of proportion to the advantages it would achieve.

The Central Finance Administration endeavors to overcome, by special arrangements and set-ups, any difficulties that may stand in the way of obtaining credits. In particular, an attempt has been made to suggest to friendly banking interests abroad the establishment of credit corporations of the type which, while completely independent from Germany, have proven their worth as contact parties and intermediaries. Since both of the finance corporations heretofore established, i. e., The Axe Trading Co. in London and Mapro in Amsterdam, are situated in territories which, in the event of war, would probably not remain neutral, it appears advisable to create now a similar finance corporation for the Scandinavian countries as well. For this purpose, Zefi has already held preparatory conferences with Norwegian and Swedish groups. The set-up of this company, which should have its principal office in Stockholm, is planned as follows: Of our Scandinavian business friends, the most important three Swedish and both Norwegian banks should participate in addition to Hambros Bank and the Norsk Hydro, furthermore, two managing officials from each of our agencies in Sweden and Norway and finally the Greutert company. Participation of Norsk Hydro is particularly desirable for the additional reason that Norsk Hydro itself has expressed the desire to share in the protection of the nitrogen inventories abroad.

In this connection, a suggestion should be mentioned that was made by the Central Finance Administration with regard to the protection of the dyestuffs inventories in China. Since the inventories themselves were not considered as sufficient security by the Dutch lending agency which had been approached, it was decided to deposit the proceeds which were to go to I. G. with another Dutch bank subject to the condition that that bank maintain, in turn, a deposit with the lending agency in the same amount, to which recourse may be had in the event that the proceeds of the dyestuff inventories should not be sufficient to repay the loan in full. In this event the proceeds of the loan, it is true, would not be freely available to I. G. from the outset, but they would be beyond the reach of a possible seizure in the event of war.

Although the protection of inventories abroad has already been effected in many cases, it is nevertheless desirable that the sales organizations, together with the Central Finance Administration, systematically reexamine each individual instance so that additional measures that may be deemed necessary can be considered and adopted.

Safeguards of this type afford protection for I. G., not only in case of seizure in the event of war, but likewise against attachments and executions since contractual liens or pledges have priority over liens that are created by writs of attachment or execution sued out at a later date. Putting up the inventories as security for loans does not afford complete protection since credit extended against the inventories as security will never exceed a fraction of the actual value and the equity of the debtor is, of course, always subject to the danger of seizure, whatever its legal basis.

For the same reason, it is impossible by this method to protect any increase in the value of these inventories that might be caused by the outbreak of war.

(c) Claims: With regard to the third group of I. G. assets abroad, its claims against foreign debtors, the Central Finance Administration—frequently in connection with the assignment of inventories by way of security discussed in the preceding section—has already made transfers on a large scale, some to maintain market quotations, others to secure foreign exchange more quickly or to utilize unusual opportunities for the transfer of foreign exchange. Such transfers were made possible by discounting claims against our customers or by obtaining loans secured by them. Together with those obtained by our agencies, our total loan obligations amount to approximately RM 60,000,000. This is the equivalent of total foreign gross sales of I. G. for the period of 1½ months with an average customers' credit of 3 months. It follows that I. G.'s foreign claims are protected up to approximately 60 percent against seizure in the event of war. This applies also, at least to a certain extent, to claims based on licenses such as those for which Jasco, e. g., serves as an intervening creditor.

These credit arrangements, it is true, offer considerably less protection against executions and attachments. For instance, the Hambros credit amounting to more than £1,400,000 is secured by irrevocable orders by I. G. to a number of its agencies abroad to transfer all amounts payable to I. G. to its account with the Hambros Bank. The moneys which in this way pass through our account with the Hambros Bank quarterly are at least equal to the amount of credit obtained by us. Since the deposits with Hambros are made to our account and can be claimed by Hambros Bank only when the loans are called, these deposits, at least while the loan remains outstanding, are subject to execution and attachment. Since, on the other hand, the arrangement chosen for the Hambros credit (especially the absence of any requirement to assign our claims) offers unusual advantages for our current business and our standing, it appears inadvisable to change it in order to strengthen the protection against executions and attachments. This is especially true since it must always be kept in mind that due to the large amount of I. G. assets abroad, complete protection against executions and attachments will, in any event, never be possible. Consequently, protective measures should be avoided which involve substantial disadvantages without materially improving the situation of I. G. with respect to future executions and attachments.

(d) Patents: At the outset it must be realized that protection of our foreign patent holdings against the danger of seizure in the event of war can only be arranged by transferring them to a foreign corporation. An examination of the opportunities existing in this respect, conducted jointly with the Patent Division at Ludwigshafen, has led to the following conclusions, as reported by Kersten:

If all the foreign patent holdings of I. G. should be transferred to a corporation located in a neutral country, considerable difficulties would arise in the current handling of patent matters, difficulties which, however, would not be insurmountable. The handling of patents in the field of hydration may be taken as a precedent. These patents are required to be registered in The Hague in the name of Ihoc and that company must assert the rights flowing from them. In the case of a foreign patent-holding company which serves I. G.'s interests exclusively, the operations would probably be even simpler than in the case of Ihoc which, in every single instance, and to a considerable extent, has to make allowance for non-German interests.

The costs, however, of transferring our present foreign patent holdings to a neutral company would admittedly be considerable. The establishment of such an intermediate, neutral company would, of course, make sense only if the entire present foreign patent holdings of I. G., amounting to some 28,000 patents, could be transferred to that company. The cost of a patent transfer must be estimated

at approximately R.M. 10.00 per patent. This would result in a total expenditure of reichsmarks 280,000, payable mostly in foreign exchange. In addition, it must be kept in mind that in France, where the situation, in every respect, is particularly dangerous, in the case of a patent transfer all unpaid future taxes are immediately payable. For the 3,500 French patents, with unpaid taxes averaging 5,000 French francs on each patent, an additional expenditure of foreign exchange amounting to R.M. 1,000,000 would be required.

But even if the decision should be made to invest such large sums of money, the transfer of patents to a foreign corporation would not afford even a reasonable degree of protection against the danger of seizure in the event of war. According to English economic-warfare legislation, the board of trade was authorized to suspend or cancel enemy patents or patent applications, to transfer them to the Custodian or to issue licenses for them. Also in this situation "such companies whose business is controlled by enemies or conducted for their benefit" were determined to be enemies.

In practice, however, a foreign patent-holding company could conduct its business only by maintaining the closest possible relations with I. G. with regard to applications, processing, and exploitation of patents—it is sufficient to refer to our numerous agreements providing for an exchange of patents or experience. The contracts could not possibly escape the notice of the foreign intelligence service, particularly since, from the outset, such a patent-holding company would be suspected because it had taken over our foreign patent holdings. Accordingly, in case of war, this company would certainly be considered as operating for the benefit of Germany with the result that the above-mentioned measures of seizure and liquidation could also be applied to its patent holdings.

To establish a connection between I. G. and the patent-holding company loose enough to eliminate this danger with some measure of hope for success would not be possible because it would involve insurmountable difficulties for I. G. and also a removal of industrial potential for Germany ("Industrierverschleppung"). An additional difficulty consists in the necessity for establishing an adequate price at the time of the transfer of the patent or the invention; for if this price would be fixed as a percentage of the proceeds received by the foreign patent-holding corporation itself this would again result in a determination that the corporation is acting on behalf of Germany.

Finally, however, attention is called to the following provisions of the English economic-warfare legislation:

If it appears from the patent applications or any specification that the applicant has learned about the invention from an enemy, a rebuttable presumption arises that this enemy has the beneficial ownership of the patent. Since, under German patent law, every patent application must disclose the inventor, a simple comparison between the foreign and the corresponding German patent application would disclose the German inventor. It would be a fruitless endeavor to attempt to prove to enemy courts or officials that the person entitled to the beneficial ownership of a patent is not the German inventor but the neutral patent-holding company alone.

In short, the result of these considerations is that protection against seizure of our foreign patents in the event of war is practically impossible.

The question remains to be examined whether such protection is not feasible at least against attempts to levy attachments or executions.

In the light of experience gained in connection with gold-clause litigation brought against A. E. G., that firm now transfers its patents to a German patent-holding corporation called *Lizenzia*; this is being done on the theory that possible foreign claims which may be asserted in the future against A. E. G. itself would no longer be enforceable by levy upon patents now held by another company.

Judicial decisions of all countries show a constantly increasing trend toward a disregard of formal legal arrangements in favor of considering economic interrelations. In view of this trend it may be open to doubt whether, in the long run, the position can be successfully maintained that patent properties that have been transferred to the patent-holding company (*Lizenzia*) are not liable for the obligations of the parent company (A. E. G.).

The transfer of patent properties to a German patent-holding company of this type solely for protection against executions or attachments would not be practicable for I. G. for the reason mentioned elsewhere in this discussion, that—measured by the amounts involved in any execution or attachment proceedings that might be brought in the future—I. G. will always own substantial assets abroad which cannot be protected against such levies. A transfer of our patent properties to a German patent-holding company or possibly to the *Ammoniak-*

werk Merseburg, Ltd. (G. m. b. H.), which has no foreign debts, would accordingly result only in considerable technical and other difficulties (use of production know-how) without achieving any marked changes with regard to a protection of I. G. from executions or attachments. For the same reason it has previously been decided not to adopt such a procedure.

In summarizing, Kersten, after a thorough discussion, stated, with the consent of all, that for the protection of I. G.'s foreign assets against seizure in the event of war and against execution and attachment proceedings, the following measures are essential:

With respect to the sales organizations: Strengthening of effective neutral possessions of shares and similar interests.

With respect to the inventories: Their transfer to foreign banks as security for credits the proceeds of which are made directly or indirectly available to I. G.

With respect to claims: Assignment of claims before they fall due.

With respect to foreign patent possession: No protective measures are available which could be carried out with some hope of success.

STATEMENT OF THE HONORABLE JAMES E. MARKHAM, ALIEN PROPERTY CUSTODIAN

Mr. MARKHAM. I am glad to respond to your invitation to make a statement in this series of hearings on the economic base for German aggression. We in the Office of Alien Property Custodian are concerned with the foothold which the Germans had in the economy of this country. For over 3 years it has been our responsibility to investigate and seize productive resources owned by the enemy in the United States. Our experiences in seeking out the enemy property and in eliminating enemy control over productive assets in this country are pertinent to the problems which you are investigating.

Major phases of our work relevant to the subject of your investigation include our seizures of American business enterprises which had been owned or controlled by Germans and the methods which had been used to conceal such ownership or control; our findings concerning the dependence of American enterprises upon German research and out actions to remove such dependence; our seizures of United States patents which had been held by Germans and our policies concerning the administration of these patents; the taking over of German interest in patent contracts, which often formed the basis for international cartel arrangements and were used for restricting American production.

I. CONCEALMENT OF GERMAN OWNERSHIP OF BUSINESS ENTERPRISES IN THE UNITED STATES

Before the war many German business organizations and individuals desired to conceal their assets in the United States, particularly their interests in American business enterprises. Therefore, they placed nominal ownership or control of these assets in the hands of "cloaks," who were occasionally citizens and residents of the United States but more often nationals of various European countries, particularly Switzerland, the Netherlands, and Sweden.

1. *Reasons for cloaking.*—The most important reasons for cloaking were the following:

(a) German nationals desired, if possible, to avoid the wartime control or seizure of their American properties by the United States Government. From their experience in the last war, they realized that if the United States entered the war it would seize their American

enterprises and probably sell them to American purchasers, thus seriously damaging their business in the United States. Even if the United States did not enter the war, the pro-Allied policy of this country pointed in the direction of stringent control of German property.

(b) The issuance since 1931 of the various German decrees regulating all dealings in foreign exchange rendered more and more difficult the conduct of the affairs of foreign subsidiaries of German enterprises. German nationals could no longer freely dispose of their holdings of foreign currency and were consequently hampered in developing their foreign organizations. Even before the rise of the Nazis to power, many German firms organized holding companies in Switzerland and elsewhere in order to circumvent the rigorous exchange control. The situation became even worse in 1936, when a new German decree was issued forbidding German firms to invest abroad the income of their foreign subsidiary companies, with the result that foreign undertakings could no longer be provided with the capital necessary for their development even out of their own resources. Moreover, it was the policy of the German Government to secure a maximum of foreign exchange by forcing its nationals to sell their foreign holdings of stocks and other assets.

(c) It was advantageous to place assets in non-German hands to avoid the high German tax rate.

(d) After the rise of the Nazis, business enterprises in the United States found that many customers were unwilling to trade with them when they discovered their German ownership.

(e) It was easier after 1929 for the Germans to obtain additional capital to finance their home and foreign investments through and in the names of non-German affiliates than in their own names.

(f) If it had been known that certain American companies were subsidiaries of the German members of international cartels, suspicion of violation of United States antitrust laws might have been aroused.

(g) In some cases the Germans concealed their ownership of enterprises in countries other than the United States. If these enterprises had subsidiaries in the United States, their ownership was also concealed as a result of concealment of the ownership of the parent companies.

All of the reasons stated above were involved in one or another of the German attempts to conceal their ownership of American companies. Determining which reasons were predominant in a given instance is not, however, a simple matter. Often this is because we cannot answer the question: Did the German Government know, in a given case, that an American company was owned by a German national? In several instances the German Government probably was informed of the foreign investment after the Amnesty Act of 1933. If the German Government continued to be unaware of the situation, it is apparent that a company was cloaked purely for private aims, namely, to permit the Germans to maintain profitable investments abroad despite German laws and to protect those investments against such hazards as seizure by the United States in the event of war.

We may at least suspect that there was less cloaking without the knowledge of the German Government than is immediately apparent. A situation which at first glance seems to be an obvious attempt to

avoid German foreign exchange regulations and tax laws may turn out quite otherwise. It is questionable whether numerous groups of Germans, for the sake of relatively small investments, would risk deliberate plots to circumvent German laws. Many of the groups who arranged the cloakings had close ties with the highest Nazis. The German Government kept a strict watch over the foreign transactions of its nationals, and sales of important foreign properties could not be made by German nationals without approval of the purchaser by their Government. German agents were not inactive in Holland and other countries where cloaking transactions took place. We may question whether cloakings which were discovered by American authorities could have been more easily concealed from German authorities. Perhaps it is more reasonable to believe that generally the cloakings were known to the German Government and that the pretense of cloaking against it was often merely another safeguard introduced to justify the cloaking in the event of discovery by American authorities.

There is little doubt that the German Government knew of many cloaking arrangements. Recent investigations in Europe have established that the German Government did know, for example, that General Aniline & Film Corp., the largest German-owned enterprise in the United States, was actually controlled by I. G. Farben despite its Swiss cloak. Material found in the files of I. G. Farbenindustrie indicates that after the outbreak of war in 1939 the German Government actively fostered a "Tarnung," or camouflage, program pursuant to which German companies were urged to take steps to conceal their assets abroad so that these assets would not be seized.

What were the purposes of the Nazi Government before the war in permitting its nationals to continue to own certain enterprises in the United States? We can make some assumptions, but we do not know the full answer. For one thing, the companies were useful as "look-outs." They could observe developments in American industry, particularly in the chemical field. They could estimate production of end products by their knowledge of production of component materials and parts. Companies with defense and war contracts inevitably had knowledge of facts concerning military production of vital interest to the enemy. Their pro-German managers might also observe the political temper of the country and gather other information of use to the Nazis. Moreover, it was probably felt that many companies were sufficiently profitable so that the Germans could secure as much foreign exchange through profits as by selling the companies, if not more. Perhaps also it was thought that in some instances American production could be hampered by restricting output under patents controlled by the companies or by sabotaging the operation of the companies' plants.

Finally, certain Germans may have been permitted to maintain American investments, at least partially, as an act of favor from their fellow Nazis in the German Government. It is no secret that some of the highest Nazis have maintained assets outside Germany.

2. *Technique of cloaking.*—Many different cloaking patterns have been used by the Germans. Each German organization that desired to cloak its American holdings had its own method, dictated partly by its particular ideas of effectiveness and partly by its opportunities.

The selection of cloaks and the transfer of title to them were complicated operations. They involved finding persons the Germans could trust who might reasonably be supposed to be the real owners of the property and whose status as cloaks would not be readily susceptible to discovery. These requirements were usually better met by Europeans than by Americans. An important element in piercing a cloaking transaction is proving that no consideration was paid for the cloaked property or that the consideration was purely nominal: for this reason alone Europeans were better cloaks than Americans, whose financial transactions are more easily analyzed by American authorities. Moreover, it is more difficult to determine the business relationships and political sympathies of Europeans, whose persons and records are usually unavailable to investigators of our Government.

The actual mechanics of transferring ownership to cloaks was often complicated. Rather than a simple transfer, there was often a succession of transfers, usually further confused by the use of a variety of intermediaries and nominal holders who held the stock "beneficially" for the cloaks. These transactions, often extending over a period of years, usually resulted only in tying the string of ownership into bizarre knots rather than actually strengthening the cloaking devices.

Basically there were several devices, one or more of which was used in transferring property to non-Germans. These methods gave the German owners varying degrees of protection. They are essentially as follows:

(a) *Option device*.—The German-owned stock in the American company was sold to non-Germans for a sum which was purely nominal or at least substantially less than the value of the property. At the same time the non-Germans gave the Germans an option to repurchase the stock at substantially the same price. Thus the Germans were able to regain control at any time. An example of this method is General Dyestuff Corp. A variation was the use of the option with respect to the stock of the cloak rather than of the American company. An illustration of this variation is American Potash & Chemical Corp.

(b) *Apparent bona fide sales coupled with retention of essential controlling devices*.—This device provided for the sale of the American company to non-Germans, again for a consideration amounting to less than the value of the property sold. Instead of by an option, the Germans retained control through contracts with the American company and the cloak which reserved to the Germans all essential management controls. American Bosch Corp. is an excellent example of this device. Although the German company "sold" ABC to Swedish interests, it was able through contractual arrangements to specify what ABC would manufacture and the terms under which it might use patents which were essential to ABC's continued existence.

(c) *Loan arrangements with banks*.—By this device ownership was transferred to the corporate cloaks without requiring them to invest any money whatsoever. In order to purchase the interests in the American company, the cloak would merely borrow from a bank. Usually it would not borrow the full purchase price but only enough to make a partial payment. The cloak, a dummy corporation, would in effect have no capital at all but merely obligations to the bank and the

German parties. This arrangement was used in cloaking American Potash & Chemical Corp. and Thorer & Hollender, Inc.

(d) *Use of corporations issuing stock in bearer form.*—It is common practice in the Netherlands and Switzerland for corporations to issue stock in bearer form. Companies issuing this type of stock do not necessarily know who their real owners are. A number of German properties were transferred to corporations of this kind. Although the companies insist they are Dutch or Swiss controlled, evidence points to ownership of the shares by German nationals. The cloaks for General Aniline & Film Corp and Ferd. Mulhens, Inc., for example, were Swiss firms.

(e) *Exchange of common stock for other interests in the companies.*—In order that control of the vested companies could not be seized in the event of war, the capital structures of several enterprises were reorganized in such a way that the Germans turned in a majority of their voting stock interests in exchange for preferred stock and creditor interests. Thus, the companies continued to be financed with German funds, but control was centered in the hands of American citizens and other non-Germans with a relatively small financial interest. This, it was hoped, would ensure that control of the companies would not fall into the hands of persons unfriendly to the Germans. In the most important case of this type, E. Leitz, Inc., the Custodian refused to recognize the arrangement as bona fide and vested 100 percent of both classes of stock. There was a defect in this device in that it did not protect the Germans against confiscation of their interests in their new form; but, coupled with other devices, the arrangement was a double protection. Thorer & Hollender, Inc., for example, was recapitalized, and the remaining German interests, consisting of 100 percent of the preferred stock and a minority of the common, were cloaked by the device indicated in (c) above.

(f) *Reliance on the good faith of the cloaks.*—In a number of cases, particularly those involving companies of relatively small value, none of the above devices or variations thereon were used. There was simply a tacit understanding that the property would be returned at such time as the German owners desired. Evidence of the existence of such arrangements has often been discovered by this Office, and additional evidence may, of course, be in the possession of the Germans.

3. *Relationship of the Germans to the American companies.*—Usually the Germans continued to control the American companies rather than allow them to drift under the direction of the cloaks. As a rule, however, their directions were transmitted through the cloaks. For example, in one particular case, the Swedish cloak directed the American management to address all correspondence to it rather than to the German owner; in so directing, it indicated that it would seek the opinion of the Germans if it was advisable. This undoubtedly was done. Correspondence addressed to the American company showed a thorough understanding of the business (fur marketing), although the Swedish organization had no prior connection with the industry.

It is often difficult to establish, in those cases in which directions were given by cloaks, whether the Germans attempted to conceal their ownership from the American management. In some instances it is apparent that they did so successfully; in others, the American management was obviously in doubt; in still other instances there was apparently collusion between the Germans and the American manage-

ment in the concealment. In some cases, however, the American management was admittedly informed of the beneficial ownership; for example, the officers of Empire State Properties & Trading Corp., an investment holding company, whose German-owned shares were concealed from the German Government, were well acquainted with the existence of the cloaking arrangement.

4. *Frequency of cloaking.*—Approximately 60 German-owned enterprises in the United States appear to have been subject to some degree of cloaking. Other German-owned enterprises were nominally owned by non-Germans, but there was no apparent effort to conceal beneficial ownership.

Among the cloaked enterprises are many of the largest and most important German-owned companies controlled by the Custodian. In the field of chemical manufacturing, there are General Aniline & Film Corp., American Potash & Chemical Corp., and Schering Corp. In other types of manufacturing are American Bosch Corp., E. Leitz, Inc., Ferd. Mulhens, Inc., and American Wine Co. (the latter sold by the Custodian to American interests). In other fields are Spur Distributing Co., operator of a chain of filling stations; Nirosta Corp. and several other patent-holding companies: Pilot Reinsurance Co.; and, in wholesale trade, Thoror & Hollender, Inc., and General Dye-stuff Corp., among others.

5. *Success of cloaking.*—By and large, the German attempts at hiding their ownership of American enterprises have apparently ended in failure. They have succeeded only in imposing on the Office of Alien Property Custodian a sizable task of investigation to uncover the German interests. The Office has had to make some degree of investigation of all enterprises nominally owned by residents of certain enemy-occupied and neutral countries and of other enterprises in which there was evidence of German control at any time since the First World War. Because of the thoroughness of our investigations it is not considered probable that successfully cloaked enterprises are either numerous or important. Yet it would be impossible to state categorically that there are not some ingenious schemes which have, thus far, withstood the scrutiny of investigation.

II. THE EXTENT OF GERMAN OWNERSHIP OF BUSINESS ENTERPRISE IN THE UNITED STATES

It has been the broad policy of the Office of Alien Property Custodian to vest enemy property in business enterprises when the interests of nationals of enemy countries are large enough to constitute actual or potential control of the enterprises. Smaller interests have been subject to freezing by Foreign Funds Control. Under Executive Order No. 9567, which was just issued on June 8, authority to vest these smaller interests was given to the Alien Property Custodian, and we now are preparing to take such action.

Taking statistics on the business enterprises in which controlling interests have been vested from Germans to represent the extent of German holdings, table 1 indicates the types and the total assets of German business enterprises in this country. It will be seen that the important fields of business activity are manufacturing, wholesale

trade, and investment holding. The total net worth of the 195 enterprises amounted to \$164,000,000 at dates of assumption of control. Of course, only the German interests in these concerns have been vested—the book value of the vested interests aggregated \$116,500,000 at dates of vesting. Most of the remaining interests in the enterprises are the property of Americans.

We have placed 117 of these enterprises in liquidation, since they serve no useful purpose in the American economy. The 117 include primarily wholesale companies which formerly imported their products from Germany and other enterprises which were incapable of standing on their own feet.

The remaining 78 companies have been continued as going concerns. These enterprises are important or useful business units which are capable of operating profitably without assistance from their former owners. Table 2 presents more detailed information on these companies.

Perhaps the most important point shown by this table is the predominant importance of firms engaged in manufacturing, particularly in the chemical field. In addition, two of the more important enterprises engaged in wholesale trade owe their importance to the fact that they act as distributors for manufacturing companies. The investment holding companies also account for a sizable portion of the assets of the group, but their holdings are predominantly European. The total assets of the patent-holding companies are not large in dollar figures, but these concerns control a number of important patents. It should be added, however, that the patent holdings of the manufacturing companies are of much greater importance.

TABLE 1.—*Business enterprises in which German interests have been vested in the Custodian, Mar. 11, 1942, to Dec. 31, 1944, classified according to kind of business activity*

Kind of business activity	Number of companies	Total assets at dates of assumption of control by the Custodian
Total.....	195	\$253, 920, 000
Manufacturing:		
Chemical.....	17	129, 750, 000
Miscellaneous.....	26	22, 810, 000
Agriculture.....	1	3, 590, 000
Mining and petroleum.....	3	1, 160, 000
Trade:		
Wholesale.....	63	15, 220, 000
Retail.....	5	3, 540, 000
Transportation and related services.....	8	610, 000
Holding:		
Investment.....	14	59, 210, 000
Patent.....	20	2, 100, 000
Real estate.....	17	7, 280, 000
Finance:		
Insurance.....	1	4, 380, 000
Miscellaneous.....	5	2, 000, 000
Services:		
Engineering.....	2	1, 960, 000
Nonprofit.....	13	310, 000

TABLE 2.—*Financial data on business enterprises in which German interests have been vested in the Custodian and which are continuing as going concerns*

Kind of business activity	Number of companies	Total assets at Dec. 31, 1944	Total sales in 1943	Net worth as of Dec. 31, 1944, distributed according to ownership shares		
				Total	Vested in Custodian	Owned by United States citizens and others
Total	78	\$234, 578, 000	\$231, 900, 000	\$145,858,000	\$105,972,000	\$39, 886, 000
Manufacturing:						
Chemical.....	12	146, 500, 000	137, 040, 000	97, 100, 000	73, 200, 000	23, 900, 000
Miscellaneous.....	17	36, 000, 000	78, 420, 000	16, 500, 000	10, 900, 000	5, 600, 000
Mining and petroleum.....	3	1, 050, 000	450, 000	600, 000	280, 000	320, 000
Trade:						
Wholesale.....	12	15, 140, 000	43, 130, 000	7, 100, 000	6, 200, 000	900, 000
Retail.....	2	2, 700, 000	4, 080, 000	2, 400, 000	1, 880, 000	1, 220, 000
Holding:						
Investment.....	8	23, 700, 000	(²)	14, 300, 000	9, 000, 000	5, 300, 000
Real estate.....	8	5, 930, 000	(²)	5, 400, 000	3, 320, 000	2, 080, 000
Patent.....	13	1, 620, 000	(²)	1, 150, 000	680, 000	470, 000
Miscellaneous:						
Engineering services.....	2	1, 930, 000	5, 420, 000	1, 300, 000	1, 210, 000	90, 000
Security brokers.....	1	8, 000	(²)	8, 000	2, 000	6, 000

¹ This total is \$36,640,000 less than the sum of the detail in the column. The \$36,640,000 represents the sales of 2 vested wholesale companies which act as distributors for vested manufacturing companies. This amount is included in the detail both as sales of wholesale companies and as sales of manufacturing companies.

² No sales information is given for companies of these types inasmuch as sales are not involved in these kinds of business activity.

NOTE.—Enterprises in liquidation are not covered by this table. Enterprises sold by the Custodian as active units (total assets, \$2,500,000) are, however, included.

III. BUSINESS ENTERPRISES SEIZED BY THE ALIEN PROPERTY CUSTODIAN IN BOTH WORLD WARS

In the interval between the two World Wars a number of firms which had been seized by the Alien Property Custodian in World War I passed again into German hands. Altogether there are 28 cases involving seizures of business enterprises in World War II which are related to seizures of business enterprises in World War I. In 14 instances the seized company found its way back into the hands of the original owners. In 10 instances, although the Germans from whom business enterprises were seized in World War I had not regained the firms taken from them, they had become the owners of interests in other American business enterprises, ordinarily in the same field of activity as their original company. One company, interests in which had been seized in World War I, was found again to be partly German-owned in World War II, but different Germans were the owners. In three other instances neither the companies nor the owners were the same in the two wars, but some connection existed between a firm taken in World War I and another taken in World War II.

The accompanying list names the companies in each of the above categories and includes a brief explanation of the manner in which control returned to nationals of enemy countries. The list shows the variety of ways in which German interests returned to this country, such as the reestablishment by a German steamship company of its branch office in the United States, the inheritance of property in business enterprises in the United States by Germans who happened

to be heirs of American citizens, and the resumption of control by Germans over firms in the field of chemical manufacturing.

List of enterprises vested by the Alien Property Custodian in both World Wars

A. CASES IN WHICH THE COMPANIES AND THE OWNERS ARE THE SAME IN THE TWO WARS

World War I companies		World War II companies		Comments on how interests were re-established by Germans
Name	Percent vested	Name	Percent vested	
American Platinum Works.	53	American Platinum Works.	30	Stock sold by APC to Americans but partly regained by former owners by trade of patents for stock.
Arabol Manufacturing Co.	25	Arabol Manufacturing Co.	30	Stock released by APC to former owners.
Joh. Barth Co.	65	Joh. Barth & Sohn..	100	Stock released by APC to former owners.
The Bayer Co.	100	General Aniline & Film Corp. General Dyestuffs Corp.	98	Bayer was sold by APC and its business was divided. Through a succession of transfers, its dyestuff business was ultimately repurchased by I. G. Farben. Its pharmaceutical business was ultimately transferred to Winthrop Chemical Co., 50 percent of the stock of which was owned by General Aniline & Film Corp. (The company which now bears the name of the Bayer Co. was not vested in World War II.)
Berlin Aniline Works	100			
Badische Co.	100			
Bosch Magneto Co...	100	American Bosch Corp.	77	Original company sold to United States citizens. Germans started new company in competition, bought old firm, and merged them.
Rohm & Haas Co....	60	Rohm & Haas Co...	38	Enemy interest bought by United States interests, a gift made to German interests.
Russ Estate Co.....	20	Russ Estate Co.....	20	Vested stock released to former owners by APC in 1929.

B. CASES IN WHICH THE OWNERS ARE THE SAME BUT THE COMPANIES ARE DIFFERENT IN THE TWO WARS

Hamburg-American Terminal & Navigation Co.	100	Hamburg American Line—North German Lloyd, United States branch.	100	{ New branch of German company established.
North German Lloyd Dock Co.				
The International Ultramarine Works, Ltd.		100			The Ultra Corp. ....	100	Stock regained by German owner, who sold company to American Cyanamid in 1941; certain real estate assets not included in the sale were transferred to the Ultra Corp.
G. & W. Heller Co., Inc.	100	G. & W. Heller Co., Inc.	100	Former owners started a new company.
J. A. Henckels, Inc...	50	Fifth Ave. Cutlery Shop, Inc.	100	{ Enemy interests bought by United States citizens and resold to Germans.
		Graef & Schmidt, Inc.	100	
E. Leitz, Inc. (1916) ..	80	E. Leitz, Inc. (1916)	100	{ Enemy interests bought by United States citizens and resold to Germans in 1930's.
J. M. Lehmann Co., Inc.	67	E. Leitz, Inc. (1941) ¹	100	
		J. M. Lehmann Co., Inc.	80	Enemy interest bought by United States citizens and resold to Germans in 1921.
Markt & Hammacher Co.	43	Markt & Hammacher Co.	30	Enemy interest in the Markt & Hammacher Co. stock bought by a United States citizen, relative of former German owners, and resold to them. Other 2 companies no longer exist.
Markt & Schaefer Co.	27			
Hammacher, Schlemmer & Co.	16			
Muhlen & Kropff (partnership).	50	Ferd. Mulhens, Inc.	99	Original company sold to United States citizens. Germans started new company in competition, bought old firm, and merged them.
Frederick Pustet & Co.	66	Frederick Pustet & Co.	36	{ Enemy interest bought by United States interests and resold to German interests.
Kny-Scheerer Corp..	100	Jetter & Scheerer Products, Inc.	100		Stock sold to American citizens; company absorbed in 1929 by American firm. New company started by Germans.

¹ Formed to take over the assets and business of the 1916 corporation.

*List of enterprises vested by the Alien Property Custodian in both World Wars—Con.***B. CASES IN WHICH THE OWNERS ARE THE SAME BUT THE COMPANIES ARE DIFFERENT IN THE TWO WARS—Continued**

World War I companies		World War II companies		Comments on how interests were re-established by Germans
Name	Percent vested	Name	Percent vested	
Munich Reinsurance Co.	100	Pilot Reinsurance Co.	95	Former owners started a new company.
Henry Pels & Co.	100	Henry Pels & Co.	100	Do.
Riedel & Co., Inc.	100	Riedel-de Haen, Inc.	100	Riedel & Co. was sold by the APC to Americans. Former German owners in 1929 established Riedel-de Haen as a new company.
Siemens & Halske	100	Adlanco X-Ray Corp.	100	Former owners started new companies.
		Roentgen Supplies, Inc.	100	
		Siemens, Inc.	100	
L. Vogelstein & Co., Ind.	100	Central Mining & Securities Corp.	100	Former owners started a new company.
Vogemann Shipping Co.	100	Vogemann-Goudriaan Co.	100	Former owners started new companies.
		Metropolitan Stevedoring Co.	100	
		Metropolitan Stevedoring is a 95-percent owned subsidiary of Vogemann-Goudriaan Co.		

C. CASES IN WHICH THE OWNERS ARE DIFFERENT BUT THE COMPANY IS THE SAME IN THE TWO WARS

Dresden Lace Works, Inc.	55	Rondak Corporation. Holding company for Dresden stock.	100	Stock sold to American citizen, who died and left part of his holdings to heirs in Germany (Rondak owns 40 percent of Dresden stock.)
--------------------------	----	--	-----	---

D. CASES IN WHICH BOTH THE COMPANIES AND OWNERS ARE DIFFERENT IN THE TWO WARS BUT SOME OTHER CONNECTION EXISTS

American Draeger Co.	50	Draeger Shipping Co., Inc. Schenker & Co., Inc. Merchandise Factors, Inc.	100	Former owner of A. D. started a new company and sold it to Germans.
American Refractories Co.	16	American Magnesium Metals Corp.	36	Austrian property of American Refractories Co., was purchased by American Magnesium Metals Corp.; certain of the assets of the two firms are identical.
Haarman-de Larie-Schaefer Co.	33½	Maywood Chemical Works.	23	Stock sold to Americans. Company eventually absorbed by Maywood Chemical Works; part of whose stock passed by inheritance to Germans.

IV. THE FREEING OF AMERICAN FIRMS FROM DEPENDENCE ON GERMAN RESEARCH

Two of the most important firms interests in which have been vested by this Office, General Aniline & Film Corp. and Schering Corp., were dependent before the war upon research by their parent companies in Germany. The following statements describe the policies adopted by the managements installed by us in freeing these firms from this dependence.

1. *General Aniline & Film Corp.*—General Aniline manufactures three distinct types of products: (1) Dyestuffs and auxiliaries used

in the dyeing process, and miscellaneous chemical products including detergents, carbonyl iron powder, and Plectron resins; (2) films, photographic papers, and chemicals and cameras; (3) sensitized materials and machines for printing and developing such materials, used for the reproduction of drawings and printed or typed copy.

Under a series of agreements between General Aniline and I. G. Farbenindustrie the latter was obligated to furnish the benefit of all of its research, inventions, and technical and practical knowledge and experience in these fields to General Aniline. The research laboratories of I. G. Farbenindustrie in these fields were among the best in the world, and I. G. did not attempt to duplicate this research work in the laboratories of its principal American subsidiary, General Aniline. In the late 1930's a research laboratory in the dyestuff field was established and operated in a small way in one of the company's dyestuff plants, and a small amount of research in the photographic field was also conducted in its film plant. The research work thus done was chiefly in the field of simpler applied research and manufacturing processes. No fundamental research or research looking toward the manufacture of new products or expansion into new fields was undertaken. It was, moreover, in no sense commensurate with the size of the company or the volume of its business. For all practical purposes, General Aniline was, up to the time of its seizure by the Government, dependent upon I. G. Farbenindustrie for its research.

The result of this policy was the complete subservience of General Aniline to its German associate, for the results of the German research were never fully disclosed to the company. Thus, for example, the constitutions of the color-formers used in the manufacture of its color film were never disclosed by the Germans to the company. And in many cases important material was only communicated verbally to the most trusted employees of the company on the occasion of their visits to Germany for use as I. G. Farbenindustrie might direct. The information thus obtained was not disclosed to other employees of the company. Thus, on several occasions, when the man in possession of the information died, General Aniline was obliged to send another employee to Germany for instruction in the particular process.

General Aniline & Film Corporation was seized by the Government in February 1942. The new management installed by the Government considered that, if the company were to serve effectively in the war effort and be of value to the country, it must at once lay the groundwork for an integrated research organization of the highest caliber.

To this end the company organized a separate research division under the direction of Dr. E. C. Williams. It was decided to establish a central research laboratory, at which should be carried on the more basic research in the fields in which the company was operating as well as research in fields in which the company planned to expand, and that, in addition, applied research should be carried on in the company's manufacturing plants.

The central research laboratory was established at Easton, Pa., where General Aniline acquired in the summer of 1942 a five-story steel and concrete building that once housed a silk mill. The equipping of this building as a research laboratory was under wartime conditions a difficult undertaking. It was satisfactorily accomplished,

however, and the central research laboratory commenced operations in the late autumn of 1942.

In the meantime the company proceeded with the organization of a research staff embracing chemists, physicists, and engineers. This too presented serious problems in wartime, but has also been satisfactorily accomplished. Today the central research laboratory alone employs 107 trained research workers with scientific degrees (of whom 67 have doctor of philosophy or other comparable degrees) together with other auxiliary staffs, many of whom are men of outstanding research ability recruited from a wide cross section of American industry. Included in this number are a few technical men with long experience gained in the company's own factory operations.

In addition research and process development groups are maintained at the factories of the company with the main function of bringing new products into commercial production, carrying on investigations necessary to efficient operating management and conducting research requiring close contact with the operating personnel. The factory research and process development groups include 68 men holding scientific degrees. The central research laboratory works in closest cooperation with the factory research and process development groups.

The expansion of General Aniline's research activities since its seizure by the Government is illustrated by the following comparison of its research expenses in the years 1939 to 1944:

1939.....	\$382,000	1942.....	\$923,000
1940.....	452,000	1943.....	1,868,000
1941.....	534,000	1944.....	2,445,000

The increased emphasis placed upon basic research is further illustrated by comparing the sum of \$13,000 expended for this purpose in 1941 with the sum of \$1,582,000 expended at the central research laboratory in 1944.

The research work of General Aniline & Film Corp. has up to date been concentrated on developing those of the company's inventions having the greatest possibilities for use in the war effort. With the war nearing its end the emphasis will be changed to the fields in which the company's normal expansion is considered to lie.

2. *Schering Corp.*—The most important products of Schering Corp. are endocrine glandular substances. Next in importance are roentgen diagnostic media, sulfa drugs, and a gold therapy product used in rheumatological arthritic conditions. In the proprietary field, the firm manufactures bulk laxatives, a cosmetic depilatory, and a sunburn preventive, among other products.

Prior to our vesting of its stock, Schering Corp. was almost entirely dependent upon German research. This dependence arose from the fact that the company was a wholly owned subsidiary of a large German chemical company, Schering A. G., which had one of the largest research laboratories in Europe and specialized in chemical research and manufacture on a very broad basis. The research developments of the German company were made available to its American subsidiary by assignment of patents and patent applications taken out by the parent company in the names of the German research workers.

Schering Corp. was principally a selling agency for the German company until 1934. In that year it established a research laboratory on a small scale. This laboratory did little research and was operated primarily as an aid to manufacturing operations of the company.

An informal exchange of information took place between the two directors of research of the American firm and its German parent, although by 1938 the value of information obtained from this exchange by the American concern was practically nil, possibly because of regulations imposed by the German Government which prohibited the divulging of technical information by German firms to their foreign subsidiaries. Matters of primary importance to the two firms concerning research and manufacturing problems were customarily discussed only at conferences between the staffs of the two organizations held annually in Europe. In 1936 such a conference took place in London and in 1937 and 1938 in Paris.

Section 2 of the preamble of the royalty agreement of January 1, 1938, between Schering A. G. and the Schering Corp. reveals the intention of Berlin to maintain research as the function primarily of the German parent firm:

Schering Corp. has an organization suited for national distribution and promotion of such preparations in the United States of America * * *. It also maintains and operates laboratories to carry on research and development work in connection with such preparations, but has not acquired the extensive scientific knowledge and practical experience in this field that Schering A. G. commands by reason of its longer and more extensive research work and experience.

Coincident with the general expansion in 1938 of the Schering organization in preparation for its assignment of supplying and holding the foreign markets of Schering A. G. for the duration of the anticipated hostilities, several additions to the personnel and facilities of Schering's research department were made. The same year marks the entry of the Schering research organization upon its first pure research project. This work, however, was on a limited scale, and continued on a limited scale until 1942 when the stock of the company was vested by this Office.

Immediately after vesting the management installed by this Office made a survey of the company's research facilities and concluded that they were inadequate in view of the fact that the company had been cut off from the large research facilities of the former parent company. Owing to war conditions and the limitations imposed by the War Production Board on plant expansion, it was not possible to conceive and execute a comprehensive plan for expanding Schering's research laboratories in a completely new building such as was desirable. By utilizing the space in available buildings, however, it was possible to make a substantial increase in the laboratory space of the chemical workers and to establish an adequate biological laboratory. This work was completed in 1943 and 1944.

The rapid increase in research activity after the vesting of Schering Corp. is indicated by the following tabulation, which shows the floor space devoted to research and total research salaries:

Year	Floor space devoted to research	Total research, salaries	Year	Floor space devoted to research	Total research, salaries
	<i>Square feet</i>			<i>Square feet</i>	
1933.....	400	\$6,000	1940.....	1,910	\$31,130
1934.....	1,350	10,000	1941.....	1,910	50,961
1935.....	1,350	13,600	1942.....	2,419	60,037
1936.....	1,350	13,600	1943.....	6,395	77,149
1937.....	1,540	17,900	1944.....	9,929	98,652
1938.....	1,700	21,419	1945.....	10,403	104,000
1939.....	1,700	26,189			

¹ Estimated.

V. PATENT POLICY

1. *Nature of property held.*—Patent properties rank with interests in business enterprises as the two most important types of productive property held by Germans in the United States before the outbreak of war. We acquire direct or indirect control over patent properties of enemy nationals in essentially three ways: (i) Through vesting patents and pending patent applications owned by enemy nationals; (ii) through vesting the enemy interests in patent contracts by which patents had been licensed or assigned by enemy nationals to American firms or individuals; and (iii) through vesting the enemy interests in business enterprises which hold patents or patent rights.

As of December 31, 1944, the Office held (i) 25,566 patents and 3,906 patent applications, unpatented inventions, and part interests in patents, all formerly owned by Germans; (ii) 688 different interests of Germans in patent contracts involving a much larger number of patents (which were also vested in the case of license contracts, but were not vested if they had been assigned to Americans); and (iii) interests in business enterprises which owned over 7,000 patents and patent applications.

2. *Patent policy.*—The patent policy of the Alien Property Custodian has been guided by two major objectives: First, the winning of the war and, second, the permanent enlargement of our national production in the postwar period. In the pursuit of these two objectives it has been necessary to distinguish the following principal categories of patent properties: (a) Vested patents which had not already been exclusively licensed to Americans before the war—which may be referred to as “loose” patents; (b) patents already exclusively licensed to Americans at the time of vesting; (c) interests in patent contracts; and (d) patents owned by business enterprises in which the Custodian has vested interests.

(a) *“Loose” patents.*—The policy with respect to enemy patents not subject to outstanding exclusive licenses has been to make them available to American industry on the basis of nonexclusive, royalty-free licenses. The only cost incurred by the licensee is an administrative charge of \$15 per patent. Because it has not been clear whether the Custodian had the legal authority to issue irrevocable licenses, the licenses issued thus far have been revocable. The policy of this Office, however, has been not to revoke licenses except for failure of the licensee to live up to the license agreement or when a prior American interest in the patent is claimed and duly established. A recommendation that licenses issued by the Custodian may be irrevocable will be included in proposed legislation to be submitted to Congress shortly. It is believed that irrevocability of the licenses will stimulate an even wider use of the vested patents.

Where nonexclusive licenses are already outstanding under enemy patents, other licenses are granted upon application. Such new licenses carry, for the life of the patent, the same royalty terms as the licenses already outstanding. The royalties are collected by the Office of Alien Property Custodian.

(b) *Patents subject to outstanding exclusive licenses.*—With respect to enemy patents which, at the date of vesting, had been subject to valid outstanding exclusive licenses to American firms, the policy has been to respect the licensee's sole right to exploitation of the

patents, unless the licensor had reserved for himself the right to terminate the licenses. Some consideration was given to the possibility of abrogating outstanding exclusive licenses, but it was concluded that such a policy should not be adopted except where required for the prosecution of the war. In no instance was it deemed justifiable for this Office to abrogate any existing legal exclusive rights of Americans. Where the American licensee elected to give up his exclusive license in exchange for a standard APC license it was, for a time at least, the policy of this Office to effectuate the exchange. This Office, on principle, could satisfy the legal prerequisite that no Government agency can give away public property—the right to collect royalties—by pointing out that the licensee's relinquishing of rights for exclusive use of the patent constitutes in effect a consideration: but it proved to be administratively difficult to decide, in concrete cases, whether the national interest was sufficiently involved to justify such an exchange. New legislation might include provisions which would facilitate the voluntary exchange of exclusive for nonexclusive licenses.

(c) *Patent contracts.*—The Office has given a great deal of attention to the subject of patent contracts containing provisions restricting the use of foreign-originated patents in violation of the antitrust laws. Through vesting the enemy interest in possibly illegal contracts we have become successor to the enemy as a party to agreements which serve as the foundations of international cartels. Since we have thus become, as it were, members of international cartels, action on our part is considered necessary.

Many of the contracts contain agreements designed to limit production and market areas, and to fix the selling prices of the patented products. A preliminary examination of slightly more than one-third of the contracts in our files discloses that about 50 percent of them contained provisions which may warrant careful analysis from the standpoint of the probability or possibility that eventually they would be determined to have been made in violation of the antitrust laws. Our examination was largely undertaken to determine work load, and for budgetary purposes, and not to reach final conclusions or determinations as to the legal status of the contracts involved.

The state of flux of the antitrust law, particularly in relation to patents, and hence the uncertainty as to what the courts will decide in each concrete case with respect to the legality or illegality of the implied provisions, has hampered the progress of our program concerning the treatment of illegal patent contracts. As yet we have no established standards for a determination on our part that any provision or provisions in a vested contract render the contract illegal. We have, however, proceeded to work out some test cases to determine the extent of our authority in dealing with these matters.

This Office is at present considering several possible methods of dealing with illegal restrictions without invading the rights of persons who have acquired legitimate interests in the patents. In the light of uncertainties concerning the extent of our power to remove restrictions which we deem to be illegal, we have primarily relied on negotiations with the American party, either with the purpose of striking out the restrictive provisions from the agreements, or of entering into new agreements.

In a few instances this voluntary procedure has been applied successfully. We have refrained, however, from negotiations that would involve the surrender of any exclusive royalty-bearing licenses to this Office as a consideration for the granting of nonexclusive, royalty-free licenses by us, since, pending the establishment of a standard of illegality, we have necessarily treated all contracts as though legal.

Where voluntary negotiations are not feasible, either because of the lack of fixed standards of legality or because the American parties are unwilling to enter negotiations of this kind, a different procedure becomes necessary. At present this Office, pursuant to section 5 (b) of the Trading With the Enemy Act, is considering the possibility of nullifying contracts which we preliminarily determine to be illegal under the antitrust acts. In using this method we would immediately institute declaratory judgment proceedings seeking the determination of the rights of the Alien Property Custodian under the patents. Consideration is being given to the further possibility of going directly to the courts to obtain a declaration of the Custodian's rights under the patents, without first declaring the contracts null and void. As yet, however, as a result of the difficulties described above, no litigation has been initiated to establish the legality or illegality of vested patent contracts, and only very few exclusive patent licenses have been released or freed by reason of negotiations and none by litigations based upon the illegal nature of any patent contract.

In working out these problems the Office has kept in close touch with the War Division and the Antitrust Division of the Department of Justice. This cooperation is felt to be of mutual advantage in successfully dealing with the illegal restrictions placed upon American industry through the abuse of patents.

(d) *Patents held by vested or supervised corporations.*—It has been argued, frequently, by persons outside this Office that all enemy-originated patents should be made freely available to American industry. Among others, the Kilgore committee has held such a view. But within this Office it became clear, soon after its establishment, that the general policy which was so apply to unencumbered, directly vested patents could not be extended to patents which had been assigned to bona fide American firms, and not even to patents held by American subsidiaries of foreign enterprises. One crucial difficulty is the existence of legitimate American interests in the patents or in the corporations. Attempts were made to distinguish between patents assigned to bona fide American firms, and patents held by firms which, owing to foreign ownership interests, became subject to vesting or supervision by this Office.

For a time it was hoped that the patents held by vested corporations could be administered in a way that would closely correspond to the treatment of directly vested patents. But owing to the existence of American creditor and ownership interests, the idea of separating the patents from the remainder of the corporate assets and of throwing them into the general patent pool of the Office was given up. The separation of the patents from the remaining assets would have led to a serious impairment of the competitive position of the firms involved, not to mention the immediate reduction of their net worth,

with corresponding bad effects on the firms' ability to meet claims of American creditors.

As the idea of separating the patents from the other corporate assets was rejected, the Office, for a time, contemplated a procedure under which the firms would retain the patents but would grant non-exclusive licenses to American producers, with or without royalties, whenever the public interest indicated the desirability of such action. Where the firms were producing enterprises, even this indirect way of liberalizing the use of their patents was not regarded as practicable. It would have implied reduction of the equity and of the competitive position of the firms, possibly jeopardizing American creditor and ownership interests. In certain instances, however, where patents were essential for war production, vested corporations have offered to make them available at reasonable royalties to other firms for the duration.

Where, however, the vested enterprises consisted of patent-holding companies fully owned by us and with no assets other than the patents themselves, the general policy is to liquidate the companies and to throw their patents into our pool of loose patents. Exempted from this policy are only those patent-holding companies which, aside from holding patents, had performed, prior to the vesting, important engineering and marketing functions. On a temporary basis, such companies have been maintained as going concerns and their managements have been charged with the licensing of some vitally important patents which we had directly vested and for the placement of which the involved companies seemed well suited.

3. *Recommendations.*—The recommendations which I have to make concerning the disposition of vested patents are largely in accord with recommendations made by your committee.

(1) *Vested patents should not be sold.*—Your committee has recommended that vested enemy patents should not be sold, and we agree. We believe that sale of patents by the Government would be inadvisable for several reasons, including the following:

(a) The sale of monopolies: The patent laws were designed to grant a limited monopoly privilege to the inventor in order to encourage invention and disclosure. The granting of such privileges to the inventor is one thing, but it is another thing for the Government to sell monopolies to individuals or companies who have not been the originators of the invention and who could then tax the consumer. The money which the Government would derive from a sale of patents would in effect be an uneconomic tax on the people. Such a policy would not be in the public interest. We are in full accord with the view of this committee that the Government should not sell monopolies.

(b) The price: So far as we can determine, there are no accepted standards to use in setting a "fair price" for any patent. Thousands of patents are worthless; on the other hand, there are a few which may be extremely valuable to a firm capable of exploiting their monopoly advantages. Should this Office receive only one bid for a patent, how could we determine if this were an adequate amount? If we were offered \$50, who could determine if the patent were worth \$50, \$500, or \$5,000? Again and again, we reject bids received for real estate or other pieces of vested property because the prices offered are unsatisfactory in comparison with the appraised values. No such

appraisals are available for patents. The administrative problem of determining the value would be most difficult, and in any event the decision would be arbitrary.

(c) The bidder: Sale is generally made to the highest qualified bidder. However, the highest bid for a vested patent might be made by a company holding a strong monopolistic position in the market. How could this Office make the decision as to whether or not that bidder would be an appropriate buyer of the patent? The sale of a vested patent might easily increase the company's economic power in such a way as to work against the public interest. Again, the determination of who is a proper bidder would be a type of decision which a Government agency should avoid making wherever possible.

(2) *Vested patents should not be returned.*—It seems to be generally agreed that the Germans and the Japanese should never be permitted to regain control over the vested patents. No one who wishes that American industry should continue to have access to these patents can propose that we should return to the enemy the right to license, assign, or withhold them from use.

(3) *The "loose" vested patents should remain generally available.*—If it is agreed that the patents should neither be sold nor returned, two policies can be followed: the patents can be dedicated to the public by throwing them into the public domain or the Government can continue to license them on a nonexclusive basis. Dedication has the advantage of eliminating the need for governmental administration; licensing has the advantage of providing a current record of the effectiveness both of the system of "general availability" and of the efforts to assure the widest possible use of the patents by acquainting small business with patents which would prove advantageous to them.

Should it be decided that vested enemy patents should continue to be licensed, we recommend the continuance of royalty-free licensing for "loose" patents. The economic advantages of making patents freely available without royalty charges to the public more than outweigh any financial gain that the Government could achieve through charging royalties. Moreover, the administrative difficulties of setting a fair price for the sale of patents apply as well to the determination of a reasonable royalty rate for the licensing of patents. This Office has some experience in negotiating royalty rates for licenses under the patents of enemy-occupied countries and is very conscious of the problems and burdens involved. We cannot recommend that a governmental agency should be charged with negotiating with private business thousands of licensing agreements.

In summary, we should recommend that the "loose" enemy patents vested in the Office of Alien Property Custodian (1) should not be sold; (2) should not go back to the enemy; and (3) should either be dedicated to the public or continue to be generally licensed on a non-exclusive, royalty-free basis.

VI. SALES POLICY

All vested property except patents and certain trade-marks and copyright is being sold to American citizens as soon as enemy control has been removed and proper arrangements can be made. The basic reason for this policy is the belief that private enterprise is the most efficient form of control of property and that the Government, rather

than burden itself with the administration of property, should transfer it to private hands as speedily as possible. The sales policy of the Office has been described in the annual reports for the periods ending June 30, 1943, and June 30, 1944.

Regulations governing the sale of vested property were set forth in a general order. The main purpose of the regulations was to provide for the offering of the property at public sale in order to avoid any negotiated deals. Exceptions are rare and are made only for compelling reasons, such as the existence of first purchase rights or similar stipulations entered into by the former owners.

The most important type of property sold by the Office is property in business enterprises. It is our policy to maintain as economic units those firms which can be operated profitably and can perform useful functions in the American economic system. These enterprises are sold as going concerns, usually through the sale of the corporate stock which we have vested. Enterprises not qualifying for maintained operations are liquidated.

The preparations necessary before a firm can be sold as a going concern are complex and time consuming. It is first necessary to make certain that the investigation of the firm has been finally completed and full evidence of ownership by nationals of enemy countries compiled, so that it will not be necessary to go back to the office of the company for further investigation after it has been sold. If any residual rights remain to be vested, appropriate action is taken, so that we can offer good title to the entire assets of the enterprise and all possible insurance against interference by former owners. A prospectus is prepared for potential purchasers, making an adequate disclosure of information about the enterprise. All material facts are verified.

We then issue an order for the sale of the stock (if the firm is a corporation) and, after proper advertisement, it is offered at public sale. If a satisfactory bid is not obtained through such an offering, an attempt is made to obtain a fair price by other means. Such a situation may arise, for example, when the interest to be sold is not large enough to control the company. In a situation of this sort the number of prospective purchasers is likely to be small and the public sale may result in unsatisfactory bids. We may then reject these bids and seek to obtain better terms by negotiation.

One hundred and seventeen firms in which the German interests have been vested are being or have been liquidated. Seventy-eight firms are being operated and prepared for sale. Eight companies have been sold.

The firms which have been sold thus far were not of such a character as to require special safeguards against the reversion of control to German hands. I may mention, however, in this connection the sale of the Winthrop Corp. None of the stock of this corporation was vested by us, but prior to the sale 50 percent of the stock had been held by the General Aniline & Film Corp., which is under our control. For this reason we were interested in making certain that all possible safeguards were employed in the sale. The terms of the sale were worked out by the General Aniline & Film Corp. in close cooperation with our Office and the Department of Justice. A voting trust agreement was formulated whose purpose is to prevent the return of the shares of stock or control thereof to interests unfriendly to the United

States. The duration of the agreement is for 10 years, the maximum which may be imposed in a voting trust under applicable State laws. In addition, it was agreed that an existing consent decree entered into by the Winthrop Corp. with the Antitrust Division of the Department of Justice would be amended by adding a provision against the transfer of control of Winthrop or any interest therein to I. G. Farben or other foreign interests. I am offering for the record a copy of the documents relating to the offer for sale, which includes a detailed description of the terms of sale.

We intend to take similar precautions in the future when we offer for sale any business enterprises deemed sufficiently important either in terms of the amount of assets controlled by the firm, the strong patent position of the firm, or the position of the enterprise in the industry. We shall, before we offer such firms for sale, consult with the Department of Justice both for the purpose of excluding future German penetration and for the purpose of avoiding a strengthening of any existing monopolistic positions in the particular industry within the United States.

The proceeds of the sale of vested property are deposited with the Treasurer of the United States pending a decision as to their ultimate disposition.

VII. ULTIMATE DISPOSITION OF VESTED PROPERTY

A decision on the question of whether the net proceeds of enemy property should be returned to the former owners, or used to help meet the expense of the war, or whether some other disposition should be made of the money, is clearly outside the boundary of our authority and is specifically a function of Congress and the President. We are prepared, however, to participate in making recommendations.

There has, of course, been public discussion of this problem and proposals dealing with the subject were introduced into Congress during 1943 and 1944. A brief summary of some of the statements reflecting different points of view and a short description of the policy followed after World War I may be of assistance to the subcommittee.

1. *Different points of view expressed in public discussion.*—At its annual meeting in 1942 the National Chamber of Commerce made the following declaration:¹

The historic policy of the United States has been to hold immune from confiscation enemy private property in time of war. During World War I our Government endeavored to provide for the retention of the assets of enemy nationals until their governments made provision for the satisfaction of claims of our citizens who suffered loss and injury through aggression. These considerations should underlie our policy in the treatment of the property of enemy nationals in the present war.

The chamber went on to point out that the American property in enemy and enemy-occupied countries exceeds in value enemy property in the United States. The policy of nonconfiscation, according to that view, is not only a "sound moral principle, but in this instance, is a course of enlightened self-interest."

Students of international law such as Edwin Borchard, John B. Moore, John Dickinson have for a long time stressed the "inviola-

¹ Statement by Foreign Commerce Department Committee (Chamber of Commerce of the United States) to the Board of Directors of the Chamber of Commerce, reported in *Treatment of United States Property in Enemy Countries*, September 1943. (Report by committee approved by Board of Directors, September 17-18, 1943.)

bility" of private enemy property. Referring to the "rule" that private property within the jurisdiction of citizens of enemy states is inviolable, Mr. Borchard, in 1924 said: ²

The rule was not adopted in any sudden burst of humanitarian sentiment, but was the result of an evolution of centuries. It rests upon a sound development in political and legal theory which was deemed natural and incidental to the evolution of civilization.

Mr. Borchard further stated that—

* * * to take enemy property to pay domestic persons is revolutionary in its effects and implications; confiscation of private property, as an incident of war, may afford an incentive to war rather than act as a deterrent, and the realization that the security of private property and investment abroad depends not on law but on force will tend to increase, not diminish armaments and, coincidentally, the chances to war.

In a discussion of this subject in 1943, Mr. Dickinson said: ³

If Germany is called on to pay reparations through her government, the burden of such reparations can and will be spread through taxation over the entire German population. Civic responsibility in this corporate sense for the acts of government is an altogether different thing from attaching such responsibility to particular individuals merely because they happen to have property within easy reach of an enemy state.

* * * if the United Nations intend to build a durable peace, there should be no confiscation of the privately owned enemy property which has been seized and sequestered. It should be held and administered for the benefit of its owners and duly restored to them at the conclusion of hostilities.

On the other hand it has been seriously questioned whether the inviolability of enemy private property within the jurisdiction is really a rule of international law and whether the "practical" arguments usually given in defense of inviolability are significant. Mr. Seymour J. Rubin, ⁴ Chief of the Division of Economic Security Controls of the Department of State, recently stated: ⁵

* * * the asserted rule of international law, binding on all nations, becomes doubtful when courts fail to recognize the asserted rule, and when the practice of nations contains so many violations that it may be questioned whether the violation is not itself the rule. * * * This is not to say that violations of international law negate the existence of rules of international law. But in a field built largely upon customs and usage, the establishment of widespread "violations" may bring into question the very existence of the "rule."

In this connection the conclusion drawn in a recent analysis based on public policy concerning enemy-owned property in the United States during the nineteenth century is of interest. According to the analysis written by a member of the staff of our office:

* * * the question what shall be done with private enemy property is not a question of law but of "policy." It is submitted, therefore, that according to American practice as pronounced by court decision and promulgated by congressional enactment, enemy-owned property may be, has been, and will be, confiscated as legislatively determined.

Mr. Rubin points out, moreover, that the line between public and private investment, especially in Germany, has been vague for some

² American Journal of International Law, 1924. Edwin M. Borchard, editorial comment on enemy private property, pp. 523-532.

³ Foreign Affairs, October 1943, p. 141. "Enemy-Owned Property: Restitution or Confiscation," John Dickinson.

⁴ In the article from which the quotation is taken Mr. Rubin states that the views expressed are his own and should not be construed to represent the views of the Department of State or of any other officer of that Department.

⁵ Law and Contemporary Problems, winter-spring, 1945, p. 169, "Inviolability" of Enemy Private Property," by Seymour J. Rubin.

time and that there does not appear to be any cogent reason for granting private enemy property special immunity. The use of the cloaking device is in itself an indication that enemy owners have been aware of the risks involved in war. As far as the question of "enlightened self-interest" is concerned, it is doubtful that setting Germany a "good example" would result either in compensation for American property in Germany or act as a guarantee for permanent peace. Moreover, the use of the seized property to compensate Americans for losses in Germany does not concentrate the burden of reparations on a special group. The enemy state can compensate its nationals as provided, for example, in the Treaty of Versailles. Through taxation or other methods of public financing the enemy state can distribute more equitably the burden of losses of foreign assets.

Since our allies have been forced to liquidate their assets in the United States to carry on the war it would, according to Mr. Rubin, seem strange to return enemy assets intact. Moreover, since our claims against the enemy will probably far exceed their capacity to pay⁶—

The Allies * * * can hardly be expected to return to that enemy one of the chief assets, and perhaps the only large quick asset, which the enemy has available for payment of its just debts, or, at least, for pledge as security for such payment.

* * * If the United States holdings of the enemy are considered to be "inviolable," the enemy capacity to pay will be decreased by that much; and the decrease, whatever it is, will be reflected in increased American taxes—or in diminished provision for these obligations. An international law obligation which would thus force the American taxpayer to finance the retention of enemy foreign holdings would seem neither just nor desirable.

The Gearhart bill (H. R. 3672) introduced in November 1943 and reintroduced in June 1945, among other recommendations included the provisions that seized property and frozen assets should not be returned to the enemy and that enemy governments should compensate their own nationals for losses suffered in the United States. In justifying the policy of not returning enemy property, Mr. Gearhart says:⁷

Citizens of any country, having ventured for profit to invest or create assets in foreign lands, must in full fairness answer with those assets for wrongdoing of a marauding government which exists by their choice or acquiescence. * * *

Finally, your subcommittee in its report dated November 1944 entitled "Part I, Findings and Recommendations," has made the following statement:

* * * Your subcommittee has earlier recommended the confiscation of German property abroad by the United Nations. With respect to the United States, it urges further that seized property, excluding patents, be disposed of and the proceeds of sale revert to the general Treasury to meet part of our war cost.

2. *Policy followed after World War I.*—At the end of World War I, by treaty provision, the German Government undertook to reimburse persons in its territory whose property had been seized by the Alien Property Custodian. A Mixed Claims Commission was established to determine American claims against Germany.

⁶ *Ibid.*, pp. 179-180.

⁷ *Law and Contemporary Problems*, winter-spring 1945, p. 195, *Post-War Prospects for the Treatment of Enemy Property*, by Bertrand W. Gearhart.

In 1923 the Winslow amendment to the Trading with the Enemy Act was adopted allowing the return of property up to the value of \$10,000 to former enemy owners.

In 1928 the Settlement of War Claims Act became law. The act provided for the payment in full of claims of American nationals against Germany; the payment of claims of German nationals for ships, patents, and a radio station seized in the United States, the total for these, however, not to exceed \$100,000,000; the immediate return of 80 percent of the German property or its proceeds still held by the United States; and the ultimate return of the remainder.

In 1930 the United States and Germany entered into a debt funding agreement in which Germany undertook to pay a specified amount annually in satisfaction of awards made by the Mixed Claims Commission. When payments were not made by Germany, Congress adopted the Harrison resolution which provided that no further payment would be made under the act of 1928 as long as Germany remained in arrears. The Supreme Court held that the United States had acquired absolute title to the property which it seized and consequently the grant made by the act of 1928 "was made as a matter of grace" and withdrawal of the grant by the resolution did not violate the fifth amendment to the Constitution.

Whether Congress follows the same course of action at the end of this war or decides to use vested enemy funds for reparations or any other purposes, the Office of Alien Property Custodian will be ready to carry out its function to the best of its ability. All records of holdings, income, and outlay have been carefully kept and checked by certified public accountants with a view toward minimizing the accounting problems which must be faced, whatever course is determined in the ultimate disposition.

3. *Recommendations.*—In conjunction with the Treasury Department, we have prepared a series of proposals relating to German and Japanese property in the United States. These proposals, embodying the joint opinion of the two agencies most intimately concerned with the administration of enemy property in the United States, have been approved by the State Department.

It is contemplated that German and Japanese assets hitherto blocked by the Treasury Department shall be vested and liquidated by the Alien Property Custodian. Executive Order No. 9567 was issued on June 8, 1945, by the President, to authorize the execution of this part of the proposals. The agencies will join in recommendations to Congress that American creditors who have claims against any person whose property in this country has been vested should be paid on an equitable basis to the extent the vested assets of the debtor permit. It is further agreed to recommend that plans for ultimate disposition of the funds realized from vested German and Japanese property shall make no provision for any return or compensation, direct or indirect, by the United States to the former owners. This need not preclude payments to the former German and Japanese owners by their respective governments.

No formal recommendations to Congress will be made, however, concerning ultimate disposition of the net proceeds of vested assets until after the conclusion of the conference now being held in Moscow

with regard to German reparations. These funds will be available for the claims which the Government has against Germany or Japan, or for any other purpose that Congress may determine.

EXHIBIT No. 2

TYPICAL PROVISIONS CONTAINED IN VESTED PATENT CONTRACTS

1. *Nature of contracts studied.*—The provisions contained in 360 patent agreements in which the Custodian has vested the foreign interests have been statistically analyzed. The 360 contracts studied constituted about three-fourths of the total number of contracts vested up to the date of the study, December 31, 1943. The 360 contracts were chosen simply because copies were available. Twenty-seven of the contracts were found to be agency contracts or other agreements which contained nothing relating to the use of the patents affected; these contracts were excluded from further analysis. While it is impossible to know without additional study whether the remaining 333 contracts are typical of all the patent contracts (other than agency agreements) in which the Custodian had an interest at the date of the study, there is no reason to suppose that they are markedly different. However, since the most important cartel contracts tended to be vested earlier, it is probable that the proportion of contracts vested since December 31, 1943, which contain restrictive provisions is somewhat lower. (As of December 31, 1944, 1,018 foreign interests in 726 contracts of all types had been vested.)

The classification of provisions in vested contracts does not of itself indicate anything concerning the effects which these provisions may have upon our national economy. Such effects depend not merely on the provisions governing the use of the patents but on the existence of other related patents, unpatented substitutes and, in general, the position of the contracting parties in the industrial fields to which the patents are related. It is quite possible to negotiate a highly restrictive and illegal agreement in a field where neither of the parties has any opportunity of gaining and exploiting a monopoly and in fact this is frequently the case. The classification of the contracts merely shows what provisions the parties to a licensing contract are likely to regard as beneficial.

2. *Types of provisions.*—The following is a summary of the types of provisions found in the 333 contracts analyzed:

Type of provision	Number of contracts	Percent of 333 contracts classified
Agreements concerning license or assignment of future patents.....	198	59.5
Cross-licensing or cross-assignment of patents included in the contract.....	147	44.1
Restrictions on fields of use.....	142	42.6
Export restrictions.....	128	38.4
Restrictions on price.....	34	10.2
Restrictions on output.....	8	2.4
Restrictions on sales outlets.....	3	.9
Limitations on the use of trade-marks.....	31	9.3
Provisions requiring purchases by one party from the other party exclusively.....	19	5.7
Licensee confined to operation in the licensed field.....	11	3.3
Prohibitions of the use by licensee of other than the licensed patents in the field.....	10	3.0
Prohibitions against the furnishing by the licensee of raw materials to competitors.....	8	2.4
Provisions for exchange of technical information by both parties.....	104	31.2
Provisions for the furnishing of technical information and "know-how" by the licensor.....	96	28.8
Requirements that the licensee provide information on sublicenses or sales.....	48	14.4
Provisions for the licensor to furnish operational information on costs, prices, and sales techniques.....	11	3.3
Provision for exchange of operational information.....	6	1.8
Provisions that the technical information exchanged under the contract shall be kept secret.....	71	21.3

3. *Combinations of restrictions.*—Each provision becomes more significant when considered in relation to the other provisions of the agreement. The following table shows the extent to which contracts containing one of the four most frequent provisions contain each one of the other three most frequent provisions. Of the 128 contracts which contain export restrictions, for example, 71 also contain restrictions on fields of use.

TABLE 3.—Frequency of certain combinations of provisions contained in 333 selected patent agreements in which the foreign interests have been vested by the Alien Property Custodian

	Number of contracts containing different types of provisions			
	Export restrictions	Agreements to license or assign future patents	Agreements concerning cross-licensing or cross-assignment	Restrictions on fields of use
Total number of contracts containing each provision	128	198	147	142
Number of these contracts which include among additional provisions:				
Export restrictions		95	70	71
Agreements to license or assign future patents	95		117	98
Agreements concerning cross-licensing or cross-assignment	70	117		81
Restrictions on fields of use	71	98	81	

EXHIBIT No. 3

DOCUMENTS RELATING TO THE OFFER FOR SALE AT PUBLIC AUCTION BY GENERAL ANILINE & FILM CORPORATION OF 6,150 SHARES OF CLASS B COMMON STOCK OF WINTHROP CHEMICAL COMPANY

H. M. COLLINS, Auctioneer of ADRIAN H. MULLER & SON, Auctioneers

NOTICE OF SALE OF CLASS B COMMON STOCK OF WINTHROP CHEMICAL COMPANY

Notice is hereby given that on April 23, 1945, at 10:30 A. M. 6,150 shares of the Class B Common Stock of Winthrop Chemical Company, a Delaware corporation (hereinafter called "Winthrop"), will be offered at public auction, without any representation or warranty, at the auction block of Adrian H. Muller & Son, 75 Montgomery Street, Jersey City, New Jersey, for the account of General Aniline & Film Corporation as seller.

Winthrop holds all of the stock if certain Subsidiaries engaged in the manufacture and sale of pharmaceutical products, but does not itself engage in such manufacture or sale.

The 6,150 shares of Class B Common Stock being offered for sale, and 6,150 shares of Class A Common Stock now owned by Sterling Drug, Inc., constitute all of the issued and outstanding stock of Winthrop. The Class A and Class B Common Stock carry equal rights except that the Class A Common Stock has the right to elect two directors and the Class B Common Stock, one director.

The balance sheets as of December 31, 1934, to 1943, inclusive, and the statements of profit and loss and surplus for the years ended December 31, 1934, to 1943, inclusive, of Winthrop, and certain additional schedules supplementary thereto, all as reported in Form 10-K filed with the New York Stock Exchange, and a copy of an independent auditors' report for the year ended December 31, 1944, are available for inspection at the office of the undersigned at 230 Park Avenue, New York, New York.

The terms of sale are as follows:

1. The stock will be offered in a single block and in parcels. Bids for less than all of the stock will not be considered, unless the aggregate of such bids exceeds the amount of the highest bid for the entire subject matter.

2. No bid will be received unless the bidder at or before 4 P. M. of the day preceding the sale or any adjournment shall have deposited at The First National Bank of Jersey City, 1 Exchange Place, Jersey City, New Jersey, the sum of \$475,000 in cash or banker's or cashier's check approved by the undersigned and payable in New York funds to the order of the undersigned, as a pledge that the bidder will make good such bid in case of its acceptance. Any such deposit received from an unsuccessful bidder will be returned without interest when such bid is rejected by the auctioneer; the deposit received from the successful bidder shall be applied to the purchase price. In the event of the adjournment of the

sale or the withdrawal of the stock from the sale such deposit will be returned without interest, but a further deposit will be required in order to qualify a person as a bidder at any adjourned sale upon such terms as may be stated in the notice or announcement of the adjournment.

3. No bid or bids of less than \$9,500,000 for the entire stock being offered for sale will be accepted. Sterling Drug Inc. of 170 Varick Street, New York City, owner of all of the 6,150 shares of Class A Common Stock of Winthrop Chemical Company outstanding, has offered \$9,500,000 for the 6,150 shares of Class B Stock, and has further agreed if such offer is accepted, (a) to place one-half of the outstanding and issued shares of the Subsidiaries of Winthrop Chemical Company in a Voting Trust, with the Custodian as trustee; and (b) to join in an application to the United States District Court for the Southern District of New York to amend a decree in Civil Action No. 15-363 entitled *United States of America v. Alba Pharmaceutical Co., Inc., et al.*, by adding thereto a provision against the transfer of control of Winthrop or any interest therein to I. G. Farben or other foreign interests.

4. In order to be entitled to bid, each prospective bidder at or before 4 P. M. of the day preceding the sale or any adjournment thereof will be required to furnish to the undersigned:

(a) Satisfactory evidence by affidavit or otherwise that the prospective bidder is a citizen, corporation, organization, or other business enterprise organized under the laws of the United States and is not controlled, either directly or indirectly, by other than citizens or business enterprises organized under the laws of the United States.

(b) Satisfactory evidence by affidavit or otherwise that such prospective bidder is not purchasing for an undisclosed principal or for resale to or for the benefit of a person not a citizen of the United States or a corporation, organization, or other business enterprise not organized under the laws of the United States; and if for resale to a citizen, corporation, organization, or other business enterprise of the United States that he or it is not controlled directly or indirectly by other than citizens or business enterprises organized under the laws of the United States.

5. The highest bidder will be required at the place of sale and upon the conclusion of the bidding to sign a memorandum of purchase in which he will agree (a) to deposit the shares of stock in a Voting Trust with James E. Markham, as Alien Property Custodian, trustee, in accordance with the terms and conditions prescribed in "Agreement A" or (b) to cause the deposit, if able to do so, of one-half of the outstanding and issued shares of all of the Subsidiaries of Winthrop in Voting Trusts with the said Custodian as trustee in accordance with "Agreement B". Copies of "Agreement A" and "Agreement B" are available for inspection at the office of the undersigned at 230 Park Avenue, New York City, and at the place of sale and may be obtained by writing to the undersigned. The purpose of the Voting Trust is to prevent the return of the shares of stock or control thereof to interests unfriendly to the United States. Its duration is for 10 years, the maximum which may be imposed in a Voting Trust under applicable state laws. The bidding will be kept open until an opportunity is given the successful bidder to sign such memorandum of purchase, and, in case the highest bidder fails to execute such memorandum of purchase, the stock involved may thereupon again be put up for sale by the undersigned without further advertisement or notice.

6. The undersigned reserves the right: (a) to withdraw the shares of stock from sale at any time; (b) to reject any bid by announcement at the time and place of sale or any adjournment thereof; (c) to adjourn the sale by announcement at the time and place for the sale or any adjournment thereof or prior thereto; and (d) to change the terms of sale herein set forth at or before the sale; all without further notice or advertisement.

7. The balance of purchase price over and above the deposit shall be paid to the undersigned at The First National Bank of Jersey City, at 1 Exchange Place, Jersey City, New Jersey, within five days from the date of sale (unless the last day for such payment be a legal holiday, in which case payment may be made on the next succeeding day not a legal holiday) in cash or by banker's or cashier's check approved by the undersigned and payable to the order of the undersigned, and upon said payment the securities so sold shall be delivered to the purchaser with a proper assignment thereof made without recourse and without warranty express or implied. The right is reserved by the undersigned to extend the time for the payment of the balance of the purchase price to a date not later than thirty days after the date of sale. In case of failure of any successful bidder to complete his purchase by payment of the purchase price as aforesaid for any reason whatsoever

(whether within or outside of his control), the stock purchased by the successful bidder may, at the election of the seller, be offered for resale, in which event the deposit of \$475,000 shall be retained by General Aniline as liquidated damages, or the seller may elect to enforce the agreement of purchase and to collect the full purchase price.

GENERAL ANILINE & FILM CORPORATION,
By GEORGE W. BURPEE, *President*,
230 Park Avenue, New York, N. Y.

Dated, March 20, 1945.

"AGREEMENT A"

AGREEMENT TO CREATE VOTING TRUST

(Form to be used in event Winthrop Stock is to be placed in Voting Trust)

AND

VOTING TRUST INDENTURE "A"

AGREEMENT TO CREATE VOTING TRUST, dated April --, 1945, between
-----, GENERAL ANILINE & FILM CORPORATION
(Name of highest bidder)
(hereinafter "General Aniline"), and JAMES E. MARKHAM, as ALIEN PROPERTY
CUSTODIAN (hereinafter "Custodian");

WITNESSETH:

WHEREAS ----- has submitted, and General Aniline has
(Name of highest bidder)
accepted the highest bid at the public sale of all of the issued and outstanding
Class B Common Stock of Winthrop Chemical Company, a Delaware corporation
(hereinafter "Winthrop Delaware"), consisting of 6,150 shares of Class B Common
Stock of the par value of Ten Dollars per share; and

WHEREAS such public sale was held with the consent of the Custodian who
has vested and holds approximately 98% of the voting stock of General Aniline,
and, since April 1942, has supervised and controlled the management thereof;
and

WHEREAS General Aniline desired to offer the said Class B Common Shares of
Winthrop Delaware for sale at public auction; and

WHEREAS the Custodian, deeming that the national interest required that
effective measures be taken to prevent the Class B Shares of Winthrop Delaware
from coming under the ownership or control of interests unfriendly to the United
States, consented to such public sale on condition that the Class B Shares of
Winthrop Delaware, purchased at such public sale, be placed in a Voting Trust
for a period of ten years, the maximum period which may be imposed under appli-
cable state law; and

WHEREAS -----, as highest bidder for the shares of
(Name of highest bidder)
Winthrop Delaware at such public sale, General Aniline and the Custodian now
desire to make and execute this Agreement to create a Voting Trust:

Now, THEREFORE, IT IS AGREED AS FOLLOWS:

(1) The -----, will pay the balance of the sales
(Name of highest bidder)
price, over and above the deposit of \$475,000, by certified banker's or cashier's
check payable to the order of General Aniline at a designated bank in Jersey City,
New Jersey, at noon on or before the fifth day following sale; and

(2) Immediately upon payment of the balance of the sales price as above
provided, -----, General Aniline & Film Corporation
(Name of highest bidder)

and the Custodian will execute a Voting Trust Indenture, captioned "Voting
Trust Indenture A" and in the form attached hereto, and -----
(Name of highest bidder)

will thereupon immediately deposit with the Custodian, as Voting Trustee under
the terms of this Agreement, a certificate or certificates representing 6,150 Class B
Common Shares of Winthrop Delaware (hereinafter the "Deposited Shares")
duly endorsed in blank for transfer and will cause such transfer to be recorded
upon the books of Winthrop Delaware. The Voting Trustee will accept such
Deposited Shares and will issue in lieu thereof to the -----
(Name of highest bidder)

one or more Voting Trust Certificates representing the *cesui que trust's* interest
in the like number of Deposited Shares held in trust. The Voting Trust Certifi-
cates shall be in the following form:

VOTING TRUST CERTIFICATE OF CLASS B COMMON STOCK OF WINTHROP CHEMICAL COMPANY

----- No. of shares for which Ctf. issued.

A. This Voting Trust Certificate is issued pursuant and subject to a certain Voting Trust Indenture dated April --, 1945, between General Aniline, -----, and the undersigned Voting Trustee, defining

(Name of highest bidder)

the rights of the holder hereof, and the rights and duties of the Voting Trustee. Originals of the Voting Trust Indenture are on file at the principal office of Winthrop Chemical Company, 110 West 10th Street, Wilmington, Delaware, and the office of the Voting Trustee, Washington, D. C.

B. The holder of this Voting Trust Certificate is entitled to collect and receive a pro rata share of all dividends declared upon the Class B Common Stock of Winthrop Chemical Company (hereinafter "Corporation"), held in trust by the Voting Trustee: *Provided*, however, That dividends declared in the form of stock in the Corporation shall be paid to and held and controlled by the Trustee under the same terms as are the original shares under the Voting Trust Indenture.

C. The holder of this Voting Trust Certificate shall have the exclusive right to vote the share or shares of the Corporation stock for which this Certificate is issued in respect to the election of directors of the Corporation: *Provided*, however, That he shall not have the right to vote in favor of the election of any person who is not a citizen of the United States or a person who is controlled either directly or indirectly by any person who is not a citizen of the United States or by a business enterprise which is not organized under the laws of the United States, without the prior written consent of the Voting Trustee. The holder shall also have the exclusive voting rights and powers with respect to such share or shares in connection with all other matters: *Except*, however, That the Voting Trustee shall have exclusive voting right and power:

(a) To vote to sell all or a substantial part of the property and business of the Corporation;

(b) To vote to issue bonds or debentures or to mortgage or encumber the property or business of the Corporation to persons, corporations, organizations or other business enterprises not citizens of the United States or not organized under the laws of the United States, or to persons or business enterprises controlled either directly or indirectly by persons other than citizens or business enterprises organized under the laws of the United States;

(c) To vote in favor of dissolution, merger, or consolidation of the Corporation; and

(d) To vote in favor of amending the Certificate of Incorporation of the Corporation.

D. The Voting Trustee hereby irrevocably constitutes and appoints the holder of this Voting Trust Certificate the attorney and proxy of the Voting Trustee for the duration of the Voting Trust, with full power to vote the share or shares of the Corporation for which this Voting Trust Certificate is issued, to the extent that the certificate holder is entitled to vote, as above provided, but only to that extent. This Voting Trust Certificate may, at the request of the holder, and upon its surrender, be split up or consolidated into one or more Voting Trust Certificates.

E. The transfer or pledge of any Voting Trust Certificate shall be void unless made with the prior written consent of the Voting Trustee. In no case shall consent to any transfer or pledge be considered unless written request is made upon the Voting Trustee.

F. Upon the termination of the Voting Trust Indenture, the stock held in trust shall be distributed by the Voting Trustee on a pro rata basis to the holders of Voting Trust Certificates as soon as practicable after such termination and the surrender of the Certificates, properly endorsed.

G. The acceptance of this Voting Trust Certificate shall bind the holder and each successive holder hereof to all the terms and conditions of said Voting Trust Indenture in the same manner as if said holder and each successive holder had executed said Indenture as a party thereto.

H. In case this Voting Trust Certificate shall become mutilated or be lost, destroyed, or stolen, the Voting Trustee shall issue and deliver in exchange for, and upon cancellation of, the mutilated Voting Trust Certificate, or in lieu of the Voting Trust Certificate so lost, destroyed or stolen, a new Voting Trust Certificate, upon the production of evidence of such mutilation, loss, destruction or theft, satisfactory to the Voting Trustee.

I. The Voting Trustee shall not be liable for any action taken or omitted hereunder in good faith.

IN WITNESS WHEREOF, the Voting Trustee has caused this Voting Trust Certificate to be signed and dated.

JAMES E. MARKHAM, *Alien Property Custodian,*
Voting Trustee.

Date-----

(3) The Voting Trustee will administer the Voting Trust in accordance with the terms and provisions set forth in the prescribed form of Voting Trust Certificate.

(4) The Voting Trust shall continue in force and effect until the close of business on April --, 1955, and shall be terminated at such time, unless terminated prior thereto by the Voting Trustee upon notice to the holders of the Voting Trust Certificates. Immediately after the close of business on April --, 1955, or upon the earlier termination of the Voting Trust Agreement by the Voting Trustee, the Voting Trustee, upon surrendering to him of the Voting Trust Certificates then outstanding, properly endorsed, shall distribute to the registered holders of such Voting Trust Certificates their pro rata share of the stock held in trust, duly endorsed for transfer, and shall cause such transfers to be recorded upon the books of the Corporation; and thereupon all responsibility of the Voting Trustee shall terminate.

(5) The Voting Trustee may at any time resign by delivering or mailing to the holders of the Voting Trust Certificates his resignation in writing to take effect ten (10) days thereafter. In case of the death, resignation or other inability of the Voting Trustee to act hereunder, or in case of the death, resignation, or other inability to act hereunder of any successor Voting Trustee, the person who shall then be in charge of the Office of Alien Property Custodian shall become successor Voting Trustee and remain such until the appointment and qualification of a new Alien Property Custodian, whereupon the latter shall become the successor Voting Trustee hereunder. In case the Office of Alien Property Custodian shall cease to exist, the person charged with the duties relating to the control of the property of nationals of foreign countries shall become the successor Voting Trustee, or, if no person shall be charged with such duties, then the Attorney General of the United States shall be the successor Voting Trustee. In no case, however, shall any person who is neither Alien Property Custodian, Attorney General, nor a person charged with the duties relating to the control of the property of nationals of foreign countries, be Voting Trustee under this agreement.

(6) In case any Deposited Shares shall be split up into a greater number of shares or consolidated into a lesser number of shares, or changed into shares of any other class or classes, the shares resulting from any such split-up, consolidation, or change shall forthwith be deposited hereunder in lieu of and in exchange for the Deposited Shares so split up, consolidated, or changed.

(7) It is the express intention of the Voting Trustee, in exercising the right to vote granted to him hereunder, to vote in favor of all corporate action proposed by the Board of Directors of the Corporation, unless the Voting Trustee in his sole discretion shall deem any proposed action to be against the national interest.

(8) The Voting Trustee shall not be liable for any action taken or omitted hereunder in good faith.

(9) The term "United States" when used herein shall be deemed to include the territories and possessions of the United States.

IN WITNESS WHEREOF, the parties hereto being thereunto duly authorized have executed this agreement on the date first above written.

GENERAL ANILINE & FILM CORPORATION

By -----
President

Attest:

Secretary

By -----
Name of highest bidder
President

Attest:

Secretary

Alien Property Custodian

(FORM FOR VOTING TRUST INDENTURE PURSUANT TO "AGREEMENT A")

VOTING TRUST INDENTURE "A"

VOTING TRUST INDENTURE dated April __, 1945, between GENERAL ANILINE & FILM CORPORATION (hereinafter "General Aniline"), -----

and JAMES E. MARKHAM, as ALIEN PROPERTY CUSTODIAN (hereinafter "Custodian"); ----- (Name of highest bidder)

WITNESSETH:

WHEREAS, pursuant to a contract (hereinafter "Agreement A") entered into on April __, 1945 between -----, General Aniline and the

Custodian, it was agreed that, upon payment of the balance of the sales price for the 6,150 shares of Class B Common Stock in Winthrop Chemical Company (hereinafter "Winthrop Delaware"), ----- will, among

other things, deposit in trust with the Custodian, as Voting Trustee, a certificate or certificates representing 6,150 Class B Common Shares of Winthrop Delaware; and ----- (Name of highest bidder)

WHEREAS, such payment of the balance of the sales price has been duly made by -----;

(Name of highest bidder)

Now, THEREFORE:

1. General Aniline and ----- hereby transfer, assign, ----- (Name of highest bidder) and deliver the aforesaid 6,150 shares of Class B Common Stock in Winthrop Delaware to the Custodian, to be held in trust by him in accordance with the terms and conditions of the Voting Trust, agreed upon and set forth in Agreement A, originals of which are on file with the Winthrop Delaware and the parties hereto.

2. The Custodian hereby accepts in trust the aforesaid shares of stock and agrees to hold such shares in trust under the terms and condition set forth in Agreement A.

3. One of the signed copies of this indenture shall be filed at the principal office of the Winthrop Delaware at 110 West 10th Street, Wilmington, Delaware, and at the principal office of the respective parties hereto.

4. This Indenture may only be modified by written agreement between the Voting Trustee and the holders of all of the issued and outstanding Voting Trust Certificates.

IN WITNESS WHEREOF, the parties hereto being thereunto duly authorized have duly executed this Indenture in quadruplicate originals the day and year first above-mentioned.

GENERAL ANILINE & FILM CORPORATION

By -----
President

Attest:

Secretary

Name of highest bidder

By -----
President

Attest:

Secretary

For Alien Property Custodian

"AGREEMENT B"

AGREEMENT TO CREATE VOTING TRUST

(Form to be used in event stock in the Winthrop Subsidiaries is to be placed in Voting Trust)

AND

VOTING TRUST INDENTURE "B"

AGREEMENT TO CREATE VOTING TRUST, dated April __, 1945, between _____, GENERAL ANILINE & FILM CORPORATION
(Name of highest bidder), and JAMES E. MARKHAM, as ALIEN PROPERTY CUSTODIAN (hereinafter "Custodian");

WITNESSETH:

WHEREAS _____ (Name of highest bidder) represents that it is the owner of 6,150 shares of Class A Common Stock of Winthrop Chemical Company, a Delaware Corporation (hereinafter "Winthrop Delaware"), and the said _____ (Name of highest bidder) has submitted and General Aniline has accepted the highest bid at the public sale of all of the issued and outstanding Class B Common Stock of Winthrop Delaware, consisting of 6,150 shares of Class B Common Stock of the par value of Ten Dollars per share; and

WHEREAS such public sale was held with the consent of the Custodian who has vested and holds approximately 98% of the voting stock of General Aniline and, since April 1942 has supervised and controlled the management thereof; and

WHEREAS Winthrop Delaware is a holding corporation which owns all of the issued and outstanding stock of Cook-Waite Laboratories, Inc., Cook Laboratories of Canada, Ltd., General Drug Company, The Val-O-Cain Corporation and Winthrop Chemical Company, New York (hereinafter "Subsidiaries"); and

WHEREAS General Aniline desired to offer the said Class B Common Shares of Winthrop Delaware for sale at public auction; and

WHEREAS the Custodian, deeming that the national interest required that effective measures be taken to prevent the Class B Common Shares of Winthrop Delaware or their equivalent from coming under the ownership or control of interests unfriendly to the United States, consented to such public sale on condition that the Class B Common Shares of Winthrop Delaware purchased at public sale be placed in Voting Trust for a period of ten years, the maximum period which may be imposed under applicable state law; and

WHEREAS _____ (Name of highest bidder), as highest bidder for the shares of Winthrop Delaware at such public sale, General Aniline and the Custodian now desire to make and execute this Agreement to create a Voting Trust;

Now, THEREFORE, IT IS AGREED AS FOLLOWS:

(1) The _____ (Name of highest bidder) will pay the balance of the sales price, over and above the deposit of \$475,000, by certified banker's or cashier's check payable to the order of General Aniline at a designated bank in Jersey City, New Jersey, at noon on or before the fifth day following sale; and

(2) Immediately upon payment of the balance of the sales price as above provided, Winthrop Delaware, _____ (Name of highest bidder) General Aniline

and the Custodian will execute and deliver a Voting Trust Indenture, captioned "Voting Trust Indenture B" and in the form attached hereto, and General Aniline and _____ (Name of highest bidder) will forthwith cause Winthrop

Delaware to deposit with the Custodian as Voting Trustee under the terms of this Agreement certificates representing one-half of all of the outstanding and issued shares of the Subsidiaries (hereinafter the "Deposited Shares") duly endorsed in blank for transfer, and to cause such transfer to be recorded upon the books of the respective Subsidiaries. The Voting Trustee will accept such Deposited Shares and will issue, in lieu thereof, to Winthrop Delaware one or more Voting Trust Certificates representing the cestui que trust's interest in the Deposited Shares held in trust. The Voting Trust Certificates shall be in the following form:

**VOTING TRUST CERTIFICATE OF ONE-HALF OF ALL OF THE OUTSTANDING AND
ISSUED STOCK IN**

----- No. of shares for which Ctf. issued.

(Name of Subsidiary)
A. This Voting Trust Certificate is issued pursuant and subject to a certain Voting Trust Indenture dated April , 1945, between Winthrop Chemical Company, -----, General Aniline & Film Corporation and the

(Name of highest bidder)
undersigned Voting Trustee, defining the rights of the holder hereof, and the rights and duties of the Voting Trustee. Originals of the Voting Trust Indenture are on file at the principal office of ----- (hereinafter referred

(Name and address of Subsidiary)
to as the "Corporation"), and the office of the Voting Trustee, Washington, D. C.

B. The holder of this Voting Trust Certificate is entitled to collect and receive a pro rata share of all dividends declared upon the stock in the Corporation held in trust by the Voting Trustee: *Provided*, however, That dividends on the stock held in trust, declared in the form of stock in the Corporation, shall be paid to and held and controlled by the Trustee under the same terms as are the original shares under the Voting Trust Indenture.

C. The holder of this Voting Trust Certificate shall have the exclusive right to vote the shares of the stock of the Corporation for which this Certificate is issued in respect to the election of directors of the Corporation: *Provided*, however, That he shall not have the right to vote in favor of the election of any person who is not a citizen of the United States, or a person who is controlled either directly or indirectly by any person who is not a citizen of the United States or by a business enterprise which is not organized under the laws of the United States, without the prior written consent of the Voting Trustee. The holder shall also have the exclusive voting rights and powers with respect to such shares in connection with all other matters: *Except*, however, That in the Voting Trustee shall have exclusive voting right and power:

(a) To vote to sell all or a substantial part of the property and business of the Corporation;

(b) To vote to issue bonds or debentures or to mortgage or encumber the property or business of the Corporation to persons, corporations, organizations, or other business enterprises not citizens of the United States or not organized under the laws of the United States, or to persons or business enterprises controlled either directly or indirectly by persons other than citizens or business enterprises organized under the laws of the United States;

(c) To vote in favor of dissolution, merger, or consolidation of the Corporation; and

(d) To vote in favor of amending the Certificate of Incorporation of the Corporation.

D. The Voting Trustee hereby irrevocably constitutes and appoints the holder of this Voting Trust Certificate the attorney and proxy of the Voting Trustee for the duration of the Voting Trust, with full power to vote the share or shares of the corporation for which this Voting Trust Certificate is issued, to the extent that the certificate holder is entitled to vote, as above provided, but only to that extent. This Voting Trust Certificate may, at the request of the holder, and upon its surrender, be split up or consolidated into one or more Voting Trust Certificates.

E. The transfer or pledge of any Voting Trust Certificates shall be void unless made with the prior written consent of the Voting Trustee. In no case shall consent to any transfer or pledge be considered unless written request is made upon the Voting Trustee.

F. Upon the termination of the Voting Trust Indenture, the stock held in trust shall be distributed by the Voting Trustee on a pro rata basis to the holders of Voting Trust Certificates as soon as practicable after such termination and the surrender of the Certificates, properly endorsed.

G. The acceptance of this Voting Trust Certificate shall bind the holder and each successor holder hereof to all the terms and conditions of said Voting Trust Indenture in the same manner as if said holder and each successive holder had executed said Indenture as a party thereto.

H. In case this Voting Trust Certificate shall become mutilated or be lost, destroyed or stolen, the Voting Trustee shall issue and deliver in exchange for, and upon cancellation of, the mutilated Voting Trust Certificate, or in lieu of the Voting Trust Certificate so lost, destroyed or stolen, a new Voting Trust Certificate, upon the production of evidence of such mutilation, loss, destruction or theft, satisfactory to the Voting Trustee.

I. The Voting Trustee shall not be liable for any action taken or omitted hereunder in good faith.

IN WITNESS WHEREOF, the Voting Trustee has caused this Voting Trust Certificate to be signed and dated.

JAMES E. MARKHAM, *Alien Property Custodian,
Voting Trustee.*

Date

(3) The Voting Trustee will administer the Voting Trust in accordance with the terms and provisions set forth above in the prescribed form of Voting Trust Certificate.

(4) The Voting Trust shall continue in force and effect until the close of business on April ..., 1955, and shall be terminated at such time unless it shall have been terminated prior thereto by the Voting Trustee upon notice to the holders of the Voting Trust Certificates. Immediately after the close of business on April ..., 1955, or upon the earlier termination of the Voting Trust Agreement by the Voting Trustee, the Voting Trustee, upon surrender to him of the Voting Trust Certificates, then outstanding, properly endorsed, shall distribute to the registered holders of such Voting Trust Certificate their pro rata share of the stock in the respective Subsidiaries held in trust, duly endorsed for transfer, and shall cause such transfers to be recorded upon the books of the Subsidiaries; and thereupon all responsibility of the Voting Trustee for the shares in the Subsidiaries held in trust shall terminate.

(5) The Voting Trustee may at any time resign by delivering or mailing to the holders of the Voting Trust Certificates his resignation in writing, to take effect ten (10) days thereafter. In case of the death, resignation, or other inability of the Voting Trustee to act hereunder, or in case of the death, resignation, or other inability to act hereunder of any successor Voting Trustee, the person who shall then be in charge of the Office of Alien Property Custodian shall become successor Voting Trustee and remain such until the appointment and qualification of a new Alien Property Custodian, whereupon the latter shall become the successor Voting Trustee hereunder. In case the Office of Alien Property Custodian shall cease to exist, the person charged with the duties relating to the control of the property of nationals of foreign countries shall become the successor Voting Trustee, or, if no person shall be charged with such duties, then the Attorney General of the United States shall become the successor Voting Trustee. In no case, however, shall any person who is neither Alien Property Custodian, Attorney General, nor a person charged with the duties relating to the control of the property of nationals of foreign countries be Voting Trustee under this agreement.

(6) In case any Deposited Shares shall be split up into a greater number of shares or consolidated into a lesser number of shares, or changed into shares of any other class or classes, the shares resulting from any such split-up, consolidation, or change shall forthwith be deposited hereunder in lieu of and in exchange for the Deposited Shares so split up, consolidated, or changed.

(7) It is the express intention of the Voting Trustee, in exercising the right to vote granted to him hereunder, to vote in favor of all corporate action proposed by the Boards of Directors of the Subsidiaries unless the Voting Trustee in his sole discretion shall deem any proposed action to be against the national interest.

(8) Upon the delivery of the Deposited Shares in trust pursuant to this Agreement, General Aniline will transfer, assign and deliver to -----

(Name of highest bidder)

6,150 shares of Class B Common Stock of Winthrop Delaware duly endorsed for transfer, and shall cause such transfer to be recorded on the books of Winthrop Delaware.

(9) The Voting Trustee shall not be liable for any action taken or omitted hereunder in good faith.

(10) The term "United States" when used herein shall be deemed to include the territories and possessions of the United States.

IN WITNESS WHEREOF, the parties hereto, being thereunto duly authorized, have executed this agreement on the date first above written.

By _____
GENERAL ANILINE & FILM CORPORATION,
President

Attest:

Secretary

By _____
Name of highest bidder
President

Attest:

Secretary

For Alien Property Custodian

(FORM FOR VOTING TRUST INDENTURE PURSUANT TO "AGREEMENT B")

VOTING TRUST INDENTURE "B" *

VOTING TRUST INDENTURE dated April __, 1945, between WINTHROP CHEMICAL COMPANY, a Delaware corporation (hereinafter "Winthrop Delaware"), _____, GENERAL ANILINE & FILM CORPORATION (Name of highest bidder) (hereinafter "General Aniline"), and JAMES E. MARKHAM, as ALIEN PROPERTY CUSTODIAN (hereinafter "Custodian");

WITNESSETH:

WHEREAS, pursuant to a contract (hereinafter "Agreement B") entered into on April __, 1945, between _____, General Aniline and the (Name of highest bidder) Custodian, it was agreed that, upon payment of the balance of the sales price for the 6,150 shares of Class B Common Stock in Winthrop Delaware, _____ and General Aniline would, among other things, cause Winthrop (Name of highest bidder) Delaware to deposit in trust with the Custodian, as Voting Trustee, certificates representing one-half of all of the issued and outstanding shares of stock in Cook-Waite Laboratories, Inc., Cook Laboratories of Canada, Ltd., General Drug Company, The Val-O-Cain Corporation, and Withrop Chemical Company, Inc., (New York) (hereinafter referred to as the "Subsidiaries"); and

WHEREAS, such payment of the balance of the sales price has been duly made by _____;

(Name of highest bidder)

Now, THEREFORE:

1. Winthrop Delaware, General Aniline, and _____ hereby (Name of highest bidder) transfer, assign, and deliver to the Custodian one-half of all of the outstanding and issued shares of stock in _____ to be held in trust by the

(Name of Subsidiary) Custodian in accordance with the terms and conditions of the Voting Trust agreed upon and set forth in Agreement B, originals of which are on file with the said Subsidiary and the parties hereto.

2. The Custodian hereby accepts in trust the aforesaid shares of stock and agrees to hold such shares in trust under the terms and conditions set forth in Agreement B.

3. One of the signed copies of this indenture shall be filed at the principal office of _____

(Name and address of Subsidiary) and at the principal office of the respective parties hereto.

4. This Indenture may only be modified by written agreement between the Voting Trustee and the holders of all of the issued and outstanding Voting Trust Certificates.

* A separate indenture will be required for each of the five Subsidiaries.

IN WITNESS WHEREOF, the parties hereto being thereunto duly authorized have duly executed this Indenture in quadruplicate originals the day and year first above mentioned.

WINTHROP CHEMICAL COMPANY

By -----
President

Attest: -----
Secretary

By -----
Name of highest bidder
President

Attest: -----
Secretary

GENERAL ANILINE & FILM CORPORATION.
By -----
President

Attest: -----
Secretary

Alien Property Custodian

ELIMINATION OF GERMAN RESOURCES FOR WAR

FRIDAY, JUNE 29, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:50 a. m., pursuant to adjournment June 28, 1945, in room 357, Senate Office Building, Senator Harley M. Kilgore (chairman) presiding.

Present: Senator Harley M. Kilgore, of West Virginia.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order.

General Hilldring, will you go ahead, please.

TESTIMONY OF MAJ. GEN. JOHN H. HILLDRING, DIRECTOR, CIVIL AFFAIRS DIVISION, WAR DEPARTMENT

General HILLDRING. Mr. Chairman, when our tactical forces crossed the German border we had trained and available behind our lines more than 10,000 American officers and enlisted men assigned exclusively to the problems of military government and civil affairs. While these men were essentially soldiers, they were also specialists in civilian economy and government—economists, public utility and railroad experts, ex-mayors of cities, ex-police chiefs, and so forth. They had been trained in schools of military government which the Army had established in the United States in anticipation of its responsibility in Germany. After that, many of them were given more intensive training and more opportunity for a study of German problems in England prior to D-day. After the landings in Normandy and Sicily, practical experience in the field was obtained in assisting the local authorities in the administration of government in France, Belgium, and the Netherlands, and in actual military government in Italy.

While many of our military government officers were gaining this valuable field experience, special planning for Germany was not neglected. It has for some time been considered that the military government of Germany would be conducted on a zonal basis. Before D-day a special planning group was established in London, composed of officers who had special capabilities for planning to meet the problems of military government in Germany. This group devoted its time exclusively to consideration of the political, economic, and financial problems which it was expected would confront the Army upon its entry into Germany. During the period of the operations in the liberated areas of Europe this staff was in close contact with the

American civil affairs officers at the Supreme Headquarters of the Allied Expeditionary Force. In this way it was possible not only keep those planning for Germany abreast of practical field developments and to give those operating in the field the benefit of planning studies, but also to provide a means whereby upon our entry in Germany the two groups, i. e., those who had engaged in special German planning and those who had obtained the benefit of field experience, could be rapidly integrated into an effective military government.

As was announced in the Yalta declaration, Germany is to be governed through a Control Council, on which the Union of Soviet Socialist Republics, the United Kingdom, the provisional government of the French Republic, and the United States are to be represented. This decision was given effect in Berlin on June 5, 1945, with the Allies' declaration announcing the assumption of joint control of Germany and the terms of surrender.

What I am going to say in the next few paragraphs has partly been announced before. However, I am including here the integration of the United States Group Control Council into the Allied Group Control Council, and that part of this material is new. However, to make the story understandable we repeated some things that have heretofore been announced.

For the purpose of occupation, Germany is to be divided into four zones within her boundaries as they were on December 31, 1918, before the annexation of Austria. Each of the four powers is to be allotted a zone as follows:

An eastern zone to the Soviet Union.

A northwestern zone to the United Kingdom.

A southwestern zone to the United States.

A western zone to France.

The occupying forces in each zone will be under a commander in chief designated by the responsible power.

The commanders in chief of the military forces in the four zones of occupation constitute the membership of the Control Council. During the period when Germany is carrying out the basic requirements of unconditional surrender, supreme authority in Germany will be exercised by these commanders, acting under instructions from their respective Governments, individually in their respective zones of occupation and also jointly in matters affecting Germany as a whole. Such joint action is to be achieved through the Control Council, which, acting only by unanimous decision, is to insure appropriate uniformity of action by the commanders in chief in their respective zones. It should be noted that in the absence of decisions by the Control Council each commander in chief will actually govern his zone in accordance with the basic policies of his government.

The CHAIRMAN. I believe that General Eisenhower had been assigned as a Commissioner. Is that right?

General HILLDRING. He is the American member of the Control Council, yes, sir.

The CHAIRMAN. He is also commander in chief of our forces there.

General HILLDRING. He is also commander in chief of our forces.

A basic agreement has been reached between the Governments as to the machinery which will be created under the Control Council. There will be a permanent Coordinating Committee composed of

representative of each of the four supreme military commanders, and under present plans a Control Staff composed of 12 divisions, each headed by four representatives to be designated by the governing powers. The staffs of the divisions will include civilian as well as military personnel. The functions of the Coordinating Committee and the Control Staff will be to advise the Control Council and to implement Control Council decisions.

Present plans contemplate that for the administration of the United States zone there will be a deputy to the Supreme Commander, under whom will be set up 12 staff divisions which it is now contemplated will form a part of the staff of the Control Council for Germany. The head of each of these divisions in addition to acting in the United States zone will constitute the United States representative on the comparable staff division organized under authority of the Control Council. The following brief enumeration and summary of duties of the staff divisions referred to will serve to indicate their scope and purpose:

(a) Three military divisions—Army (ground), Naval, and Air—will deal with the demobilization of the German armed forces and the disarmament of Germany.

(b) The Transport Division will deal with traffic movements, supervise railway, road, and inland water transportation systems, and, with the Naval Division, will handle port and coastal operations.

(c) The Political Division will deal with all foreign affairs, handle domestic political matters, protect American interests in Germany, and advise other sections dealing with control of public information services in Germany, reporting of political intelligence, and public relations.

(d) Tremendous tasks lie ahead of the Economic Division, which will deal with such problems as food, agriculture and forestry, fuel and mining, price control and rationing, public works and utilities, internal and foreign trade, industry, conversion and liquidation, and requirements and all allocations. This Division will see to it that the Germans are forced to exert all efforts to feed themselves, and also to insure that the liberated United Nations are given first consideration on essential commodities.

The CHAIRMAN. There is a problem which the Economic Division faces which worries me. I am afraid that with our efficiency we will go in and allow the Germans to lie down on their own planning.

I ran into an example of that in one German city in which a part of the city revenue normally came from the operation of their utilities. I asked the burgomaster how much coal he needed to run his utilities during the winter. The burgomaster looked wildly about him for the American military government adviser, and admitted that he was relying on the adviser even for such information as that.

Here was a German burgomaster, trained for public service, and with 24 years' experience, and he was relying upon the military adviser to figure out how much coal he needed for his utilities.

I am afraid that with our typical American impatience with inefficiency, we will tend to take over and do the work for them.

General HILLDRING. Mr. Chairman, I can't argue, because in my trip overseas last fall I discovered instances of the same thing. However, I believe that all responsible military authorities are cognizant of that risk and will be on the alert to repress any evidence of attempt-

ing to take over and impart into Germany the standards of American efficiency. I think some recognition should be made of the fact that the Army has a little unusual role here. I think it is natural for a soldier to want the outfit he has under his charge to be highly efficient according to our standards, and we are going to have to reckon with that as part of the human nature of the soldier and be on the alert to contend with it. The Army here in this business is a little in the position of the fire department that is told to go to the fire and not completely put it out, and we recognize that point, Mr. Chairman.

The CHAIRMAN. In railroad and mining operations, for instance, in much of Europe—in parts of England and Russia and France and Germany—the tempo has been slow by American standards. They have used 800-pound cars where we have used 3- to 5-ton cars. We have used huge hoists where they have used very small hoists. They have used hand haulings where we have used power haulings. I believe that I could detect a little impatience on the part of our officers in Europe, and an attempt to step up the tempo; and, in fact, if the tempo is not stepped up the needs are not going to be met.

General HILLDRING. We recognize our position between Scylla and Charybdis in that matter, Mr. Chairman, and that being the case, with respect to those who are responsible for the administration of the United States military government, I think we can safely promise that it is an instinct in the American and the American soldier that we will not let get out of control.

The CHAIRMAN. Every person I talked to who had examined the situation was worried about that, because it looked like they were going to lean back in the collar and let us do all the work they possibly could. We saw evidence of that on every hand. We are going to have to make them do the work if we are going to be successful in the job.

General HILLDRING. We intend to make the Germans do what we want done and not do it ourselves.

The CHAIRMAN. In the city of some 300,000 which I mentioned, the officials were saying: We can't collect taxes on industry because industry is not operating; we can't get revenue from utilities because we don't have the coal for the utilities.

When I asked, "Where are you going to get your coal?" the German official looked over to the American military government officers as much as to say: It is up to you to furnish the coal.

The German official said: "The Reich quoted us three and a half million marks for pension advances to soldiers, but we can't do that because you have done away with the Reich," and so on.

It is a situation which has me worried because of the temptation to take over and run things for them.

General HILLDRING. It is. The temptation is there and we recognize it in the War Department, and General Eisenhower recognizes it, and I believe we will be able to handle it, but I agree with you, sir, that there will be instances where an individual who has been the city manager of a city in the United States and now finds himself supervising a burgomaster, is going to be strongly tempted on many occasions to tell him how they did it in Toledo.

The CHAIRMAN. I am not worrying about his telling them how they did it in Toledo. I am worrying about his doing it like they did it in Toledo, and letting the burgomaster fold his hands.

Please go ahead.

General HILLDRING. (e) The Finance Division will deal with public finance and deal with financial institutions, foreign exchange, currency, and accounts and audits. In connection with your question, I would like you to notice the words "dealing with." We carefully avoid the use of "manage" or control. It is a supervisory relationship that these agencies will have.

(f) The Reparations, Deliveries, and Restitution Division will supervise, so far as the American zone is concerned, the execution on behalf of the Control Council of policies established by the Reparations Commission dealing with reparations and restitution questions, as well as handling property control and the supervision of monuments, fine arts and archives.

(g) A most important division will be the Internal Affairs and Communications Division. This division will supervise public safety, including control of civil police forces, public health and welfare, post, telephone and telegraph, military communications, civil services, and local government, education, and religious affairs.

(h) The Legal Division will give legal advice to the commander and other divisions, and exercise proper controls over Allied military courts, German ordinary and military courts, and prisons.

(i) The Prisoners of War and Displaced Persons Divisions, as its name indicates, will be responsible for the care and repatriation of United Nations displaced persons and prisoners of war found in Germany.

(j) The Manpower Division will deal with problems of labor relations and allocations, wages, and labor policies, housing and labor information. This Division will be charged with dissolving the notorious Nazi labor front, and laying the ground work for the normal growth of democratic labor organizations and practices.

Each of the divisions listed will be responsible in its own field for the elimination of Nazi influence. We are fully cognizant of the fact that we have undertaken to administer an enemy nation steeped in the Nazi philosophy. We are sensitive to the problems with which we may be confronted as the result of an organized Nazi underground. An Intelligence Section has therefore been created which, in addition to the work of the divisions referred to above in this field, will maintain general supervision over the entire denazification program and provide a continuous surveillance to the end that underground activities may be prevented and suppressed.

Our feeling is that the problems which will arise out of the occupation of Germany will be as difficult of solution as any which have ever challenged the science of government. We are also fully conscious of the fact that the best possible organization cannot function if it is inadequately staffed. Conversely, an able and efficient staff can make almost any administrative machinery function. Accordingly, we have used every effort to obtain the most competent personnel available for the task of administering Germany.

As you know, the United States member of the Control Council for Germany will be Gen. Dwight D. Eisenhower. General Eisenhower's recent experience as the Supreme Commander, Allied Expeditionary Forces, in which capacity he was honored not only with the confidence of his own Government but with that of our allies, admirably equips him to discharge the new responsibilities with which he will be con-

fronted. Lt. Gen. Lucius D. Clay has been selected to serve as General Eisenhower's deputy, and as the American member of the permanent Coordinating Committee.

So far in this statement I have dwelt on the preparation which the War Department has made for the task confronting it and the immediate plans for the administrative machinery and personnel to carry out the task. I would like to tell you something of our experience in Germany up to this time.

The CHAIRMAN. Before we go into that, let me ask you one question. Does the general Control Council, the central board of four with their staffs, lay down an over-all policy? Or do we have a limited capacity there so that each zone commander can do as he pleases in his own zone?

General HILLDRING. No, sir.

The CHAIRMAN. For example, to get newsprint paper out of Germany you would have to operate in three zones.

General HILLDRING. That is right, sir.

The CHAIRMAN. That is true also in regard to fuel. Several zones would be crossed. Some uniformity would be needed. Can the Control Council provide that uniformity?

General HILLDRING. The answer is "Yes," Mr. Chairman. The decision of the Control Council is binding on all zone commanders, and we are acquainted with the pulp business, we are acquainted with the necessity of having an integrated railroad system and not try to run the German railroads as four separate entities.

With respect to coal, while the coal is in the British and French zones, the pit props are in our zones, the food is in the Russian zone. In order to produce the coal we need, it has to be an across-Germany decision, and obviously these four soldiers sitting in Berlin are going to recognize it and come to a conclusion, and once they have, that decision of the Control Council is binding in all four zones.

The CHAIRMAN. My question is, do we have an agreement now as to the binding effect of the joint control commission decision in each of the zones? I know there is inevitably some friction, you could never get four nations to run a thing like that without some friction but has the basic policy been agreed upon?

General HILLDRING. As I understand it, they have agreed——

The CHAIRMAN. That the Commission shall lay down the over-all rulings?

General HILLDRING. That is right, sir.

The CHAIRMAN. I was not able to find that out abroad.

General HILLDRING. Yes, sir; it has been decided that policies unanimously agreed upon by the Control Council will be applied in all zones.

The CHAIRMAN. You remember that 3 weeks ago we still had a one-legged quadruped. That is, only one nation was ready at that time to appoint a Commissioner; that was the United States.

General HILLDRING. That is right, sir.

The meeting of the Allied commanders in Berlin on June 5 last did not mark the Army's first introduction to the problem of military government in Germany. From the time our forces crossed the German border we have been operating military government in combination with the British under SHAEF. We have been gaining experience in the technic of governing the Germans and of adminis-

tering the German society and economy. Admittedly, this experience has been short and limited in scope. For a large part of this time we have been administering only a fraction of Germany. The areas occupied by our armies have recently been fought over. Communication and transportation has been disrupted. Basic utilities have been badly damaged. Homes have been destroyed. Normal business has been paralyzed. The task of gaining information about an enemy people and the society in which they live has been further complicated by the fact that in many cases basic statistics such as ration records, birth and death records, records of title, and similar information have been destroyed or sequestered.

One of the subjects of vital interest to all of us is what is the state of Germany's war potential and what must we do in order to control it. Casual observation in many areas of Germany would indicate that Germany's war potential is now destroyed so badly as to be of little significance for a long period of time. Such casual observation, however, cannot be relied upon in forming definite conclusions. One of the officers of my staff, who was in Cologne in March, reported to me that his first impression in viewing the Ford plant in that city was one of considerable destruction, with portions lying in rubble. However, closer inspection revealed that falling walls and roof had buried the heavy machinery with layers of bricks and mortar which had in fact served to protect the equipment against the weather. Despite the impression of rather complete destruction which the Ford plant presented, the military authorities succeeded in a short time in requiring the Germans to put the plant in condition to produce 500 units monthly of transport equipment which was badly needed by the occupying forces.

The CHAIRMAN. That is the answer to the story that that plant had been spared.

Dr. SCHIMMEL. General, isn't it true that if we had not kept pounding away at German industry in the last months of the war, they would have been able continually to recuperate so as to stay in the war?

For example, we were told the other day that while the German synthetic oil producing facilities had been knocked out, they were going underground with those facilities and within 6 to 9 months they would again have had synthetic oil with which to operate their planes.

General HILLDRING. That, I think, is substantially true, Dr. Schimmel. On the rapidity with which they could have restored their war-making power, that is, the essentials of petroleum and bombs and so on, I would rather have one of the fighting soldiers testify as the result of the bomb survey reports, which I have not studied.

Dr. SCHIMMEL. One of our major targets was the German ball-bearing industry, and though we concentrated on it with our strategic bombing, I understand that they were able to go underground and maintain a minimum supply of ball bearings to the end.

General HILLDRING. That is also my impression, but again I have not seen and studied the specific reports, Dr. Schimmel, so I would rather let one of the bomb survey people testify on that point.

The CHAIRMAN. I want to say that I have been very much impressed with the work of the bomb survey people, which has led to a change

of our tactics in the Pacific. What we learned of the effectiveness of our bombing when we got inside Germany has had much effect on our system of bombing generally.

General HILLDRING. I understand that is true. But again, that is a little out of my field, so I haven't first-hand knowledge of it, Mr. Chairman.

Dr. SCHIMMEL. General, while we were working on this problem with your staff, we came across the Speer Ministry report, a report of the German Minister of Munitions, which discussed their situation at the beginning of 1945. It discusses many of these problems, and the rapidity with which they could recuperate.

Don't you think, Mr. Chairman, that if that document can be reclassified it would be a valuable addition to our record?

The CHAIRMAN. General, would you see if it could be reclassified?

General HILLDRING. I will, Mr. Chairman. My own impression, from what I know of the problem, is that it can be.

The CHAIRMAN. Will you let us have it for the record, as their own appraisal of their situation, as soon as you can get it reclassified.

(The report was marked "Exhibit No. 4" and appears on p. 632.)

General HILLDRING. I cite this example only to emphasize the fact that any true appraisal of the industrial situation in Germany must await the result of accurate surveys and analysis. This has not been possible in the short time which has elapsed since our occupation.

One of the principal media by which the German economy was sustained was the cartel system. Accurate appraisal of the extent and effect of this system again presents a problem of research and analysis which it has been impossible to solve in the short time which has been available to us.

A brief recitation of some of the problems which have already confronted us in connection with the I. G. Farben Co. will serve to illustrate the problem.

Allied Military Government troops entered Frankfurt, the site of the main offices of I. G. Farben, while the area was still under artillery fire. When the situation was first surveyed our people found 6 floors of the west wing of the main building piled high with a miscellaneous assortment of bound records, personal correspondence folders, and office equipment from various I. G. Farben administrative departments. The floors of the rooms and halls were knee deep in sets of correspondence and files. The stair wells were deep in materials that came out of filing cabinets and drawers and had been given the appearance of trash. In one heap of rubbish we found the index to the foreign exchange system maintained by the industry.

The methods utilized to conceal and sequester vital I. G. Farben records were numerous. One of the members of the board of directors buried a large suitcase full of important documents covering international agreements in his garden.

Another member of the board of directors, after appropriate persuasion, was found to have concealed various important documents in 60 different locations in Frankfurt. One of the other officials of the company had sequestered one of the most important files of the company in one corner of a room so covered with masses of rubbish, books, file cases, and so forth, that it took 12 prisoners over 2 hours to dig through the mass of overlying material to reach the documents. This same official urged the release to him of a small lock box which it was

alleged contained only his personal belongings. Upon investigation, this box was found to contain a 2-inch layer of silver knives, spoons, and other heirlooms. However, beneath the heirlooms lay a 10-inch layer of international dyestuffs agreements.

Records of the I. G. Farben Co. were found hidden in monasteries, sale mines, beer halls, and caves. In some cases records were placed on boxcars and dispatched to miscellaneous destinations in Germany. Transportation difficulties have been such that many of them never arrived at their intended destinations. In many cases the car numbers of these cars are known. In other cases we have not yet been able to discover them. As a result many of the most valuable financial files of the I. G. Farben Co. are scattered throughout Germany. As investigation is continuously proceeding, and vigorously, I might add, it is expected that this material will eventually be located.

Another major problem in eliminating Germany as a future menace to the peace of the world is to purge from its government, business, and industry the influence of the Nazi Party. To cleanse German Government, business, and industry of the Nazi influence at all levels is a tremendous task. A brief statement of the steps taken to denazify the Reichsbank in Frankfurt will illustrate not only the magnitude of the problem, but the method which we are using to solve it.

Representatives of the local banks were called together by military government officers and informed that all supervisory employees were to be screened. The director of the Reichsbank and the president of the local banking association were each ordered (a) to list all supervisory personnel, and (b) to issue and collect questionnaires for all persons on the list.

Parenthetically, I have a fragebogen here, which represents one of the things we have learned in our 2 years of military government in this war, and we find it is a most useful document. In Italy we did a pretty good job, but we learned a great deal about running down Fascists through such a form. I talked to Orlando Wilson, who is Chief of Public Safety, yesterday in Washington and he praises the fragebogen highly. I will leave one with the committee, if you don't mind. You will notice that among other things, the individual is asked as to what affiliation he has had with any of 56 Nazi organizations, and there are some blank spaces for others if he has belonged to any of them.

The merit of it is that falsification of any record in that multitudinous questionnaire is vigorously prosecuted and the individual who fills it out understands that. It has been very successful in ferreting out the Nazis, particularly the little fry.

Dr. SCHIMMEL. In view of the testimony which was given to us earlier this week, General, which showed that certain of the industrial hierarchy in Germany were coconspirators with the Nazis, and that plans for this war were being made even before the Nazis, do you think it is adequate just to go after the Nazis?

General HILLDRING. No, I shouldn't leave the record in that form. We are just as much interested in the Junkers and the militarists as we are in the Nazis. They are just as objectionable to us as the provable Nazi.

Dr. SCHIMMEL. Would the directors of I. G. Farben be locked up?

General HILLDRING. Yes.

The CHAIRMAN. They were in jail when I was over there.

Dr. SCHIMMEL. Do you know how many people would be locked up from an organization like I. G. Farben?

General HILLDRING. I couldn't answer the question as to how many in I. G. Farben would be locked up. I know our target on the number we are seeking out, but I rather doubt that it is wise to put it in the record. It is a very large number, however.

Dr. SCHIMMEL. Usually there is an organizational hierarchy, or several layers of leadership, in an outfit like that.

For example, in connection with some of the alien properties that have been taken over, there have been a number of complaints that after the top board of directors have been cleaned out the next layer contains more virulent Nazis than the top board.

General HILLDRING. We go from the chairman of the board down to the janitor, Dr. Schimmel. Nobody is exempt from a screening. That is true not only in industry; in schools, for instance, we go from the principal of the school to the janitor; that is why I say this is a tremendous job.

Dr. SCHIMMEL. I am not thinking just now of determining who is a Nazi, but of determining rather who is in a position of industrial leadership in Germany. Do you stop at the board of directors, or do you go to the next level of plant managers who, in many cases, are the men who really run the company?

The CHAIRMAN. I think I can supply an answer from my own personal observation. I found that both Schmitz, the president of Farben, and his personal attorney were in custody. Much more information was being got out of the attorney than out of Schmitz.

Dr. SCHIMMEL. If I. G. Farben has 80 plants, that would mean picking up 80 plant managers? Are we doing that?

General HILLDRING. Yes.

The CHAIRMAN. The German schools have been closed pending a screening of the teachers.

General HILLDRING. I will leave the fragebogen with you.

(The document referred to was marked "Exhibit No. 5", and filed with the committee.)

General HILLDRING. Previously the military government officers had been furnished with directives to guide them in accomplishing the denazification program. Upon receipt of the questionnaires, they were evaluated by military government officers after supplementary intelligence checks of the personnel involved. The employees were then placed in three classes: (a) Satisfactory for employment; (b) to be removed; and (c) to be suspended pending further investigation.

After classifying the bank employees on the basis of their questionnaires, military government officers consulted with a special advisory committee of five local bankers, all of whom had clear records of unsympathetic relations with the Nazis and who had first been carefully screened and approved by intelligence officers. The assistance of this special advisory committee was very valuable in identifying Nazis who could not be identified as such on the basis of the questionnaires and in verifying the evaluation of the questionnaires. As a result of this screening it was possible to open the banks staffed with non-Nazi personnel. A continuing check of employees is being maintained in order that any Nazi who may have escaped detection in the first screening may be discovered.

The foregoing information serves to illustrate the important fact that military government in Germany has not yet reached what might be called the settled phase. Communication is still very difficult. Transportation remains badly disorganized. Public utilities are not yet providing light or power on a scale sufficient even to meet the most basic elemental needs. Side by side with the efforts I have described of searching out records and denazifying German institutions, we have had to concentrate on taking the necessary first steps to meet the acute emergency problems which were the inevitable effect of our military operations.

The coal situation in Europe is acute. Normally, the industry of Europe runs to a very large extent on German coal. Although Belgium and Holland are normally practically self-sufficient in coal, France normally imports more than 40 percent of her coal requirements. Italy has always been an importer of coal, and Denmark and Norway are now dependent completely upon imports. Despite the efforts of military government to increase coal production in Germany to alleviate this situation by the 2d of June, the last date as to which statistical reports have been received, production in the Ruhr and the Saar had only been raised to an annual rate of 13,250,000 tons, which may be compared with the annual production in these areas in the year 1938 of approximately 141,700,000 tons. In this connection it is significant to note that despite the small fraction of normal coal production which we have been able to obtain, coal production at the beginning of this month was still greater than the ability of the transportation system to carry it away from the mines.

The CHAIRMAN. The transportation problem in regard to coal is not generally understood here. It is a most terrific problem. River transportation was used extensively, and that has been largely blocked off by the very thorough way in which the Germans blew the bridges. The bridges are all down across the rivers. Plants were built near the mines, so far as possible, in order to have a minimum of transportation. With part of that shot out, and no river transportation, it is a very serious problem.

General HILLDRING. It is, Mr. Chairman, without a doubt.

The CHAIRMAN. Their wagons are only 20-ton ones, and their track is light and the curves are so bad that we couldn't put our long-type coal car on them. And, of course, a great bulk was handled on river barges and, as I have said, the rivers are blocked every 10 miles or so with a bridge down.

General HILLDRING. Or with a sunken ship or a barge or something else.

The CHAIRMAN. Transportation is a key problem in Europe.

General HILLDRING. Yes, sir; transportation and coal.

The CHAIRMAN. And you have to get the transportation before you can get the coal.

General HILLDRING. Before you can move the coal, that is right. There is this encouraging note: In the last month or 6 weeks, transportation has been improving. The situation is improving more rapidly than the coal production. There is a hopeful sign, but it is a tremendous job.

The CHAIRMAN. There is one other thing you have to look at: The average coal production of the mines in Europe is only 1 ton per man per day, as compared to our production of 6 or 7 tons per man per day.

Under that condition you have to get a new miner in for each ton of coal per day that you increase the production, and the shafts may not be able to handle many additional men.

General HILLDRING. And to get the man to go in the mines you have to give him more food than the average quota, and you have to give him clothes and shoes.

The CHAIRMAN. And under the Geneva Convention, he can't be put in a mine while he is a prisoner of war. He must be released before he can go into the mines, and then he must go in voluntarily.

Dr. SCHIMMEL. Is that necessarily so? Does the Geneva Convention apply after unconditional surrender?

The CHAIRMAN. It doesn't make any difference whether it is unconditional or conditional surrender, you can't use a prisoner of war for mining.

General HILLDRING. However that may be, we have been releasing German prisoners, as you know, Senator, to work in the mines.

All information which we have received indicates that as the result of battle damage, dislocation of transportation, and mass movement of the population, Germany's ability to feed herself through the next winter has been seriously impaired. In order, if possible, to solve this problem without the resort to imports, every effort is being made to stimulate German production. Seeds have been distributed, the available supply of farm labor is being increased by the demobilization of carefully screened German soldiers. Efforts have been made to restore food processing plants to production, and a system of strict rationing is being enforced.

Dr. SCHIMMEL. How does the food situation in Germany compare with other countries? Isn't the situation in Greece, for example, much worse than it is as a whole in Germany?

General HILLDRING. I can answer that out of recollection, Dr. Schimmel. As you probably know, the United States Army, with the British Army, established the relief system in Greece, Yugoslavia, and Albania after the liberation. Perhaps there was no area in Europe—so far as we know there was no area in Europe—that was as bad off as to food as was Greece. That activity in April was turned over to UNRRA, so on the condition of Greece today and on its self-sufficiency, I am not prepared to speak because we have been out there now for nearly 3 months.

Dr. SCHIMMEL. UNRRA submitted a very elaborate document to the committee, one so elaborate that it is difficult to see exactly what it shows, but it seems to show that the food situation in Germany is actually better than in most of the liberated countries. Germany is apparently getting the benefit of our efficient Army methods of increasing food production, while in other areas the food problem is complicated by the kind of situation that arises in UNRRA, so that it appears that the food situation in Germany may improve more rapidly than it will in Greece.

General HILLDRING. I am just asking the question, Dr. Schimmel. Is it objectionable to make the Germans produce the most food possible if the rationing controls are properly exercised in Germany so that we can drain off the surplus to help displaced persons and others who suffered from German aggression?

Dr. SCHIMMEL. I just wondered whether you had any facts which showed that the German food situation was actually superior to that in most of the liberated countries except Denmark.

General HILLDRING. It isn't superior, for instance, to Belgium, to France, or Denmark or Norway, but of course there are factors—

Dr. SCHIMMEL. How about urban France?

General HILLDRING. The fact is that we have imported large quantities of food into France, Belgium, Holland, and Norway. Our reports indicate that the food situation in urban Germany is much worse than in urban France.

The CHAIRMAN. One of the things which impressed me when I went into Germany was that our efforts were forcing them to get their own crops distributed to their own cities, while in other countries quite a different condition existed. As far as food for the individual German is concerned, the unconditional surrender of Germany was probably a godsend.

General HILLDRING. However, Senator, we know that on a calorie basis the ration in Germany is pretty low.

The CHAIRMAN. I know it is, but there is better distribution.

General HILLDRING. Of what they have, there may be better distribution.

The CHAIRMAN. That is the point I am getting at. In other countries, the ration is high in some sections and in others food is very hard to get. The poor distribution there, of course, is not our fault.

General HILLDRING. And I would rather not discuss that.

The CHAIRMAN. Certainly I agree that it should not be discussed by you.

Another thing, the section of Germany that we take over is probably the best equipped for food of all Germany, with the possible exception of the extreme eastern section.

General HILLDRING. That is correct, Senator. If we don't find there a large surplus population, I think within our zone we will find ourselves practically self-sustaining as to food but, of course, until we take a census and find out just how many Germans there are in the zone, we can't speak finally and authoritatively on that point.

One of the most serious complicating factors in the German food situation has been our policy of requiring that displaced persons to the maximum extent possible be fed from German resources. The advancing British and American Armies uncovered approximately 5,850,000 displaced persons in Germany. Many of these people were torn from their homes by the Germans and impressed as slave labor to support the Nazi war machine. Included in them are also those unfortunate persons who were persecuted because of their race or religious or political beliefs. Despite the critical transportation situation, Allied military authorities, by June 19, 1945, had repatriated 3,182,809 of these unfortunates. These people have been returned to their homes by all methods of transportation, including air. Repatriates include: 1,236,360 French, 138,527 of whom were transported by air; 1,357,399 Russians; and 412,406 Belgians and Dutch, of whom 11,383 were transported by air.

As of June 19, 1945, approximately 2,671,167 displaced persons remained in the areas occupied by the Allied Military Government. Of these persons, approximately 2,100,000 were in camps operated by military government with the balance outside of such camps. As facilities for returning repatriates at the rate of 250,000 per week are now available, it is expected that the displaced-persons problem will soon resolve itself into a question of the residuum of nonrepatriables

and stateless persons. For those persons able to eat ordinary foods, it has not been necessary to date to provide imported supplies except in emergency. However, many persons were found in the concentration camps, such as Buchenwald and Dachau, who were in such desperate physical condition that they could not eat normal food. To these people the Army brought by air, doctors, nurses, medical supplies, and special medical feeding equipment and supplies.

I have endeavored merely to illustrate the administrative problem which confronts the Army in Germany. No exhaustive or complete analysis is as yet possible. Further information which might be provided at this time would be equally as fragmentary as that set out above and would merely serve to reemphasize the fact that we are still feeling our way along a path which lies more in darkness than in light.

The Army and the War Department fully appreciate the responsibility which is theirs. We will do our utmost in our administration of Germany to carry out successfully such policies as have been and may be established by our Government, and such joint policies as may be established by the four powers which jointly will govern Germany.

The CHAIRMAN. General, I heard while over there a story of one chaplain's attempts to denazify Germany which were rather amusing. He happened to be chaplain of a field army. Every time they captured a city, the first thing he would do, with the Army commander's permission, was to round up the citizens, make them clean up and repair first the synagogue, then the biggest Catholic church, and then the biggest Protestant church. I know him and I asked him why he did that, and he said, well, he thought that was the first step in denazifying them. Then he would immediately call up a chaplain of each denomination and have them hold church for the soldiers, with the civilians looking on, and as he went through he rehabilitated the churches in every town, but he always made them clean up the synagogue first.

Dr. SCHIMMEL. I have here a statement from 30 precision instrument and optics manufacturing companies in New York, which, with the employees of these companies, appointed a committee which met with the chairman of the subcommittee yesterday. The statement is in that connection, Mr. Chairman, and with your permission it should be made part of the record.

The CHAIRMAN. It may be made part of the record.
(The document referred to follows:)

Thirty precision instrument and optics manufacturing companies engaged exclusively in supplying the armed forces have lodged a protest in Washington against the reported opening of German optical plants. Representatives of the companies and of more than 3,000 union laborers employed by them met yesterday at the Hotel Taft to appoint the committee which placed their findings before Senator Harley Kilgore and others investigating the status of German war industries.

Members of the committee include J. J. Shapiro, president of the Universal Camera Co.; M. J. Mayer, of the Mayberg Optical Co.; Thornton Lewis, Jr., of Rudolph Wendel, Inc.; R. L. Reich, of E. Leitz, Inc.; Theodore R. Nathan of Ultima Optical Corp.; Thelma Ostrow and Marcel Sherer, of Local 1225, United Electrical, Radio, and Machine Workers of America (CIO). Although all of the firms are in the New York area, the committee is reflecting the sentiment of optics and instrument manufacturers' throughout the country.

Full text of the statement is attached.

Thank you.

THEODORE R. NATHAN.

BRITISH INSTRUMENT MAKERS DEMAND BAN ON GERMAN RIVALS AS A PREVENTIVE OF WAR

(By wireless to the New York Times)

LONDON, June 5.—The Allies' authorities in Germany are following a "suicidal policy in permitting Germany to continue making optical instruments and photographic apparatus for the war against Japan," the Scientific Instrument Manufacturers Association of Great Britain charged here today.

So strongly does the organization feel on the question that its members have been urged to see that the matter is brought up for discussion in the House of Commons. F. Wakeham, the association's president, said that he had been informed that 6,500 persons in Germany were now producing optical goods for the allies under American supervision.

"We view with dismay the fact that German production in these vital industries should be allowed to continue," he said. "Germany knows very well that a country which could keep these industries in a healthy condition has the means to be aggressive or to fight aggression."

"By the formation of cartels and price rings abroad, Germany endeavored to cripple the optical glass and scientific instrument industry in all other countries and to make them dependent on German supplies. Deprived of her optical industry, Germany could find it practically impossible to fight another war, and the council of the British industry have, in the interest of Britain's survival, demanded that the production of optical glass in Germany shall cease for a period of at least 20 years."

Others recalled that after the First World War Germany had been permitted to manufacture optical glass for nonwar uses. To maintain her research in the martial optical field she set up a dummy corporation in the Netherlands and operated through it until the time came when all pretense of observing the Treaty of Versailles could be dropped.

Cartel agreements concluded between German companies and American optical houses provided the basis for an antitrust action by the American Department of Justice. At hearings on the question of cartels before a Senate committee, Government witnesses charged that the United States Navy's designs for a special type of periscope had been turned over by the American company to experts of the German company for study.

STATEMENT PREPARED BY JOINT COMMITTEE OF OPTICAL AND INSTRUMENT MANUFACTURERS AND UNITED ELECTRICAL, RADIO, AND MACHINE WORKERS UNION, N.Y.C.

Before the outbreak of hostilities in the Second World War, the United States depended almost solely on Germany for its supply of precision optics. Their superiority, at that time, was unquestioned and very little progress had been made toward the development of an adequate American optical industry.

The shock of war brought an immediate concentration of our optical engineering facilities. They were weighed in the balance of conflict and found desperately wanting. The industry had been prevented from developing in this country through cartel agreements. These cartel agreements between German companies and American houses have provided the basis for an antitrust action by our Department of Justice. At hearings on the question of cartels before a Senate committee, Government witnesses charged that the United States Navy designs for a special type of periscope had been turned over by an American company to a German company for study. Fortunately, the realization of optical and instrument shortcomings was followed by Government aid in the birth of small- and moderate-size plants within our own borders. These plants gave "eyes" to Uncle Sam, without which our armed forces could not have matched the fire-control devices of the enemy.

We broke the bottleneck of optics through the investment of vast sums for tooling and training. We broke it just in time by building an industry overnight where none had existed before. Are we going to abandon it now and permit German optical manufacture to resume at the point where it was interrupted by the bombs of our airmen? An outstanding contribution was made by small instrument and optical plants—American plants without foreign entanglements. A good section of these small plants are in New York.

Reports of trained observers disclose that despite the widespread destruction of Germany from the air, much of her industrial strength remains intact. Enough plants and machinery have been left undamaged to enable Germany to regain a

significant position in the manufacture of optics. This would not be desirable from either the economic or the military standpoint. And it can only come to pass if the occupation authorities permit the reemployment of German labor to reopen these centers that once placed us, optically speaking, at the mercy of the enemy.

If there be any doubt that we were, indeed, at their mercy, here are the words of the United States Ordnance Department report on optical glass in war:

"In industries of highly technical nature such as the optical and instrument industry, the Germans had established such effective control that at the beginning of the war we were seriously embarrassed because we did not manufacture those commodities and did not know how to make them."

That kind of "control" and that kind of "embarrassment" might well have lost us the war. Optical arts and skills were acquired by Germany and closely guarded for decades.

It was an outstanding miracle of American industry, labor, and government that plants were financed and tooled and that American labor learned so astonishingly swiftly the intricate skills required of optical craftsmen. It is a miracle that this was done in time.

In 1940, Fortune magazine stated that the Army considered the shortage in optical instruments as the fourth most serious bottleneck in our armament program. Today, in 1945, America's fledgling precision optical instrument industry has emerged victorious over an enemy whose optical ingenuity is legendary. Is the reward to be relegation to the scrap heap while the plants of Germany are solicitously propped up, perhaps for another blow against us in some future era?

Much rumor and some facts have seeped through from Europe, which indicate that the German optical industry has been given the green light by Allied occupation authorities. We hear, for example, that in Brunswick, Germany, they are producing 6 x 30 binoculars and that in other parts of Germany they are making the most important optical instruments of war, such as periscopes, bomb sights, gun sights and aerial cameras. If this is true, it is a tragic blunder and we submit our recommendation that the matter be sifted thoroughly so that all of the facts are brought to light. Our own optical plants and instrument plants are laying off thousands of workers each week, workers who have developed valuable technical skills. They fought the war at the grinding, polishing, and precision assembly benches. There are more than 30,000 of them in America.

Now that their part of the conflict is won, shall we reward them with the loss of their livelihood while German laborers are called back to remain the optical plants of Jena, Brunswick and Strasbourg? Are we to leave ourselves once again at the mercy of the cartels that had maneuvered us into a position where we in this country were without an optical industry?

Isn't this, in a way, reminiscent of how we scrapped our armaments after the last war while we helped our German "friends" get their house of hate in order?

We feel that no German should be employed to produce optics or precision instruments in Germany while American optical workers are losing their jobs through contract terminations or cut-backs.

We feel that, outside of munitions themselves, optics and precision instruments are a nation's most vital weapons of war. We are handing Germany a dagger that may one day be aimed at our own throat if we assist in the revival of her once world dominant optics industry.

We feel that American economic security and American military security demand that we maintain a strong, expanding native optical industry. The extent of cut-backs and curtailments in the industry is so great that we feel the entire industry is in danger of disappearing.

We feel that the resumption of German optical manufacture will prove a bitter fruit of sacrifice and victory to a laid-off American optical worker. His anguish and privation become the burden of hundreds of thousands of his dependents.

We ask that the facts be brought to light. We make the "eyes" through which our armed forces are looking ahead toward complete and final victory. We must go on making them to fortify us for the future. We must never be dependent on other lands for "eyes" through which we can aim our guns.

We may never need them; but let's be sure we have them. Let us never be blind not now, most of all.

Dr. SCHIMMEL. I would like to mention some of the points in that statement. They say:

We broke the bottleneck of optics through the investment of vast sums for tooling and training. We broke it just in time by building an industry overnight where none had existed before. Are we going to abandon it now and permit German optical manufacture to resume at the point where it was interrupted by the bombs of our airmen?

The CHAIRMAN. Their kick, General, is that they are informed that German optical plants are now being rehabilitated, whether by us or the English, and are furnishing optical instruments for the Army which may shut down our own plants. They want to find out from the Army if this is the case.

General HILLDRING. With respect to that particular complaint, I don't know, Mr. Chairman. I have received no report in the War Department that indicates that any optical plant is producing equipment for the United States Army, but I will immediately investigate it and will file a report with the committee, if that is agreeable.

Dr. SCHIMMEL. Mr. Chairman, in view of the fact that there have been numerous complaints of this type, could we prepare an over-all statement of these various complaints and then get a full report on the entire picture?

General HILLDRING. Yes, Mr. Chairman.

The CHAIRMAN. I want to state that abroad I did check certain plants, like the Ford, that were being used to fill a need we couldn't fill in this country, but I found nothing over there that was being used to compete with this country. Of course, if there is we want to know about it.

General HILLDRING. That is right, sir.

The CHAIRMAN. And we must take steps to stop it if such a thing exists.

General HILLDRING. The War Department wants to know it, too, Mr. Chairman.

Dr. SCHIMMEL. Is there any pressure to get war production out of German plants, either by any of the American agencies, not only the War Department, but Navy and other agencies?

General HILLDRING. We have only one case that I know of pending, Dr. Schimmel, and no decision has been made on that one, but it is similar to the question of Ford trucks that I mentioned here. I understand there is no possibility of getting this particular commodity in the United States. That is being investigated, and for that reason no final action has been taken with respect to this other matter.

The CHAIRMAN. I found, also, that in Italy they were trying to get some parts made for repair and rehabilitation of our trucks—made locally, if they could get the mechanics from among the Italians to do it, and they were trying the same in Germany because the parts were unavailable from the United States, but I found no evidence of an endeavor to build up a competing industry.

General HILLDRING. I know of none, either.

The CHAIRMAN. But if there is such a thing we want to find out. Someone with typical American enthusiasm and desire to exploit what he has might do it without the knowledge of the War Department.

General HILLDRING. That is right, and I would be glad to investigate and will report to the committee as soon as we find anything.

The CHAIRMAN. Thank you very much, General Hilldring, for this carefully prepared evidence.

We will recess until Monday at 10:30. At that time Senator Thomas will preside, and the Treasury Department will present evidence which has been gathered by their own representatives abroad.

(Whereupon, at 11:45 a. m., the hearing adjourned until 10:30 a. m., Monday, July 2, 1945.)

EXHIBIT No. 4

REPORT OF THE GERMAN REICHSMINISTRY FOR ARMAMENTS AND WAR PRODUCTION, 1944

FACTORY MANAGERS AND ADMINISTRATIVE STAFF

The total achievement in armaments and war production, as shown in the following report of performance was significant in the year 1944, despite the difficult conditions.

The thanks for this great achievement is due first and foremost to the millions of munition-making women and men and to the factory managers. With unreserved devotion and without consideration of their own health or their families' they have, in the last year of labour, under the most difficult living and working conditions, given their best to supply the fighting front.

The morale and success of our people engaged in production compel us to observe that in 1944 the German worker has fulfilled his duty to the utmost.

With this observation my thanks go out to all those who have cooperated with me and who, with me have in the last 3 years brought German armaments and war production up to this level. This circle of genuine and solid professional men, formed in the rigorous testing time of the most recent war years provides by its unbreakable faith in our work and by its success an example to labour; by its knowledge it constitutes an important factor in the preservation of our nation's strength.

In this hardest hour of our nation I ask all of the factory managers, workers, and administrative staff: Be conscious of your duty at all times and in all circumstances assist unreservedly and with all your strength in this struggle on which lies the fate of our nation. Continue to help, all of you, united in comradeship—trusting in a higher justice—to conquer fate so that the essentials for the future of our nation may be safeguarded.

The production of basic industry was maintained in the first part of 1944, but in the last quarter it fell off as a result of air-raid damage and loss of territory. Nevertheless, it was still possible to keep the armament industry continuously supplied with the necessary material, a task which could be fulfilled only by drastic measures of control.

Many instructions which had to be issued for this purpose were naturally incomplete. In general, however, they have achieved their purpose: That of placing at the disposal of the German armament industry those quantities which it required.

DEVELOPMENT IN BASIC INDUSTRY

The most difficult task was to obtain the necessary coal. The falling off in coal output is due in the main to reduced transport facilities and, to a lesser extent, to the loss of coal-producing areas.

Taking the basis of 100 percent, in 1942, hard-coal production in 1943 was 104 percent, in 1944, 93 percent.

On the same basis, brown-coal production was 105 percent in 1943 and 96 percent in 1944.

Production of crude steel in 1943 increased by 8 percent, as compared with 1942. In 1944 it was 11 percent less than in 1942.

The production of aluminum in 1943 increased by 3 percent as against 1942, and in 1944 by a further 11 percent, so that the target for 1944 was not merely fulfilled but exceeded by 2 percent.

CHEMICAL INDUSTRY AND MINERAL-OIL PRODUCTION

The chemical industry has been the main objective of enemy air attack since May. Every effort was made to repair and rebuild the plants which had been damaged. In spite of air-raid damage we succeeded to some extent in continuing the production of synthetic oil.

The most urgent requirements of the armed forces and of the civilian population for aviation spirit, motor fuel, and Diesel oil have been met up to the present by the output of finished products and by withdrawals from reserves.

Production in other chemical fields has likewise been badly affected by air raids. It was nevertheless possible to carry on partial production, which up to now has still covered urgent requirements.

We must here refrain from quoting figures in detail.

For the maintenance of the fighting power of our troops the production of powder and explosives is of the greatest importance.

In spite of air attacks on the chemical industry, extensive measures or reorganization and the sacrifice of other important chemical products has enabled us to increase production of powder and explosives.

If the production of powder in 1942 be considered as 100 percent, it increased in 1943 to 158 percent and reached 171 percent in 1944.

Forty-five percent more explosives was produced in 1943 and 75 percent more in 1944 than in 1942.

SUBCONTRACTING

Since 1942 subcontractors have by quiet, tenacious, and insufficiently recognized work made possible the final assembly of armaments.

Looking back over the year 1944 it must be pointed out that without the extraordinary performance by those who were responsible for the supply of components and parts, including the intermediate processing of iron and steel, output of all armaments would have fallen considerably by the end of the year.

At the beginning of 1942 the supply of parts and components was the bottleneck in all forms of German armament production. By the autumn of 1944 sufficient reserve of material had been accumulated, with the result that, in spite of more difficult conditions in the basic industry and also among subcontractors, output of armaments was able to be maintained and in some cases even increased.

PRODUCTION OF GENERAL EQUIPMENT

General equipment in 1944 has to give way to the production of armaments. Nevertheless astonishing achievements were attained in this field.

1. Electro-technical articles: The number of condensers produced rose by 85 percent. Five percent more radio valves were produced than in 1943. Output of portable radio sets was 50 percent greater than in 1943. On the other hand, the number of field transmitters fell by 30 percent. Aircraft radio sets increased by 31 percent, searchlights, 150 cm. diameter, by 50 percent, those with a 200 cm. diameter by 245 percent. Output of the 60 cm. searchlight on account of its minor importance was reduced by 17 percent.

2. Precision and optical instruments are contributing substantially to the equipment of German armaments. The following percentages give some idea of the increase in important products, taking 100 percent as the basis in 1943: Telescopic sights for tank turrets increased to 152 percent; telescopic sights for self-propelled guns to 245 percent; telescopic rifle sights 4x to 790 percent; reflector sights for aircraft armament to 245 percent; machine-gun sights M. G. Z., .40 to 360 percent; gun sight, 35 to 200 percent; scissor telescopes, 14 to 195 percent; and panoramic sight, 36 to 370 percent.

3. Remarkable achievements have also been attained in other fields of general equipment without special priorities for manufacture. These products have had to be supplied together with the rest in order to meet the urgent requirements of the Armed Forces, the essential services, the armament industry, and last but not least, the civil population.

It was possible to meet fully the requirements for all kinds of fortification tools in 1944:

	1943	1944
Shovels and spades.....	22,000,000	20,670,000
Steel pickaxes.....	3,240,000	3,130,000

The following were produced in addition:

	1943	1944		1943	1944
Scythes and sickles.....	8,060,000	5,960,000	Textiles for working clothes.....M.	50,000,000	37,200,000
Forks.....	5,640,000	4,886,000	Cloth for uniforms do.....	40,600,000	24,000,000
Rakes.....	2,140,000	1,803,000	Blankets.....	30,500,000	23,000,000
Large and small field kitchens.....	13,100	13,200	Leather working shoes pairs.....	17,400,000	15,750,000
Field and R. A. D. cooking stoves.....	16,800	18,700	Wooden working shoes do.....	43,500,000	37,100,000
R. A. D. bottles.....	57,000	48,500	Leather walking shoes do.....	54,000,000	26,640,000
Receptacles for transport of food..... ⁽¹⁾		13,270	Light shoes.....do.....	49,600,000	48,500,000
Stoves..... ⁽¹⁾		2,260,000	House and gym shoes do.....	52,500,000	31,100,000
Frying pans.....	1,150,000	1,218,000	Shoes (total).....do.....	217,000,000	159,090,000
Pails.....	10,350,000	10,357,000	Plates.....	50,500,000	52,000,000
Cooking saucepans.....	20,200,000	13,620,000	Cups and mugs.....	92,600,000	101,500,000
Knives.....	14,800,000	11,300,000	Food bowls and dishes.....	31,900,000	45,200,000
Forks.....	25,600,000	21,000,000	Bedsteads.....	1,091,000	1,900,000
Tablespoons.....	44,000,000	34,400,000	Linen and clothes cupboard.....	416,000	265,000
Coffeespoons.....	15,450,000	10,100,000			
Infantry carts.....	38,500	40,700			
Field carts.....	120,400	150,000			
Bicycles.....	689,135	513,355			

¹ Not ascertained.

PRODUCTS FROM WOOD

Production in 1944 based on 1943—100 percent, nitrocellulose, 110 percent; fibrous cellulose, 60 percent; plywood (total), 71 percent; aircraft boards, 185 percent; light boards of wood wool, 101 percent; hard boards of wood-fibre, 101 percent; plates of wood fibre, 95 percent.

STONE AND EARTHEN GOODS

	1943	1944
Roof tiles.....	864,000,000	886,000,000
Cement.....mill. tons.....	11.3	11
Fireproof bricks.....do.....	2.7	2
Sheet glass.....mill. sq. metres.....	64.6	66.5

Although it has not been possible to deal fully with all aspects of general equipment, it must be agreed that great achievements have been made. Only in certain essential products for the civil population has there been a reduction in output as a result of the assumption of control of all production by the Rustungs Ministerium. In the main this falling off of output has been caused by lack of raw materials (shoes). Although the necessity of replacing goods destroyed in air raids had outstripped our ability to supply from the resources which were still left at our disposal, our performance in this sphere of war production should not be in any way minimized.

POWER

For years past the supply of power has not been able to keep pace with increasing demand due to the extension of armaments and war production. The additional demands on factory power stations has led to a falling off in efficiency and as a result it has not been possible since 1941 to meet fully the demands for power which come in the peak period of the winter.

In spite of all the difficulties of new construction, additional power plant was made available in 1944 and there was an increase in the output of power, by far the greater part of which went into armaments and war industry. Output of electricity in 1943 was 1.3 percent greater than in 1942 and in 1944 it was 2.4 percent greater than in 1943.

BUILDING TRADE

Within the framework of armaments and war production, building activity has had to be switched to an increasing extent from new building to industrial bomb-damage repairs, to improvisations and to railway repairs.

Toward the end of 1944 additional restrictions were placed on building in order to permit the transfer of labour, plant, and transport to actual armaments and war production.

The most decisive and important task of the Reich Ministry for Armaments and War Production is the maintenance and increase of weapons and equipment for the German armed forces.

In 1943 Grossadmiral Doenitz decided to entrust the arming of the Navy to us. The more important phases of aircraft production were transferred to us on March 1, 1944, and the whole of it on August 1.

The basis was thus created for joint planning of all armament production. This occurred at a time when owing to the difficulties caused by air-raid damage, advance planning could no longer be carried out, with the result that we had continually to rely on improvisation. That it has been possible to attain an increase in production is due to the efficiency of the industrial staff and personnel.

The details of quantities produced are given below. Only those taken over by ordnance depots are included:

Weapons	1944	1940	1941	1942	1943
Carbines and self-loading rifles (total)	191	100	100.5	101	166
Machine guns	490	100	150	148	300
Machine carbines	450	100	210	204	235
Automatic infantry weapons (total)	461	100	190	185	255
Mortars (total)	705	100	97	223	524
2-cm. A. A. guns	388		100	203	286
3.7-cm. A. A. guns	692		100	180	343
Aircraft armament	2,540		100	300	890
A. A. and automatic aircraft armament (total)	1,401		100	248	571
ARTILLERY FROM 7.5-CM. UPWARDS AND HEAVY A. A.					
7.5-cm. antitank guns, model 40 on wheels	790			100	539
8.8-cm. antitank guns, model 43, on wheels	240				
Light infantry howitzer	567	100	131	140	231
Medium infantry howitzer	520	100	159	135	278
Mountain gun, model 36	651	100	120	309	346
16.5-cm. gun-howitzers on wheels	640	100	84	89	256
16-cm. long-barrelled gun	2,003	100	309	386	1,297
Medium field howitzers	407	100	89	110	134
17-cm. long-barrelled guns on howitzer mounting	44		100	138	86
21-cm. howitzer, model 18	37	100	61		36
21-cm. long-barrelled gun, model 39, 39/40, and 42	189	100	244	33	122
8.8-cm. A. A. gun, model 18, 36, 37, and 41	525	100	166	255	391
Heavy A. A. guns	620	100	176	260	520
Heavy A. A. guns from 7.5-cm. upwards (total)	740	100	129	218	489

If guns built into tanks had been included in the above, the gun production should have been:

1944	938
1940	100
1941	136
1942	240
1943	600

ARMoured FIGHTING VEHICLES

In order to compare our production of A. F. V.'s with that of the enemy it is necessary to include the armoured troop-carrying vehicles which, in armament, armour, and cross-country mobility, can be regarded as equal to the light tanks of the Americans still being built today, since they are now all provided with a 7.5-cm. gun.

In detail, the following production was attained:

Number of vehicles	1944	1940	1941	1942	1943
Light armoured fighting vehicles:					
1-ton troop-carrying vehicles	126			100	216
3-ton troop-carrying vehicles	2,241	100	272	342	1,221
Armoured reconnaissance vehicles	240	100	236	358	376
Pz Kpfw. I and II	78	100	2,589	3,400	856
Pz Kpfw. 38 (t)	45	100	254	71	32
Light armoured fighting vehicles (total)	1,259	100	285	455	997
Medium armoured fighting vehicles:					
Pz Kpfw. III		100	206	285	38
Pz Kpfw. IV	1,202	100	171	344	1,097
Assault gun III/IV and Pz Jager 38	5,014	100	299	450	1,804
Self-propelled equipments	100			100	213
Medium armoured fighting vehicles (total)	890	100	212	411	691

Number of vehicles	1944	1940	1941	1942	1943
Extra heavy armoured fighting vehicles:					
"Panther".....	226				100
"Jagd Panther".....					
"Tiger I".....					
"Tiger II".....					
"Jagd Tiger".....	162				100
Extra heavy armoured fighting vehicles.....	210				
Armoured fighting vehicles (grand total).....	1,269	100	239	431	100

A better idea of the increase in armoured fighting vehicle production in the last few years is obtained if the weights are compared with one another; the weight being the criterion of fighting strength.

Weights	1944	1940	1941	1942	1943
Light armoured fighting vehicles:					
1-ton troop-carrying vehicles.....	126			100	216
3-ton troop-carrying vehicles.....	2,241	100	218	342	1,221
Armoured reconnaissance vehicles.....	522	100	253	398	486
Pz Kpfw I and II.....	78	100	2,593	3,406	858
Pz Kpfw 38 (t).....	45	100	254	71	32
Light armoured fighting vehicles (total).....	1,119	100	277	370	810
Medium armoured fighting vehicles:					
Pz Kpfw III.....		100	206	285	39
Pz Kpfw IV.....	1,202	100	171	344	1,098
Assault guns III/IV.....	4,595	100	299	450	1,803
Pz Jager 38.....					
Self-propelled equipments.....					
Medium armoured fighting vehicles (total).....	174			100	303
Extra heavy armoured fighting vehicles:	994	100	212	364	649
"Panther".....	226				100
"Jagd Panther".....					
"Tiger I".....					
"Tiger II".....					
"Jagd Tiger".....	1,310			100	829
Extra heavy armoured fighting vehicles (total).....	2,550				
Armoured fighting vehicles (grand total).....	5,486			100	100
	1,730	100	225	375	2,638

AIRCRAFT PRODUCTION

Aircraft production had to cope with particularly difficult conditions in 1944; in the first place it was subjected to concentrated air raids and in the second place had to carry out the adaptation to new types already prepared and planned by the Director-General of Equipment (Generalluftzeugmeister).

At the end of 1944 the serial output of the new types is in general assured.

In considering numbers produced the fact must of course be considered that heavy and very heavy aircraft could in the main be eliminated from production and a greater number of light aircraft be produced.

	1944	1940	1941	1942	1943
Fighters.....	Percent	Percent	Percent	Percent	Percent
Night fighters.....	1,128	100	167	252	514
Fighter bombers.....	871			100	247
Bombers.....	767	100	107	169	435
Reconnaissance aircraft.....	155	100	113	149	169
Operational aircraft (total).....	426	100	108	99	104
Training aircraft.....	195	100	118	160	273
Military aircraft (total) (without gliders).....	370	100	108	143	246

MUNITIONS

Munitions production is extremely sensitive to all fluctuations in deliveries as there is only a short production period.

Despite this, it was again possible to attain considerable achievements in 1944, which were very difficult to carry out as a result of the decreasing steel production.

	1944	1940	1941	1942	1943
Ammunition for infantry weapons:					
Rifle and revolver ammunition, machine carbine ammunition	182	100	45	45	108
Rifle grenades	387			100	273
Mines	3,400	100	72	510	1,438
Hand grenades	244	100	89	91	300
"Faustpatronen" projectiles	1,610				100
"Panzerschreck" projectiles	1,100				100
Mortar bombs	480	100	20	83	210
Infantry ammunition (total) (without rifle and revolver ammunition)	580	100	67	136	403
Ammunition for light A. A. and aircraft armament:					
2-cm. A. A. German	220	100	78	105	179
3.7-cm. A. A. German	488	100	174	122	187
Ammunition for machine gun M. G. 131	700		100	182	318
Ammunition for machine gun M. G. 151	450		100	431	494
Ammunition for light A. A. aircraft armament (total)	340		100	168	254
Artillery ammunition from 7.5-cm. upwards:					
7.5-cm. antitank gun	225			100	246
7.5-cm. tank gun	559	100	50	104	435
Light infantry howitzer	342	100	31	132	301
8.8-cm. antitank gun	114				100
8.8-cm. A. A. gun	440	100	386	417	402
10.5-cm. gun-howitzer	348	100	32	169	269
Long-barrelled 10-cm. gun	220	100	24	62	137
10.5-cm. A. A. gun	390	100	121	168	229
12.8-cm. A. A. gun	9,900	100	200	500	6,100
Medium infantry howitzer	460	100	90	130	450
Medium field howitzers, including 12.2 and 15.2 cm. (r)	280	100	90	170	290
17-cm. long-barrelled gun	1,080		100	340	960
21-cm. howitzer	165	100	98	86	160
Nebelwerfer	1,400	100	301	780	810
Total of projectiles above 7.5 cm.	400	100	100	210	344
Of which for—					
Antitank and tank	1,116	100	50	302	1,036
A. A.	500	100	420	455	455
Field artillery	330	100	46	160	276
Nebelwerfer	191	100	110	180	180

According to calculations in tons agreed with the "Quartermaster General" (General quartiermeister) the following deliveries of all kinds of ammunition were made:

	Percent
1944	390
1940	100
1941	65
1942	150
1943	290

A picture is thus provided of the performance of the German armament industry in 1944 which clearly shows to all concerned in the work the achievements reached in this field in spite of all the difficulties. They would certainly have been better if the basic and subcontracting industries had not been continually attacked from the air and if transport had been easier.

While basic production sank in the fourth quarter of 1944, it was possible, by means of drastically restrictive measures in all other economic spheres, to avoid a corresponding decrease in armament production.

A comparison between the monthly average of 1944 and that of the fourth quarter provides the following:

	Increase in percentage as against 1944
Carbines (K 98, K 41, K 43)	-3
Automatic infantry weapons (machine guns and machine pistols)	+60
Mortars	+42
Light A. A. and weapons mounted on aircraft	+20
Guns from 7.5 cm. upwards	+22
Of which—	
Antitank	+9
A. A.	+4
10.5-cm. gun-howitzers	+16
Medium field howitzers	+16
Tanks	+8

	<i>Increase in percentage as against 1944</i>
Of which—	
Light tanks.....	- 14
Medium tanks.....	+ 33
Extra heavy tanks.....	- 7
Fighters.....	+ 36
Night fighters.....	+ 7
Fighter bombers.....	- 19
Operational aircraft (total).....	+ 11
Military aircraft (total).....	+ 9

This summary shows that some inroads were made in the production of basic materials. These did not, however, reduce the high output of the weapons and equipment required by the troops.

X

4.1759²:G31 p. 5

ELIMINATION OF GERMAN RESOURCES FOR WAR



**HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE**

SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 107

(78th Congress)

AND

S. Res. 146

(79th Congress)

**AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS**

PART 5

**TESTIMONY OF
TREASURY DEPARTMENT**

JULY 2, 1945

Printed for the use of the Committee on Military Affairs



**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945**

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, Utah, *Chairman*

EDWIN C. JOHNSON, Colorado	WARREN R. AUSTIN, Vermont
LISTER HILL, Alabama	STYLES BRIDGES, New Hampshire
SHERIDAN DOWNEY, California	CHAN GURNEY, South Dakota
ALBERT B. CHANDLER, Kentucky	CHAPMAN REVERCOMB, West Virginia
HARLEY M. KILGORE, West Virginia	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	JOHN THOMAS, Idaho
JOSEPH C. O'MAHONEY, Wyoming	HAROLD H. BURTON, Ohio
ROBERT F. WAGNER, New York	
TOM STEWART, Tennessee	
BURNET R. MAYBANK, South Carolina	

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, West Virginia, *Chairman*

ELBERT D. THOMAS, Utah	CHAPMAN REVERCOMB, West Virginia
EDWIN C. JOHNSON, Colorado	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

II

CONTENTS

	Page
Testimony of Orvis A. Schmidt, Director of Foreign Funds Control, Treasury Department.....	639
Answers submitted by the Alien Property Custodian to questions of Sub- committee on War Mobilization.....	887
Statement submitted by Herbert H. Lehman, Director, United Nations Relief and Rehabilitation Administration.....	897

SCHEDULE OF EXHIBITS

No.	Exhibit	Appears on page
1	Report on the Treasury investigation of General Aniline & Film Corp., filed with the committee.....	
2	Some extracts of evidence uncovered by foreign funds control in connection with New York agencies of Swiss banks.....	659
3	American interests in German industry—German interests in American enterprises.....	660
4	German owned or controlled firms in Portugal, Spain, Sweden, Switzerland, Turkey, and Argentina.....	662
5	Dutch banks sponsored and/or controlled by Germans.....	687
6	Some examples of German penetration in Europe, exclusive of neutrals.....	734
7	Preliminary study of three German banks: Bank Der Deutschen Arbeit A. G.....	738
	Deutsche Bank.....	751
	Dresdner Bank.....	791
8	Cable from France showing German plans for underground, dated February 13, 1945.....	836
9	Statement of Georg von Schnitzler (member of central com- mittee of I. G. Farben board of directors) on February 1933 meeting of financing of the Nazi Party by German industrialists.....	837
10	Biographies of German industrialists:	
	Count Hans Bodo von Alvensleben.....	838
	Herman Buecher.....	839
	Dr. Friedrich Flick.....	840
	Alfred Krupp von Bohlen und Halbach.....	841
	Dr. Gustav Krupp von Bohlen und Halbach.....	842
	Hermann von Hanneken.....	842
	Dr. Hugo Henkel.....	843
	Dr. Alfred Hugenberg.....	845
	Dr. Max Ilgner.....	845
	Hans Kehrl.....	846
	Wilhelm Keppler.....	847
	Philipp Kessler.....	848
	Dr. Florian Klöckner.....	849
	Johann August von Knieriem.....	849
	Heinrich Koppenberg.....	850
	Carl Krauch.....	851
	Fritz Lehman.....	851
	Karl Lindemann.....	853
	Kurt Nebelung.....	854
	Alfred Olscher.....	856
	Waldemar von Oppenheim.....	857
	Dr. Robert Pferdminges.....	857

SCHEDULE OF EXHIBITS—Continued

No.	Exhibit	Appears on page
10	Biographies of German industrialists—Continued.	
	Hans Pilder.....	859
	Paul Pleiger.....	860
	Ernst Poensgen.....	861
	Gunthar Quandt.....	863
	Karl Rasche.....	864
	Philipp F. Reemtsma.....	865
	Hermann Röchling.....	866
	Dr. Kurt Schmitt.....	868
	Dr. Hermann Schmitz.....	869
	George von Schnitzler.....	870
	Kurt von Schroeder.....	870
	Hermann von Siemens.....	872
	Dr. Heinrich von Stein.....	873
	Paul Stein.....	874
	Hugo Stinnes.....	875
	Wilhelm Tengelmann.....	876
	Fritz Thyssen.....	879
	Albert Vogler.....	881
	Kurt Weigelt.....	882
	Baron Tilo von Wilmowsky.....	883
	Wilhelm Zangen.....	884
11	News story, SS guards spared hostages to win allied forgiveness, Washington Daily News, June 28, 1945.....	886
12	Answers submitted by the Alien Property Custodian to questions of Subcommittee on War Mobilization.....	887
13	Statement submitted by Herbert H. Lehman, Director, United Nations Relief and Rehabilitation Administration.....	897

ELIMINATION OF GERMAN RESOURCES FOR WAR

MONDAY, JULY 2, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:40 a. m., pursuant to adjournment on June 29, 1945, in room 357, Senate Office Building, Senator Elbert D. Thomas, Utah, presiding.

Present: Senator Elbert D. Thomas, Utah.

Also present: Dr. Herbert Schimmel, chief investigator.

Senator THOMAS. The hearing will come to order.

Mr. Schmidt, for the record, will you state what you want to have appear about yourself, please?

TESTIMONY OF ORVIS A. SCHMIDT, DIRECTOR OF FOREIGN FUNDS CONTROL, TREASURY DEPARTMENT

Mr. SCHMIDT. Surely. My name is Orvis A. Schmidt, Director of Foreign Funds Control, in the Treasury Department. I have recently been serving as a technical assistant to the United States Group C. C. in the European theater.

Senator THOMAS. What is the United States Group C. C.?

Mr. SCHMIDT. United States Group Control Council.

That is part of the planning staff in the American zone. It is a branch that does the planning and helps execute the policy in the American zone of Germany.

Senator THOMAS. And the funds you mentioned?

Mr. SCHMIDT. I am Director of Foreign Funds Control, which is the branch of the Treasury which has exercised controls over the frozen assets within this country, and has been responsible for this country's financial controls since 1940.

Senator THOMAS. That is, this country's financial controls of foreign money?

Mr. SCHMIDT. Of foreign money, and of all international financial transactions.

Senator THOMAS. Will your control extend to German finances as we capture them?

Mr. SCHMIDT. Our control here extends to all frozen assets in this country, including the German. The control of German assets within Germany will be exercised by the American Military Government, with which I am serving as a technical assistant.

Senator THOMAS. Are those assets both public and private?

Mr. SCHMIDT. That is correct.

Senator THOMAS. For instance, are the great gold hoards which our Army has picked up handed over to the fund control organization?

Mr. SCHMIDT. No. Foreign Funds Control has jurisdiction over the assets of blocked countries which are held in the United States. The gold and other assets found in Germany are handed over for custody to the Finance Division of the United States Group C. C., where they are presently held.

Senator THOMAS. Do you have the same function that the Alien Property Custodian had in the last war?

Mr. SCHMIDT. No, Senator; our functions have been a little broader. The division between the Alien Property Custodian's property responsibilities and the responsibilities of the Treasury Department has been spelled out by Executive Order 9193 as amended. The Alien Property Custodian has responsibility for certain categories of enemy assets. The Treasury Department has responsibility for the assets of the other blocked countries and for all international financial transactions.

The division of responsibility has recently been somewhat changed. The responsibility to vest all German and Japanese assets in the United States has been delegated to the Alien Property Custodian.

The Foreign Funds Control was established in 1940 by Executive Order 8389, when the Germans went into Denmark and Norway. At that time, all the assets in this country held by Norwegians and Danes were frozen. Subsequently, as the Germans extended their aggression to other countries, it became necessary to extend our freezing operations until finally controls were established with respect to the funds and all international transactions with respect to most of the world, with the exception of the British Empire and Latin America.

We have thus been waging an aggressive and protective financial warfare to prevent the Germans from using our financial facilities against us, and also assisting our own armed forces in the financial front.

The Treasury has been administering the United States wartime program of financial controls under the Trading With the Enemy Act through Foreign Funds Control. In its administration of Foreign Funds Control, the Treasury has acquired considerable insight into German methods of financial penetration directed toward the establishment of an economic base for world domination. This activity began well in advance of the military aggression which Germany unleashed against the world in 1939. In fact, it can be said that the German penetration into the industry and finance of foreign countries was employed, within a few years after the last war, as a forward echelon of the Wehrmacht.

I. GERMAN PENETRATION IN UNITED STATES AFTER WORLD WAR I

There is no need for me here to repeat the well-known techniques used by the Germans to penetrate the industrial life of this country. You are familiar with the story of General Aniline & Film, the first German firm investigated by the Treasury Department, which got under way in this country as early as 1925. You may have read the recent press story of the Westermann Book Shop, which, as early as

1926, was acquired by the then chairman of the Krupp works, Alfred Hugenberg—

Senator THOMAS (interposing). Didn't the German interference with our shipping come earlier than that?

Mr. SCHMIDT. I believe they were working on all fronts, Senator, but we have highlighted here the things which we regard as the most telling points in their financial warfare program.

The book shop, for example, was acquired by the chairman of the Krupp Works, Alfred Hugenberg, to serve as an outlet in this country for German propaganda and as a vehicle for the transmission of vital military information to Germany.

Senator THOMAS. Tell us more about the book store. Where was it?

Mr. SCHMIDT. This was a book store used in New York as a front for the Nazi propaganda machine.

Senator THOMAS. What is its name?

Mr. SCHMIDT. The Westermann Book Shop. I believe that story has been made public, and I cite it merely in passing.

Senator THOMAS. Is it part of our hearings?

Mr. SCHMIDT. I am not sure.

Senator THOMAS. Is it still running?

Mr. SCHMIDT. No; it was closed by the Treasury Department in the early days of the war, immediately after our entry into the war.

Senator THOMAS. Did they publish?

Mr. SCHMIDT. I don't recall, but primarily it was a book store which served as a cover for German sabotage.

Senator THOMAS. Had it been a book store before?

Mr. SCHMIDT. Yes; it was a very old book store which was acquired in 1926 by a leading German industrialist to be used as part of Germany's international propaganda organization.

Senator THOMAS. When was the book store established? Was it of long standing?

Mr. SCHMIDT. It was established in 1848.

Senator THOMAS. Then it was in existence during the First World War.

Mr. SCHMIDT. Yes; but it was not then under German control. It was taken over as a front for propaganda in 1926.

Senator THOMAS. My point there is, if you date German activities from 1926 you have a lot of history to go back over, haven't you?

Mr. SCHMIDT. That is correct, Senator. They began as soon as they were able to organize after the First World War. We will present other examples of the manner in which they operated during the two decades.

Dr. SCHIMMEL. Mr. Chairman, may I say that Mr. Crowley gave us a very detailed statement of German activity going back to 1918. The Treasury Department is supplying some highlights.

Mr. SCHMIDT. I have some up-to-date information that I brought with me direct from Germany, Mr. Chairman. However, I thought this background would give a better understanding of the things which we are now uncovering in our investigations within Germany itself.

Senator THOMAS. Go ahead, Mr. Schmidt.

Mr. SCHMIDT. You are fully aware of the extensive infiltration of German agents during the late twenties and thirties into such firms

as General Aniline & Film, Rohm & Haas, Schering, American Bosch, and so forth, to revive and strengthen the German interest in the apparent American business firms. Exhibit 1 sets forth a typical case of German infiltration into American business in the form of the full report of the Treasury investigation of General Aniline & Film Corp.

I would like to give this to the committee for its confidential use for the time being, pending our ability to release it for publication after clearance with other agencies who are handling and winding up the particular case.

Senator THOMAS. If it is something that is still confidential, you had better keep it and let representatives of the committee read it down at the Treasury Department.

Mr. SCHMIDT. All right, we will be glad to do that.

The extent of known German investments in the United States has, I believe, been fully reported by the office of the Alien Property Custodian. There is every indication, however, that we do not as yet have the complete story. To illustrate: Swiss banking facilities have expanded considerably since the last war. Whereas in 1914 there were 295 Swiss banks with deposits of about 7,000,000,000 Swiss francs, in 1942 there were 372 banks with deposits of over 16,000,000,000 Swiss francs.

Senator THOMAS. Were those banks in Switzerland?

Mr. SCHMIDT. In Switzerland.

In addition, these banks hold billions of dollars of investments outside of Switzerland for accounts of their unnamed clients, of which about \$500,000,000 to \$600,000,000 is held in the United States alone. The attraction of Swiss banking facilities for non-Swiss subjects is considerably enhanced by the Swiss secrecy law which makes it a crime for a banking institution to reveal to anyone, even to the Swiss Government itself, any financial and commercial information of a confidential character.

In fact, Foreign Funds Control investigation of the agencies of Swiss banks in the United States, made early in 1942, disclosed that the concealment of ownership through the use of so-called omnibus accounts by using numbers and initials to indicate different undisclosed owners was part of a pattern, consistent with Swiss practice, to avoid being required to reveal to a foreign government the ownership of assets within the jurisdiction of that government. Some extracts from the evidence uncovered by this investigation are incorporated as exhibit No. 2.

These are extracts taken in the course of our investigation.

(Exhibit No. 2 appears on p. 659.)

Mr. SCHMIDT. Thus there has been an open invitation to the Germans to utilize Swiss facilities to conceal their assets throughout the world. That invitation is still open. Even at this late date, the Swiss Government is loath to take the necessary steps to force banks and other cloaking institutions to disclose the owners of assets held in or through Switzerland. This means that German assets held in or through Switzerland will not be identified. Thus, the true picture of German financial and industrial penetration throughout the world will be kept a secret. By the same token, Swiss banks will continue to profit by protecting, through their secrecy laws, Germany's war potential—the hidden assets of its financiers and industrialists.

Your committee has already heard testimony and reported on the intricate arrangements between Germans and United States firms which had the disastrous effect of throttling United States production of strategic materials. I refer, for example, to the arrangements between Aluminum Corp. and I. G. Farben which restricted production of magnesium in this country; the 1937 agreement between Siemens & Halske and the Beryllium Corp. of America, which restricted the production of beryllium in the United States; the 1930 agreements between American Bosch and Robert Bosch, whereby our production of Diesel engines suffered to such an extent that we could not meet the 1942 German submarine menace; the 1929 tetracene agreement between Remington Arms and I. G. Farben, whereby we were prevented from supplying Great Britain, in 1941, with this important chemical compound used in priming machine guns, rifle and pistol armaments. In connection with interrelations between German and American industries we have prepared, in exhibit 3, a statement of the extent of the investments by American firms in various types of German industries and of the types of American concerns which are known to have had substantial interests in German industry.

(Exhibit No. 3 appears on p. 660.)

Mr. SCHMIDT. This exhibit also sets forth the types of industries in the United States in which German interests are known to have been present.

II. GERMAN PENETRATION IN EUROPE AFTER WORLD WAR I

We know now that immediately after World War I an important segment of Germany's physical war-plant facilities and technicians were moved to other countries to provide a nucleus for a new German effort at world conquest. We know now that, to avoid the provisions of the Versailles Treaty, the German Zeiss optical firm organized a subsidiary in Holland and continued the manufacture of military optical instruments; that branches of Krupp were established in Holland and Sweden; that the Dornier Airplane Co. commenced operations in Switzerland, while Junkers and Heinkel built planes in Sweden; that the Rohrbach plant commenced activities in Denmark; and that the Dutch concern, Siderus Smit, was organized in Holland to manufacture cannons, machine guns, tanks, and so forth; that it was managed by former Krupp officials and operated with capital contributed by the armament stocks transferred by Krupp to this company to avoid the effect of the Versailles Treaty.

The undercover expansion of German industry throughout Europe was an integral part of similar activity within Germany under the very nose of the Inter-Allied Control Commission. For example, the Reichsverband der Deutschen Industrie (RVDI) was organized in 1919 as the central organization of German industry which very quickly embarked upon a policy of long-term planning, both within and without Germany, skillfully integrated to Germany's future military needs. Through this organization, secret subsidies were paid by the German Government to various firms for research and experimentation adaptable to military uses.

The RVDI had a secret department which collaborated closely with the Ministry of Defense in planning the manufacture and perfection

of armaments of the types forbidden by the Treaty of Versailles, including such items as heavy guns, tanks, and airplanes. According to the then Nazi-controlled *Pariser Zeitung*, it was disclosed not so long ago that the beginnings of the construction of the famed Tiger tank dated back to about 1927.

That this was all part of the German underground military movement immediately after World War I was corroborated in a recent speech by Karl Waninger, director of Rheinmetall-Borsig, one of the great metallurgical and armament combines. He outlined, step by step, the manner by which his organization secretly retained a technical staff and developed construction models, under the eyes of the Allied Control Commission, which made possible the earlier resumption of artillery manufacture after World War I.

Senator THOMAS. May I stop you there a minute, Mr. Schmidt? In your investigations, did you find and have you got in the records of the Treasury Department, evidence of German influence during reparations proceedings and the Dawes plan, the Young plan?

Mr. SCHMIDT. We have evidence to the effect that all the while the Germans were alleging their inability to pay—and it is a point I was coming to—they did have substantial assets cloaked abroad; while saying they had no funds and getting us to put up the money, they were hiding their own.

Senator THOMAS. That part is pretty well known and was known even then, but I am wondering if in the negotiations themselves you have run into anything which would help us understand the position which men like Mr. Dawes and Mr. Young found themselves in, because there probably will be some negotiations in the future, will there not?

Mr. SCHMIDT. There will, and I will say we will be delighted to check on that and see if there is anything further we could supply other than what I will have to say today.

As soon as the last World War was over, German military and industrial leaders sent huge sums of money abroad not only to avoid Allied controls, but to finance these postwar activities. In fact, Swiss newspapers reported in 1919 that Germany had cached 35,000,000,000 marks in Switzerland. Fortune, in 1933, stated that 80 percent of all Liechtenstein corporations were organized as cloaks for German funds. We know that Panamanian and Luxemburg companies served the same purpose.

The magnitude of German economic penetration in the neutrals is indicated by a preliminary study which reveals that German industry still owns or controls approximately 750 subsidiaries and affiliates in the four European neutrals, Portugal, Spain, Sweden, and Switzerland, and in Turkey and Argentina.

These are listed in exhibit 4.

(Exhibit No. 4 appears on p. 662.)

Mr. SCHMIDT. This is in addition to vast amounts of securities, bank deposits, patent rights and other forms of assets which the Germans are known to be holding in these countries.

German penetration into the Dutch banking system was fairly extensive. We have prepared, in connection with our Foreign Funds Control program for Dutch assets in this country, a study of some of the Dutch banks which appear to be sponsored and/or controlled by German interests. It is submitted here as exhibit 5.

(Exhibit No. 5 appears on p. 687.)

Mr. SCHMIDT. I have added as exhibit 6 some of the more notorious examples of German penetration into the banking and industrial system of other European countries occupied by the Germans, and, as exhibit 7, preliminary reports of three German banks which, among other things, illustrate how such financial institutions were vehicles for the industrial and financial penetration of the European economy.

(Exhibit No. 6 appears on p. 734, and exhibit No. 7 appears on p. 738.)

III. GERMANY HAD HIDDEN RESOURCES TO FINANCE A NEW WAR

Mr. SCHMIDT. There is already evidence not only from the published speeches of Germans and records of meetings, but from the extent of their infiltration into the foreign countries even before VE-day, that the Germans intend to preserve this vast economic structure and to follow the same pattern after this war.

The danger does not lie so much in the fact that the German industrial giants have honeycombed the neutrals, Turkey and Argentina, with branches and affiliates which know how to subvert their commercial interests to the espionage and sabotage demands of their government. It is significant, but not all-important, that I. G. Farben has 8 subsidiaries in Argentina, 3 in Portugal, 4 in Sweden, 6 in Switzerland, and 14 in Spain.

I might say those were ones we knew about even before we began to investigate in Germany. And AEG has six subsidiaries in Argentina, one in Portugal, two in Spain, and three in Sweden; and Siemenschuckertwerke has seven subsidiaries in Argentina, two each in Portugal and Sweden, four in Spain, and five in Switzerland, and Vereinigte Stahlwerke has seven subsidiaries in Argentina, three affiliates in Spain, and four in Sweden; and so on almost ad infinitum.

It is important and dangerous, however, that many of these branches, subsidiaries, and affiliates in the neutrals and much of the cash, securities, patents, contracts, and so forth, are ostensibly owned through the medium of secret numbered or rubric accounts, trusts, loans, holding companies, bearer shares, and the like by dummy persons and companies claiming neutral nationality and all of the alleged protection and privileges arising from such indentity. The real problem is to break the veil of secrecy and reach and eliminate the German ability to finance another world war. We must render useless the devices and cloaks which have been employed to hide German assets. Illustrative of some of these neutral cloaks are the following:

I. G. Farbenindustrie A. G., the world's largest manufacturer of chemicals, anilines, and dyes, has set up an elaborate system of cloaks in the hope of establishing neutral identity for its numerous foreign subsidiaries and affiliates. Two of its more important cloaks are I. G. Chemie and H. Sturzenegger & Cie., both of Basle, Switzerland. The former was established by I. G. Farben in 1928 to hold foreign assets. I. G. Chemie's first president, Hermann Schmitz, was chairman of the board of directors of I. G. Farbenindustrie and a director of the German steel combine, Vereinigte Stahlwerke. He was an early supporter of Hitler. Other members of the original I. G. Chemie board of directors were also closely affiliated with I. G.

Farben interests. It was through I. G. Chemie that I. G. Farben attempted to cloak its ownership of General Aniline & Film Corp., as our investigation reported in exhibit 1 disclosed. I. G. Chemie still claims to be a Swiss company. Sturzenegger & Cie. is a private bank reportedly owned by a Swiss national, Hans Sturzenegger, and the Industrie Bank A. G., of Zurich. Sturzenegger & Cie. acts as general trustee and banker for I. G. Farben's foreign interest, concentrated mainly in I. G. Chemie, and has been used to organize other I. G. holding companies and to act as intermediary for fictitious transfers of stock between various I. G. Farben subsidiaries.

Schering A. G., Berlin, one of the principal German pharmaceutical firms, has also established a network of cloaks, two of which are Chepha, a holding company for Schering subsidiaries in the United Kingdom and United States, and Forinvent which, in 1939, took over the nominal ownership of Schering subsidiaries in Latin America and in other parts of the world in an effort to "neutralize" the entire Schering organization.

Sofindus is one of the largest German companies in Spain. It is owned by two Berlin firms and acts as the official German purchasing agency. Although capitalized at only 3 million pesetas, it is estimated to control over 500 million pesetas in Spain through more than 25 subsidiaries and affiliates, all of which are separately incorporated under Spanish law which requires that 75 percent or more of the stock ownership be held (at least nominally) by Spanish citizens.

The German industrialists and financiers have made no great secret of their plans to capitalize on their hidden reserves outside of Germany. Your committee has already referred to the meetings held at Strasbourg in August 1944, which were attended by representatives of the Nazi Party and leading industrial concerns such as Krupp, Messerschmitt, Rohling, Rheinmetall, and so forth.

Another report states that in orders, dated January 22, 1945, Himmeler informed all gauleiters that certain party men in whom Hitler had confidence would be sent abroad for special missions; in February 1945, 345 party members received orders to prepare to leave Germany. Again, Ernst Wilhelm Bohle, head of the Nazi Ausland organization, was reportedly engaged in setting up an extensive number of foreign bureaus, particularly in the neutrals, to assist Hitlerite ringleaders in fleeing from Germany. Gen. Otto Stupenagel, sometime prior to VE-day, admitted that Germany was turning her booty into deposits in neutral countries and that she would plead poverty until the time comes for her to try again.

Senator THOMAS. How many of these men got out?

Mr. SCHMIDT. Not many of them. Some of them we have in custody now and we are in position where we can begin to question them and examine their personal files and records.

Marshal Von Mannstein directed, in a confidential circular to brigade commanders in September 1943 that they should procure commodities of little weight but representing great value, such as jewelry, precious stones, and so forth, so that they can be sold easily and transformed into monetary deposits to be held in "inviolable" places.

On that point I would like to give you exhibit 8, which documents some of them.

(Exhibit No. 8 appears on p. 836.)

Senator THOMAS. That goes back to '43, you say?

Mr. SCHMIDT. Their recent plans go back to the time they were sure they were going to lose this war, which I think is generally the time the United States got in. From that, there is ample evidence, that in many respects their foreign exchange control worked backward in reverse, to assist in hiding funds and getting them out of Germany to prepare for the day when we would be coming in to establish controls and attempt to prevent their again being able to carry on war.

Senator THOMAS. How long has the Treasury known about some of these things?

Mr. SCHMIDT. The Treasury, through Foreign Funds Control, has been watching as closely as we can for the last 4 years, even before we got into the war. Much of our information goes back to a very early date. Of course, whenever we were in a position to do so, we took steps to block, to freeze, their assets, to interfere as much as we could with their operation.

Senator THOMAS. Did the Treasury know anything about this, for example, when Mr. Hoover recommended a moratorium?

Mr. SCHMIDT. At that point I wasn't around, Mr. Chairman. I am a little better prepared to speak with respect to our activities in the last 5 years.

Senator THOMAS. Does it look as if we were completely innocent of all of these things when the Dawes plan and the Young plan and then the moratorium and all those things were indulged in? Is there no one down there that seems to be a little bit suspicious?

Mr. SCHMIDT. I am not fully familiar with the attitude and knowledge of the various people within the Government at that time.

However, it is my personal opinion that there was little consciousness in the Government at that time of the extent and significance of German economic penetration throughout the world. I believe the same is true of their external financial operations. It was not until the establishment of Foreign Funds Control, in 1940, by the Treasury that this Government actively began to focus on the extent and implications of German economic aggression throughout the world.

Dr. SCHIMMEL. Would you have access to old Treasury records which you could study to answer the chairman's question?

Mr. SCHMIDT. Surely. We would be glad to look into that.

We have done some of that in connection with our investigations of companies here, and we have found, Mr. Chairman, one of the things that has disturbed us is that the companies which our Alien Property Custodian in the last war took over and which were ostensibly Americanized were all back in German hands about 10 years after the war was over. We have found one of the best leads to German interests in the United States in this war has been to check back and see what was German in the last war. Part of our operation has been to see that the German interests are really uncovered this time, and that appropriate measures are taken to see that that does not happen again.

IV. GERMAN FINANCIERS AND INDUSTRIALISTS WILL AGAIN LEAD GERMAN UNDERGROUND

The extensive plans for an underground movement can only be successful if the Germans can utilize the reserves already accumulated abroad and presently being added to by various devices.

If these resources are left uncontrolled, we can expect the reemergence of a powerful Germany again seeking world domination. The personnel of this new underground movement will not, in all probability, be the marked officials and members of the Nazi Party. The greatest danger will come from those who are not so easily identifiable as Nazis. It will come from the group of people about whom the Nazis have cast a smoke screen to disguise their true character. It will come from those representatives of industry and finance who may not have been enrolled members of the Nazi Party but who participated and aided in the rise of Hitler following World War I.

I have already indicated how, by well laid schemes, the close of World War I left German heavy industry with strength unimpaired and the ranks of German industrial organization unbroken. The great industrial leaders, still determined in spite of military defeat to attain world supremacy, cast about for a political figurehead which would enable them to achieve their objectives. There is evidence that even in the early days of the Republic they were seeking a government which could free the country from reparation demands, and embark upon a second attempt at world conquest.

By 1919 Krupp was already giving financial aid to one of the reactionary political groups which sowed the seed of the present Nazi ideology. Hugo Stinnes was an early contributor to the Nazi Party (National Socialistische Deutsche Arbeiter Partei). By 1924 other prominent industrialists and financiers, among them Fritz Thyssen, Albert Voegler, Adolph Kirdorf, and Kurt von Schroeder, were secretly giving substantial sums to the Nazis. In 1931 members of the coal-owners' association which Kirdorf headed pledged themselves to pay 50 pfennigs for each ton of coal sold, the money to go to the organization which Hitler was building.

A substantial part of the money contributed by the German industrialists was given for the explicit purpose of financing Nazi propaganda. In 1925, Hugo Stinnes' sons and heirs supplied the funds for converting the Nazi weekly paper, the *Volkischer Beobachter*, into a daily publication. In 1926 Alfred Hugenberg, then building up a world-wide intelligence network, gained control through his publishing firm, August Scherl, of Berlin, of the B. Westermann Book Shop of New York City, to which I have already referred.

The I. G. Farbenindustrie, while financing Nazi publications, attempted to gain an ascendancy over the republican government. It followed a policy of infiltration into the Bruening administration through several of its leading officials, appointed to Government posts. Hermann Schmitz is said to have been one of Bruening's principal advisers. Two Farben men, Moldenhauer and Warnbold, served, respectively, as Ministers of Economics and Finance. Other Farben representatives were placed in the Foreign Office and the War Ministry.

In 1932 Krupp and other big industrialists supported Franz von Papen for the Chancellorship and thus ousted Bruening. Only a few months later Von Papen was able to organize a campaign which resulted in the election of Hitler to the Chancellorship in January 1933.

After the Nazis had actually assumed power, they no longer needed to beg for money. At a meeting called by the President of the

Reichstag, who happened to be no other than Goering, the industrialists' financial support for the Nazi Party was ordered. Dr. Hjalmar Schacht presided, and a group of some 20 prominent industrialists attended. Hitler himself appeared to shake hands with each of the industrialists attending the meeting. Among those present were Krupp von Bohlen, of the great armament works; George von Schnitzler, of I. G. Farben; and Albert Voegler, of the steel combine, Vereinigte Stahlwerke. Schacht stated that a campaign fund of Rm. 3,000,000 was required. Quotas were fixed according to the size of the contributing enterprises. I. G. Farben's subscription was estimated at 10 percent of the total. Other firms apparently subscribed in proportion. Exhibit 9 is a statement made by Georg von Schnitzler, member of the central committee of the I. G. Farben group of directors, to the finance section of General Eisenhower's headquarters about the February 1933 meeting at which the financing of the Nazi Party by German industrialists was discussed.

This was written by Mr. von Schnitzler, who is at present in custody in connection with our present investigation.

(Exhibit No. 9 appears on p. 837.)

Mr. SCHMIDT. Continued financial, political, and moral support by the big industrialists facilitated Hitler's further advance to complete political supremacy. There are reports of later meetings and additional subscriptions to the Nazi war chest. As the older industrialists, such as Karl Duisberg, Karl Bosch, Adolf Kirdorf, and Otto Wolff, died, younger representatives of the same families or industries took their places in supporting the Nazi movement. As military preparations got under way, rewards for loyal adherence to the party took the form of profitable orders. Soon, many of the industrialists identified themselves completely with the Nazi drive for conquest and war and occupied many leading positions in the economic, political, and administrative hierarchy which the Nazis built up. Honors, jobs, and profits accumulated. Every shred of democracy was abolished. The industrialists had a field day.

A description of the background of a few of these persons is set forth in the attached exhibit 10. Unless we stop them, they and their descendents are ready to carry on.

I also have attached exhibit 11, which bears on that point and points up the necessity of beating them on this front and preventing them from again waging war and building up the financial resources to carry it on.

(Exhibit No. 10 appears on p. 838, and exhibit No. 11 appears on p. 886.)

Mr. SCHMIDT. I might say in that connection, Mr. Chairman, that I have here, which I can read for the record, a statement which was made by one of the Farben people in connection with our investigations in Germany. This is a statement which contains information which he gave out in the course of questioning of him, and he was later willing, when it was typed, to write his name to it, and I have it here, written in German and in English in his own handwriting and signed by him, which has been typed up.

The exact statement is as follows:

To my knowledge, I. G. Farben, its directors and officers, fully approved the Nazi aggression against Poland, Czechoslovakia, and France. I. G. profited considerably from these conquests. I. G. Farben did not approve of the attack

on Russia and the Hitler declaration of war against the United States, because we were well aware of the American power.

I. G. Farben, its directors and officers, are therefore responsible, and it is my belief that the Allied Powers must take adequate measures to so control Germany that these acts cannot be repeated again.

Senator THOMAS. How did you get that?

Mr. SCHMIDT. As I say, this is something which the I. G. Farben man himself wrote out after he had been questioned by one of our men.

Senator THOMAS. This is dated June 12, 1945?

Mr. SCHMIDT. Yes, sir.

Senator THOMAS. And where was it taken?

Mr. SCHMIDT. This was given in Frankfurt, Germany.

Senator THOMAS. Frankfurt-am-Main?

Mr. SCHMIDT. Yes, sir. It is an example of the type of information that we are beginning to find in the course of our investigations. I might say that in the course of our investigations we are also finding the close manner in which I. G. Farben worked hand in glove with the members of the German High Command in assisting them to carry out their espionage and subversive activities throughout the world. If you would like me to, I should like to read some of the letters which we have found in the I. G. Farben files, which show the manner in which representatives of I. G. Farben did the espionage work for the German High Command.

For example, I have a letter here dated March 15, 1943, from Colonel Piekenbrock, of the General Staff, chief of counterespionage section I, Wehrmacht Supreme Command, to Dr. Georg von Schnitzler, which reads as follows—you may remember that von Schnitzler was referred to earlier in my statement:

DEAR HERR DR. VON SCHNITZLER: I would like to inform you that I am shortly leaving Berlin and my present office, to take over a command at the front. I feel particularly urged to thank you for the valuable cooperation which you have extended to my office. I shall always retain pleasant memories of the personal and official collaboration with you.

I should like to take this opportunity of asking you to give the same support to my successor, Lieutenant Colonel Hansen.

With many thanks and heil Hitler, I remain,

Yours very devoted,

PIEKENBROCK.

Senator THOMAS. Who was he?

Mr. SCHMIDT. He was the chief of the counterespionage section I of the Wehrmacht Supreme Command, and Von Schnitzler was the manager of the foreign department of I. G. Farben.

Senator THOMAS. Where is this man now?

Mr. SCHMIDT. Von Schnitzler is in custody in Frankfurt.

Senator THOMAS. Where is the other?

Mr. SCHMIDT. I don't know where Piekenbrock is. He was in the Army, and I assume he is a prisoner.

I might say that we also have the answer that Dr. Von Schnitzler gave to Piekenbrock. He replied:

DEAR COLONEL: I thank you very much for your kind note of March 15 and take the liberty of expressing my best wishes for your front command.

I and my colleagues working here at Frankfurt on foreign business have always considered it a duty of honor to be always at your disposal for your special tasks. This will, of course, be the same in the future after your successor, Lieutenant Colonel Hansen, has taken over.

With cordial regards and heil Hitler, I remain,

Yours very devoted,

V. SCHNITZLER.

We have additional examples as evidence on the point.

I have a letter here dated March 30, 1940, from Von der Heyde to Von Schnitzler. These are two I. G. Farben people writing to each other, and I will read the exact translation:

Senator THOMAS. What was the date?

Mr. SCHMIDT. The date of this letter is March 30, 1940. He writes:

As you know, the OKW (which refers to the Supreme Command of the Wehrmacht) has repeatedly expressed its request for all possible help in placing its "Vertrauensleute" (which are confidential agents, or spies) abroad. The OKW has approached us in regard to cases in which it was desirable to incorporate permanently into our foreign organization a trustworthy person in regard to cases where temporary backing for confidential agents on individual trips abroad of limited duration was needed. As I explained at the last meeting of the commercial committee, not only the OKW but also the Reichssicherheitshauptamt (which is the Reich security main office) has such desire and pursues its specific aims in accord with the OKW.

And Von Schnitzler on April 3, 1940, wrote to Von der Heyde:

I recently had occasion in Berlin to discuss with Major Block, of the OKW, another matter pertaining to this subject, i. e., whether and to what extent the OKW wants to use the services of the Gesellschaft für Verkaufsförderung Association for Sales Promotion, which is under the management of Messrs. Kunzler and Von Puttkaner.

That is, he asked whether and to what extent the OKW wants to use the services of this sales agency, which is under the management of Kunzler and Von Puttkaner.

This company is particularly well suited for the intended camouflaging maneuvers, since the failure of one of its emissaries will never lead to a catastrophe; if worst comes to worst, this company might have to cease operating in some particular country and would have to confine its activities to the other neutral countries.

In other words, they are picking one which they feel they could easily close up in that particular country as long as it can operate elsewhere.

We have another interesting one of November 9, 1943, from the Wirtschaftspolitische Abteilung of the German Government to Dr. Oberhoff, of I. G. Farben, and I will quote the letter:

Lieutenant Colonel Bocher is shortly going to Spain on orders of the ABwehr (which was the Wehrmacht Intelligence). However, since it is not supposed to be known there that he is attached to this agency, he is to be camouflaged by becoming part of some firm. Since Bocher is a wool merchant by trade, it was first thought advisable to place him with a wool purchasing firm from Sofindus. For special reasons this is not possible, and the RMW is now inquiring whether the I. G. would be able to find a place for Mr. Bocher.

All the way through, our findings are that I. G. Farben, with its vast networks of foreign holdings, was regarded as one of the mainstays of the Wehrmacht in placing confidential agent spies abroad and in financing propaganda and other activities desired by the German Government.

We have found an I. G. Farben list of its own companies abroad and at home—a secret list hitherto unknown—which names over 700 companies in which I. G. Farben has an interest. You can understand, from the size of that list, its ability to assist the war machine in carrying on its foreign activities.

I might also say that it was a practice of I. G. Farben to have its own agents—I think they call them *verbindungsleute*—which are its own set of spies and confidential agents abroad as a regular thing. This was done not only to check up on how its own agencies were operating, but to report for I. G. Farben's use on political, economic, military developments in countries all over the world. It was sort of a foreign service of I. G. Farben similar to the whole network of foreign-service agencies maintained by many sovereign countries. So valuable was the assistance of I. G. Farben that we find from our investigation that several different agencies of the German High Command fought with each other to see who would have primary access and first call on the resources of I. G. Farben.

We also have found ample evidence indicating that the agencies abroad were required to contribute to local Nazi and Fascist organizations throughout the world, particularly in Latin America. We find correspondence from the firms abroad saying, "We ought to do it this way so that our relationship with I. G. Farben won't be exposed," or else arguing about which accounts the funds that are given to the local Nazi Party should be credited to. I think as our investigations continue we will be able to show more and more the character of I. G. Farben and the manner in which it not only worked in helping the Nazi Party come to power, but actively assisted the High Command in carrying on all aspects of the war.

I might say also that as the German military power was able to overcome various European countries, I. G. Farben profited.

We find that in every country which the Germans succeeded in occupying, I. G. Farben promptly took over for itself the whole chemical industry of that country and absorbed it into part of its own domain.

You might also be interested in knowing, Mr. Chairman, that the top I. G. Farben people and others, when we questioned them about these activities, were inclined at times to be very indignant. Their general attitude and expectation was that the war was over and we ought now to be assisting them in helping to get I. G. Farben and German industry back on its feet. Some of them have outwardly said that this questioning and investigation was, in their estimation, only a phenomenon of short duration, because as soon as things got a little settled they would expect their friends in the United States and in England to be coming over. Their friends, so they said, would put a stop to activities such as these investigations and would see that they got the treatment which they regarded as proper and that assistance would be given to them to help reestablish their industry.

Senator THOMAS. I have some questions here I would like to ask, Mr. Schmidt.

Is the investment of approximately one-half billion dollars unnamed Swiss accounts in the United States now blocked or frozen by the Treasury Department?

Mr. SCHMIDT. Yes, Senator. All Swiss assets in the United States, which total approximately one billion four hundred million, are subject

to our freezing control. The assets which are held in unnamed accounts are frozen very tightly, and practically no transactions are authorized unless and until the true owners of such accounts are identified.

Senator THOMAS. Is not the Swiss investment a very large one, considering that Switzerland is a small country?

Mr. SCHMIDT. Yes. The Swiss assets in this country would be large even for a very large country. Switzerland ranks along with France, for example, and is among the first five of the foreign countries in the importance of its financial holdings within the United States.

Senator THOMAS. You pointed out German influences in Swiss investments. What about the Italian influences in Swiss investments?

Mr. SCHMIDT. We find that Italy also was accustomed to working through Switzerland and the other neutrals, but I doubt if it was ever as powerful a force.

Senator THOMAS. And the French?

Mr. SCHMIDT. It is my understanding that the French people were accustomed to holding their assets in Switzerland on a large scale, for various reasons, one of the popular ones being to avoid payment of taxes, as I understand it.

Senator THOMAS. Where are the League of Nations assets now?

Mr. SCHMIDT. I don't know exactly where they are being held. I could check on that, though, if you would like.

Senator THOMAS. Do you plan to unblock or unfreeze Swiss assets in the United States held in unnamed accounts?

Mr. SCHMIDT. Senator, we don't see how we can unfreeze assets that are held in unnamed accounts until either they are satisfactorily identified or until we receive adequate assurance from the Swiss Government, on the basis of their investigation, that no one other than strictly Swiss persons has a beneficial interest in these accounts. We don't feel that we can release funds which are not identified and take the chance that we may thus be permitting our enemies to hold assets in this country through neutral cloaks.

Senator THOMAS. The Treasury has an actual policy on this matter, has it?

Mr. SCHMIDT. It has.

Senator THOMAS. It has been developed?

Mr. SCHMIDT. It has been developed.

Senator THOMAS. And is understood by all the subordinate officers?

Mr. SCHMIDT. It is indeed, and it is being very actively carried out.

Senator THOMAS. Since your studies show that Switzerland has acted as one of the main channels for German economic penetration, should not the United States endeavor to get common action by all the United Nations in identifying German interests in Swiss holdings in their respective countries?

Mr. SCHMIDT. Senator, I don't know as it is my responsibility to suggest the type of action that all countries should take, but I think you have a very fine point and that it is in the interest of all of us to have a parallel and cooperative policy designated to uncover all German assets, which means to insure that hidden funds are identified before they are released.

Senator THOMAS. Last week, testimony was introduced to show that an agreement was reached with the Swiss Government for taking a census of German assets. I believe this testimony referred to the

Currie Mission, of which I understand you were a member. To what extent has the agreement been carried out today? I suggest you be very, very careful with your answer to that question, because probably it should be off the record, and maybe I am out of order in asking it.

Mr. SCHMIDT. On that point, Senator, I would like to say that, according to the most recent reports we have received, the Swiss have been proceeding very reluctantly to require that the names of persons who are holding assets in Switzerland be submitted to the Swiss Government.

They have already issued a decree of May 29, which, as I understand it, does not require that the names in all cases be submitted. As a person who has had some familiarity with this type of operation, I might state that it is my opinion that a census which does not require the various banks and financial institutions to submit the names of the persons for whom they are holding the funds cannot be entirely effective in unearthing and digging out the true holders of the funds.

Senator THOMAS. Have you done any work in Switzerland yourself?

Mr. SCHMIDT. I was a member of the Currie Mission, as you suggested.

Senator THOMAS. When did you start going to Switzerland?

Mr. SCHMIDT. We arrived in Switzerland in very late January of this year, and, as has been indicated, the Swiss Government then took action to freeze German assets and agreed to take an effective census to uncover all German and foreign-held assets; that is, assets held by countries occupied by Germany.

Senator THOMAS. Do you have any evidence that would show that other neutral or formerly neutral countries, including Sweden, Turkey, Spain, Portugal, also acted as channels for German economic penetration to a sufficient extent to require joint action by the United Nations similar to that suggested for Swiss assets? I may say here, in asking this question, if it shouldn't be answered, please don't answer it.

Mr. SCHMIDT. Senator, the Germans used all of the neutral countries to cloak their interests in the United States, and we find as we examine the cases that have been vested by the Alien Property Custodian, that many of them were cloaked through other neutral countries. In my estimation, that indicates that the same problem exists with respect to all of them, but in varying degrees depending on their financial position.

Senator THOMAS. You have found enough evidence of that in the Swiss investigation, I suppose, to make you feel sure that what you have said is true?

Mr. SCHMIDT. I am not sure I understand the question.

Senator THOMAS. I say, you found enough evidence in Switzerland—

Mr. SCHMIDT (interposing). My trip to Switzerland was not an investigation, but I was there as a member of the Currie Mission and negotiating with the Swiss Government.

Senator THOMAS. How did you find out about this work being done in other neutral countries? How did you get this information?

Mr. SCHMIDT. That is what we in Foreign Funds Control have been doing for the last 4 years, trying our best to dig out the information with respect to assets hidden and cloaked by the Germans in neutral

countries. Many of our tactics, I might say, are what we would regard as professional secrets, but we have had the assistance of all other Government agencies, including the Office of Censorship. It has been a governmental attack on the problem of finding out what our enemies have been doing financially in neutral and other foreign countries during the war, contrary to our war interests.

Dr. SCHIMMEL. In other words, by reading the mail you very often came across tips which you could then follow through.

Mr. SCHMIDT. Very often information coming from such sources provided very valuable leads.

Senator THOMAS. In your exhibit 3 you show that American firms had very substantial investment in German industry. Could you tell us to what extent these were war or war-convertible industries which presumably will have to be eliminated as part of the economic disarmament of Germany?

Mr. SCHMIDT. On the question of the nature of the industries in which America invested in Germany, I might say that the preliminary information which we have prepared for the subcommittee shows that there is approximately \$260,000,000 invested in German manufacturing firms and \$90,000,000 in the petroleum production, refining, and distribution industry. A substantial portion of this would appear to be what you might call war-convertible industries; 8 million of it is in chemicals, 33 million in electrical industries, approximately 180 million in automobiles, machinery, and other metal products industries and light industries.

Senator THOMAS. In your statement you referred to the approximately 750 German subsidiaries and affiliates in European neutrals and in Turkey and Argentina. Could you give us further information as to the break-down of these German firms by countries?

Mr. SCHMIDT. Yes, Senator; I could do that. I have a summary here showing that the number of firms listed for each of these countries is as follows:

Portugal, 58; Spain, 112; Sweden, 233; Switzerland, 214; Turkey, 35; and Argentina, 98, giving you a total of approximately 750. I might say these are figures which we had even before we were able to go into Germany and make our investigations. I think that not only the Treasury, but other agencies, such as the State Department, FEA, who are all working in a coordinated effort on this program, are discovering new German firms which would, of course, increase the total.

Senator THOMAS. You say that you have evidence that German interests have penetrated some Dutch banks. If foreign-funds control is lifted from Dutch assets, can't these banks act as vehicles for German penetration in the United States in the future? In other words, isn't the United States likely to become the largest safe haven for German assets?

Mr. SCHMIDT. We are very conscious of that danger, Senator, and we are working very closely with the governments of countries such as Holland and other of the United Nations to insure that before foreign funds controls are lifted, adequate steps will be taken within those countries to eradicate the German interests in any of the institutions located within those countries and that such action is taken before the assets are unfrozen here or before any of those institutions are allowed freedom to carry on financial transactions.

It is a point of which we have been extremely conscious. We have discussed that point with representatives of blocked countries, and we expect full cooperation of such countries in programs to be carried on by them for investigating and unearthing of German influence in institutions within their territories and for making certain that no assets in this country are released until we are assured by the proper authorities that there is no German or other enemy interest.

Senator THOMAS. Do we have to make any changes in American law in order to control these things?

Mr. SCHMIDT. No; nothing that has not already been done, Mr. Chairman.

We are operating under legislation passed by Congress, which gives us full powers necessary to operate effectively, and we think we can handle this aspect of the problem under present legislation.

Senator THOMAS. That is wartime legislation, though, is it not?

Mr. SCHMIDT. It is effective not only in time of war but also during any other period of national emergency declared by the President.

Senator THOMAS. But most of your troubles started in peacetime, do they not?

Mr. SCHMIDT. Yes; as I believe we have brought out, they started in peacetime, and I am sure that all the agencies, and Congress, will want to take measures to see that we do not permit active financial and economic warfare against us in the future under the guise of peacetime financial operations.

Senator THOMAS. I was very much interested in your testimony which showed how German industrialists not only operated through their association of industries in preparing for Germany's war of aggression but also financed the Nazi Party directly. What special significance do you attach to the pledge made by the German Coal-Owners Association in 1931 to pay a royalty to the Nazi Party for each ton of coal sold?

Mr. SCHMIDT. In my estimation, Mr. Chairman, this shows that by 1931 one of the most powerful cartel groups in Germany was openly financing the Hitler party. The German coal industry is one of the most important basic industries in Germany. The German coal cartel has always been closely allied with the major heavy industry cartels, such as the chemical, iron and steel, and armaments cartel. Many leading figures, the Thyssens, the Krupps, the Ilgners, the Rochlings, the Von Schroeders, were already at that time secretly contributing to the Nazi Party, and this instance shows they even went so far as, in effect, to levy a tax to provide funds for the Nazi Party.

Senator THOMAS. Did this donation go to the Nazi Party for coal that was exported to foreign countries?

Mr. SCHMIDT. I believe it was made on all coal that was produced and sold.

Senator THOMAS. In other words, if France bought coal, she contributed to the development of the party that was to destroy France, is that it?

Mr. SCHMIDT. That would be my understanding, Mr. Senator. The manner in which the Germans succeeded in making others contribute to the preparation of their war effort is quite fantastic. For example, we have found even in the case of an American-controlled company such as the Ford Co., a memorandum prepared by the

German director of Ford of Cologne in which he was presenting to his German superior the advantages of having Ford of Cologne continue as an American company, and the advantages of having a majority interest held by Ford of Detroit. Among the advantages cited was the fact that they were able, that is, the German Government was able, to force Ford of Cologne to export parts to the United States in return for rubber and critical materials that were needed in '38 and '39, and that they would not have been able to do that if Ford had not been owned by the United States.

They also pointed out that as a result of being part of an American company, Ford of Germany was more easily able to step in and dominate the Ford holdings throughout Europe and weld them into one gigantic enterprise, whereas they pointed out if it hadn't all been owned by one foreign or American company, it wouldn't have been so easy.

You might be interested in an amusing aspect. We find—I am not sure of the exact date, sometime in '41 or '42—the two top German men of Ford Co. in Cologne got into such a bitter argument about which one of them was to control Ford of England that one of them finally got up and left the room in disgust.

Senator THOMAS. Have you got that memorandum?

Mr. SCHMIDT. I do not have it with me, Mr. Senator, but it will be sent back.

Senator THOMAS. Will it be available for the record?

Mr. SCHMIDT. I am not in a position to place that in the record.

Senator THOMAS. If it is available, will you put that letter in the record, please?

Mr. SCHMIDT. I will see if it can be made available.

(The memorandum referred to follows:)

[Copy to Mr. R. H. Schmidt, president of the board of Ford-Werke A. G.—Confidential]

BERLIN, November 25, 1941.

Initialed: HFA (Dr. H. F. Albert)

MEMO CONCERNING FORD-WERKE A. G., AS TO WHETHER A COMPLETE GERMANIZATION WOULD BE NECESSARY OR ADVISABLE

1. In the past 7 years Ford-Werke A. G. have been transformed into a German company, to an increasing extent. Not only are all vehicles and their parts produced in Germany, by German workers using German materials under German direction; above that an export into the European and overseas sales territories of the United States of America and Great Britain has been made possible, amounting to many millions in the last year of peace.

In connection with this all needed foreign raw materials were obtained through the American company (rubber, nonferrous metals) to cover the production needs of the German plant and above that in part for the whole industry.

Already during the peace the American influence had been more or less converted into a supporting position (Hilfsstellung) for the German plant. At the outbreak of the war Ford-Werke placed themselves immediately at the disposal of the armed forces for armament purposes.

2. During the capital increase made in the beginning of 1941 the question of a Germanization of the capital had been discussed with the authorities concerned (GBK, RWM: Head of Motor Vehicle Industry, Reich Ministry of Economics), which let to the reduction to 52 percent of the American majority, a majority which in agreement with the authorities remained at that percentage.

3. Among the reasons speaking against a complete Germanization of the capital the first one is the excellent sales organization which, thanks to its connection with the American company, is at the disposal of the German Ford-Werke. According to their productivity the German company can export to all countries of the world, and in this they are protected and supported in the matter

of pricing by the American company. In some countries this has led to **make the** German export of German Ford cars possible, even though the rest of the **German** industry was unable to find a solid footing. This limits, or keeps away, purely American competition to some extent.

4. As long as Ford-Werke A. G. have an American majority, it will be possible to bring the remaining European Ford companies under German influence, **namely** that of Ford-Werke A. G., and thus to execute the greater European policies in this field too. As soon as the American majority is eliminated, each Ford company in every country will fight for its individual existence. The just now successfully accomplished joining of the potentiality of the non-German, **European** companies to the potentiality of Ford-Werke A. G., and with this to the general war potentiality of Germany, would thus collapse more or less by itself. **Amsterdam, Antwerp, Paris, Budapest, Bucharest, Copenhagen, etc., are concerned.**

5. A majority, even if it is only a small one, of the Americans is **essential for** the—actually free—transmittal of the newest American models as well as **for the** insight into American production and sales methods. Since Americans are without a doubt particularly progressive in this field, the maintenance of this connection is in the German interest. Through license fees or **contractual** stipulations this cannot be accomplished. With the abolition of the **American** majority this advantage, as well as the importance of the company for the obtaining of raw materials and exports would be lost. The plant would **practically** only be worth its own machine capacity.

(Translated by Pfc. George Lobbenberg.)

Mr. SCHMIDT. I might say, Mr. Senator, that the investigations we are now conducting are being conducted by the Army under the War Department, to which I am attached as a technical expert; that the Army and General Clay have afforded all facilities necessary to carry on these investigations, have taken steps to see that the information will be gotten back to the United States for use by the civilian agencies, and have afforded every cooperation and facility to see that the investigations into the Germans' holdings of foreign assets abroad will be a success and that they will be uncovered.

Chairman THOMAS. Thank you. This will close the hearing not only for today but will close the series of hearings on this subject which the subcommittee has been carrying on. We stand adjourned.

(Whereupon, at 11:45 a. m., the subcommittee adjourned subject to call of the chairman.)

EXHIBITS

(Exhibit No. 1, report on the Treasury investigation of General Aniline & Film Corporation, was filed with the committee.)

EXHIBIT No. 2

SOME EXTRACTS OF EVIDENCE UNCOVERED BY FOREIGN FUNDS CONTROL IN CONNECTION WITH NEW YORK AGENCIES OF SWISS BANKS

Our investigation of one Swiss bank disclosed that the general manager wrote to its New York agency, shortly after war broke out in Europe, that

"If your client does not wish to have his name disclosed to anybody, you will refer him to our nearest European office for further information. By doing so you will avoid any possible remonstrance from clients who might feel at a later moment that you should have given them more ample information on the working of the account and the legal dispositions requiring the disclosure of the name of the holder to the controllers."

In connection with another matter the New York agency wrote to the home office at about this time that

"It is naturally understood that the name of (Mr. Blank) is not to be mentioned in any communications from your bank."

In fact, the New York office complained when, by inadvertence, the home office in Switzerland indicated the name of the owner and thus required the New York office to report to the United States Treasury the pertinent facts, as follows:

"One of our branches (in Switzerland) transferred to another branch a substantial number depot. The securities were held in New York and the branch in question * * * indicated in order to draw our attention to the importance of the client, the owner * * *. The result was that we had to report and freeze these assets. Had we known only the number no one would have been any the wiser."

In our investigation of another New York office of a Swiss bank, we found specific evidence in a form of a memorandum indicating that there was a deliberate plan to conceal the true ownership of securities accounts held by it in the United States. This memorandum pointed out:

"A number of the proposals (involving the protecting securities and cash of foreign banking clients 'from the effect of possible governmental decrees or other actions') involved advice to us that the cash or securities which are held for the foreign client are not owned by our client but by customers of our client. In some instances, open advice to this effect would not be given but sealed envelopes would be lodged with us in which such advices would be contained. If we are advised, actually, or constructively that securities in our custody are, in fact, owned by foreign customers of our banking client, a number of serious problems may, at least in certain circumstances, be raised, which present material risks, not only to us but to our foreign client and his customers."

This same agency was advised by its home office in Switzerland as to the practice to be set up for the establishment of Rubric accounts, that is, accounts in the name of the home office but subdivided into many small accounts designated by numbers or initials. The New York office was told:

"I am writing you about this matter, with the agreement of General Manager Merian privately, so that no correspondence concerning it shall be found in the files of Swiss American Corporation. We have also refrained from informing the company officially that use was made of the arrangement as agreed upon and that since there is now a difference in the designation of the Rubric accounts and envelopes I hope that every precautionary measure has been taken to obliterate traces of any connection between envelopes and Rubric accounts."

This same New York office was especially careful in replying to this advice to make it clear that they did not want to be put on notice of any facts indicating who the real owners might be. In discussing the use of letters instead of numbers as a mark of distinction for Rubric accounts, New York replied:

"It would, of course, be another matter if the letters represented the initials of the true owner. In this case we would have to request you to refrain from using them."

EXHIBIT No. 3

AMERICAN INTERESTS IN GERMAN INDUSTRY—GERMAN INTERESTS IN AMERICAN ENTERPRISES

AMERICAN INTERESTS IN GERMAN INDUSTRY

Controlling interests in German industry owned by 171 United States corporations amounted to \$420,600,000 as of May 31, 1943.¹ Generally, control was held through the ownership of 100 percent of the voting stock of the German enterprises although holdings as low as 25 percent were included under this heading. The interests also took the form of capital and earned surplus, preferred stock and bonds, advances, and intercompany accounts.

Approximately \$259,000,000 was invested by American corporations in 122 manufacturing enterprises in Germany. (See table 1.) This was concentrated very largely in the automotive and machinery fields. The machinery manufactured was of many types, including particularly agricultural, business, and special industrial machines. Petroleum production, refining, and distribution followed the manufacturing industry in size. Interests in trading enterprises were both wholesale and retail; the former were owned by American manufacturing companies. In some cases these enterprises were established to facilitate the sale of goods manufactured in the United States while in other cases they marketed the products of a foreign manufacturing subsidiary. Typical United States retail establishments were included.

American manufacturing companies held interests in German industry totaling \$262,000,000. (See table 2.) Slightly more than 90 percent of this was in manufacturing enterprises and most of the remainder in sales subsidiaries. The German investments of American petroleum companies were almost entirely in the petroleum business. Certain American companies which are engaged in two types of business, such as communications companies which also manufacture equipment, account for some of the differences between the business engaged in at home and abroad because the companies were classified according to their major activity.

These controlling interests in German industry were acquired at various times, mostly before 1931, several before 1914. Purchases of the voting stock of existing German companies were an important means by which control was acquired. In other instances new companies were established by the American corporation. In a few instances the German enterprises were direct branches of the American company, that is, unincorporated enterprises.

¹ Preliminary tabulation of values as reported on Form TFR-500. Ownership was held on May 31, 1943, but the values were generally as of 1939 or 1940 because later data were not available on the date reports were prepared and filed.

TABLE 1.—Book or estimated value of American corporate investments in German industry and the number of enterprises controlled thereby, by type of business of the German enterprises, as of May 31, 1943

[Values in millions of dollars]

Type of business	Number of German enterprises	Value of American investments
Manufacturing:		
Foodstuffs	19	12.1
Chemicals	21	7.9
Electrical	12	32.6
Automobiles and equipment	5	62.2
Machinery and equipment	15	88.9
Other metal products	14	32.0
Other manufactures	36	23.0
Total manufacturing	122	258.7
Petroleum production, refining, and distribution	27	93.5
Finance	25	9.8
Trade	54	51.7
Miscellaneous	50	6.9
Total, all types	278	420.6

NOTE.—Preliminary tabulation of values as reported on Form TFR-500. Ownership was held as of May 31, 1943, but the values were generally as of 1939 or 1940.

TABLE 2.—Book or estimated value of American corporate investments in German industry and the number of corporations involved, by type of business of the American corporations, as of May 31, 1943

[Values in millions of dollars]

Type of business	Number of American corporations	Value of investments in German industry
Manufacturing:		
Foodstuffs	11	20.2
Chemicals	17	6.4
Electrical	9	15.7
Automobiles and equipment	4	63.4
Machinery and equipment	20	86.6
Other metal products	16	36.4
Other manufactures	26	33.4
Total manufacturing	103	262.1
Petroleum production, refining, and distribution	11	93.4
Finance	16	19.0
Trade	12	26.7
Miscellaneous	20	19.4
Total, all types	171	420.6

NOTE.—Preliminary tabulation of values as reported on Form TFR-500. Ownership was held as of May 31, 1943, but the values were generally as of 1939 or 1940.

GERMAN INTERESTS IN AMERICAN ENTERPRISES

German corporations and individuals controlled 170 enterprises in the United States involving interests amounting to \$105,000,000 as of June 14, 1941. These interests were concentrated principally in the chemical industry and in certain companies organized to hold foreign assets. The latter were classified in the finance group with certain personal holding companies (see table 3).

German interests in American enterprises, to the extent of about \$88,000,000, were held for German account by corporations and individuals in other foreign countries, particularly in Netherlands and Switzerland.

These values were in large part based on the market value of securities of the United States companies and the estimated value of other obligations. To a

lesser extent they were based on the book value of the German interests in the American enterprises.

The values given in table 3 are not comparable with those of the Alien Property Custodian because the Custodian used book values only and values as of the dates of vesting which were considerably later than June 14, 1941.

TABLE 3.—*Value of German interests in United States corporations, by industrial groups, as of June 14, 1941*

Chemicals.....	\$50, 200, 000
Other manufacturing.....	6, 600, 000
Total manufacturing.....	56, 800, 000
Finance.....	22, 200, 000
Trade.....	15, 000, 000
Miscellaneous.....	11, 000, 000
Total.....	105, 000, 000

NOTE.—The above amounts are based on market values and are substantially less than other similar data computed on book value. If the market value was not available, an estimated book value was substituted. Based on reports to the Treasury Department on Form TFR-300.

EXHIBIT No. 4

GERMAN OWNED OR CONTROLLED FIRMS IN PORTUGAL, SPAIN, SWEDEN, SWITZERLAND, TURKEY, AND ARGENTINA

PORTUGAL

- Aachener und Munchener Feuer-Versicherungs Ges., Aachen:
Aachener und Munchener Feuer-Verscherungs, Praca dos Restauradores 13-2, Lisbon—Agency.
- Allgemeine Elektrizitaets-Gesellschaft, Berlin:
A. E. G. Lusitana de Electricidade, Rua dos Fanqueiros 12, Lisbon, and Oporto—Subsidiary.
- Beken, O.:
Beken, Hedwich Herold:
Delbruck, Helena Herold:
17 percent interest in Estabelecimentos Herold Ltda., Rua dos Douradores 7, Lisbon—General merchants and cork manufacturers; capital, 2,000,000 esc.
- Deutsche Kohlen Depot, Hamburg:
(a) Empresa Fornecedora D'Agua e Navegacao Ltda., Funchal, Madeira—Subsidiary.
(b) Insulana de Transportes Maritimos Ltda. (SITMA) Soc. Praca Duque de Ta Terceira 24, Lisbon, and Funchal, Madeira—Subsidiary.
- Deutsche Lufthansa A. G., Berlin:
Deutsche Lufthansa A. G., Av. 24 de Julho 34, Lisbon—Operates in Portugal as Servicos Aereos Portugueses Ltda.
- Einhart & Co., Hamburg:
(a) Einhart Ltda., Rua Eugenio dos Santos 179, Lisbon—Branch; commission agents.
(b) Nacional Filmes Ltda., Praca dos Restauradores 44, Lisbon—Film company; capital 150,000 esc.
- Elektrometallurgie—Dr. Paul Gruenfeld, Berlin:
(a) Mineira do Norte de Portugal Cia., Rua 31 de Janeiro 109, Oporto (part of Minero-Silvicola group)—Owners of wolfram and tin mines.
(b) Empresa Mineira de Sabrosa Ltda., Rua Trindade Coelho 1, Oporto (part of Minero-Silvicola group)—Owners of wolfram and tin mines; capital, 3,000,000 esc.
(c) See also Rowak Handelgesellschaft m.b.H.

Farbenindustrie, I. G., Frankfurt:

(a) Anilinas Ltda., Soc. de, Travessa das Pedras Negres, Lisbon—Subsidiary.

(b) Bayer Ltda., Largo de Barao de Quintela 11, Lisbon, and Rua do Bolho 61, Oporto—Subsidiary; dealers in pharmaceutical products.

(c) Fabrica Lusitana de Corantes e Productos Quimicos (Lusacor), Rua Jose Falcao 199, Oporto—Dealers in chemicals.

Greiner & Soehne, C. A., Nurtigen:

Greiner Ltda., Faro—Cork exporters; capital, 1,500,000 esc.

Gruen & Bilfinger, A. G., Mannheim:

(a) Gruen & Bilfinger, S. A., Lisbon—Branch; public works contractors.

(b) Metropolitana e Colonial de Construccoes Ltda. (SOMEC), Lisbon—Subsidiary; public works contractors; capital, 3,000,000 esc.

Hingste, Hermann Zum, Bremen:

(a) Bender Ltda., Quinta da Maceda, Barreiro—Cork exporters.

(b) Ferreira Filipe Ltda., Rua da Madalena 18, Lisbon, and Barreiro—Cork manufacturers and exporters.

(c) Hingste Hermann sum, Rua da Madalena 18, Lisbon—Cork exporters.

(d) Meyer Ltda., Fritz W., Rua Vasco da Gama 1-5, Lisbon—Tool and machinery importers.

Hiros Handelges, Berlin:

(See Rowak Handelgesellschaft m. b. H., Berlin.)

Holzmann A. G., Philip, Hamburg and Frankfurt:

Construtora e Comercial Ltda., Soc., Ave. Almirante Reis 1, Lisbon and Ponte Delgada, Azores—Subsidiary; building contractors.

Jurgens, Heinrich, Hamburg:

55 percent interest in Empresa Comercial Jurgens Ltda., Travessa da Fabrica 2, Oporto—Import and export merchants.

Kamerun-Eisenbahn-Gesellschaft, Berlin:

Agricola e Fabril da Guine, Cia., Lisbon and Budaque, Bissages Isles, Portuguese Guinea—Palm oil manufacturers.

Kloeckner-Humboldt-Deutz A. G., Cologne:

Motores Oleos Pesados Ltda. (Motop), Lisbon—Agency.

Kuehne & Nagel, Hamburg:

Sinapius Ltda., Otto, Largo de S. Domingos 17, Lisbon—Transport agents; capital, 20,000 esc.

Lassen & Co. A. G., Hamburg:

Lassen & Cia., Ltda., Rua da Prata 59, Lisbon—Subsidiary; shipping and forwarding agents.

Lohmann & Co., Bremen:

(a) Hanseatica Ltda., Cia., Rua Aurea 191, Lisbon—Importers and exporters; capital, 50,000 esc.

(b) Lobar-Grupo Portugues Importador e Exportador Ltda., Rua Aurea 191, Lisbon—Exporters and importers of minerals; capital, 500,000 esc.

(c) Nacional de Industria Mineira Ltda., Soc. (SONIMI), Azinhaga dos Ameixiais, Lisbon—Tin and wolfram mining concessionaires; capital, 1,500,000 esc.

Mannheimer Versicherungs Ges., Mannheim:

(a) Mannheimer Versicherungs Ges., Larga da Anunciada 9, Lisbon—Agency.

(b) Seguradora Internacional Ltda., Largo da Anunciada 9, Lisbon—Subsidiary.

Mauser, K. G., Cologne:

25 percent interest in Sapem (Soc. Am. Portuguesa de Embalagens Metalicas Ltda.), Rua Padre Antonio Vieira, Lisbon—Manufacturers of iron and steel drums.

Merck, E., Darmstadt:

Quimico Farmaceutica Ltda., Rua Gomes Freire 96, Lisbon—Subsidiary; imports of pharmaceutical and chemical products.

Meyer, Carl Ed., Bremen:

Hansa Ltda., Rua da Enenda 79, Lisbon—Subsidiary; cork dealers; capital, 500,000 esc.

Meyerkort, Rudolf, Bremen:

Reis und Handels A. G., Hamburg:

Majority interest in Cia. Arrozeira Mercantil, Rua da Reboleira 49, Oporto and Vilanova de Gaia—Rice millers; capital, £30,000.

Roechling Stahl A. G., Volklingen:

Accos Finos Roechling S. A., Lisbon—Subsidiary.

Rowak Handelgesellschaft m. b. H., Potsdamer Platz 1, Berlin:

Hiros Handelges, Berlin:

(a) "Sofindus" (Soc. Financeira Industrial Ltda.), Rua do Cais de Santarem 32, Lisbon—Replaced "Hisma" as official German trading organization in Spain and Portugal; capital, 3,000,000 esc.

(b) Minerio Silvicola Ltda., Rua do Comercio 8, Lisbon, and Oporto—Financed by (a); German organization for purchase of minerals; capital, 800,000 esc.

(c) Empresa Resineira do Centro de Portugal Ltda., Rua da Madalena 133, Lisbon and Leiria—subsidiary of (a)—resin dealers—Capital, 300,000 esc.

The following subsidiaries of (b) share offices at Rua da Constituicao 441, Oporto:

(d) Empresa Mineira de Folgar Ltda.

(e) Soc. Mineira de Nelas Ltda.

(f) Soc. Mineira de Transcosa Ltda.

(g) Tungstenia Ltda.

(h) Mineira das Beiras Ltda.

(i) Soc. Mineira dos Castelos Ltda.

(j) Mineira Lisbonense S. A. R. L.

(k) See also Elektrometallurgie—Dr. Paul Gruenfeld, Berlin.

Schering A. G., Berlin:

Schering S. A. Portuguesa S. A. R. L., Largo da Anunciada 9, Lisbon—Subsidiary; dealers in pharmaceutical products.

Siemens Schuckertwerke, Berlin:

(a) Siemens, Cia. de Electricidade, Rua Augusta 118, Lisbon, and Oporto—Branch.

(b) Siemens Reiniger S. A. R. L., Rua de Santa Marta 33, Lisbon—Branch, electromedical supplies.

Stahlunion Export G. m. b. H., Dusseldorf:

Mineira de Moncorvo, Cia., Rua Augusta 47, Lisbon and Moncorvo—Mining concern; capital, 320,000 esc.

Thumann, Enrique:

Sociedade de Importacao, Rua Formosa 400, Oporto—Importers of cotton and cotton machinery; capital, 100,000 esc.

Victoria Zu Berlin, Berlin:

Victoria Zu Berlin, Praca de Municipio 7, Lisbon—Branch.

Zickermann, Gustav A., Hamburg:

Zickermann S. A. R. L., Soc. Comercial, Rosio 3, Lisbon and Oporto—Export and import merchants, specializing in metals.

SPAIN

Albingia Versicherungs Aktiengesellschaft, Hamburg:

Albingia Uersicherungs A. G. (Cia. Anonima Alemans de Seguros) Herme-silla 22, Madrid—Nominal and subscribed capital, RM. 5,000,000.

Allgemeine Elektricitaets-Gesellschaft, Berlin:

(a) A. E. G. Iberica de Electricidad S. A., Calvo Sotelo 17, Madrid and branches—Subsidiary; installation of electric power plants and sale of electrical material; capital, 7,500,000 pesetas.

(b) La Electra Industrial S. A., San Isidro 56, Tarrasa; also at Madrid and Barcelona—Affiliate; manufacturer of small electric motors, pumps, and electrical appliances; capital, 6,000,000 pesetas.

Batterie und Elementefabrik Zeiler A. G., Berlin:

Cordes et Branz Cordesia, Berlin:

Hermle, Gebr., Gosheim:

Sihn, Wilhelm, Niefern:

Participate in the financing of Casa Masfarne S. A. (Fabrica de Cables y Aislantes Materiales Electricos e Industriales), Calle Sepulveda 182, Barcelona.

Behringwerke A. G., Hamburg:

Instituto Behring de Terapeutica Experimental S. A., Calle Bailon 59-A, Barcelona—Subsidiary; capital, 2,500,000 pesetas.

Bolten, Hamburg:

Kirlen, Hamburg:

Schuldt Line, Hamburg:

50% interest in Hispano-Alemana S. L., Agencia Maritima, Ribera 1, Valencia—Shipping agents; capital, 150,000 pesetas.

Brauns, Wilhelm, G. m. b. H., Quedlinburg:

Brauns Ltda., Especialidades Domesticas, Barcelona—Subsidiary; manufacturers of dyes, etc.; capital, 250,000 pesetas.

Continental Gummiwerke A. G., Hanover:

(a) Continental, Fabrica Espanola Del Caucho S. A., Sagasta 15, Madrid, and all branches in Spain—Subsidiary; tire manufacturers; capital, 6,000,000 pesetas.

(b) Continental S. A. Neumaticos, Francisco de Rojas 1, Madrid—Sales agency for (a).

Cordes et Branz Cordesia, Berlin:

(See Batterie und Elektentefabrik system Zeiler A. G., Berlin.)

Demag, Duisburg:

"Demag" S. L., Maquinarin, Iparraguire 2, Bilbao—Subsidiary; capital, 100,000 pesetas.

D. K. W., Berlin:

D. K. W. Espanola Soc. Ltda., Provenza 288, Barcelona—Subsidiary; manufacture of D. K. W. cars in Spain.

Deutsches Kohlen Depot, Hamburg:

(a) Deposito de Carbones de Tenerife S. A., Fernanflor 8, Madrid, and all branches in Spain—Bunkerers and importers; capital, 1,000,000 pesetas.

(b) Dixon Oil Co. (Lubrificantes Dixon), Av. del Generalissimo Franco 31, Malaga—Trade style owned by (a).

Deutsche Lloyd, Berlin:

Deutsche Lloyd V. A. G. (Lloyd Aleman) Alcala 68, Madrid—Registered capital, R.M. 5,000,000; subscribed capital, R.M. 2,112,500.

Deutsche Ueberseeische Bank, Berlin:

Banco Aleman Transatlantico—Branches: Plaza de Cataluna 19, Barcelona; Pasco del Prado S. Madrid; and Avenida Jose Antonio Primo de Rivera 8, Seville—Nominal and subscribed capital, R.M. 36,000,000.

Dresdner Bank, Berlin:

Banco Germanico de la America del Sur, Carrera de San Jeromino 28, Madrid—Capital, 3,000,000 pesetas.

Einhart & Cia., Hamburg:

Einhart & Cia., Ave. Jose Antonio 31, Madrid—Branch; commission agents, specializing in chemical products.

Farbenindustrie, I. G., Aktiengesellschaft, Frankfurt-am-Main:

(a) Unicolor S. A., Coriega 348, Barcelona—Subsidiary; distributor of chemical and pharmaceutical products; capital, 4,000,000 pesetas.

(b) Fabricacion Nacional de Colorantes y Explosivos S.A., Rambla Cataluna 102 bis, Barcelona—Subsidiary of (a); manufacturer of dyestuffs, chemical fertilizers, and coal tar for textiles; capital variously stated at 7,000,000, 15,000,000, and 30,000,000 pesetas.

(c) Industrias y Manufacturas S.A., Barcelona—Affiliate of (b).

(d) Union Quimica del Norte de Espana, Buenos Aires 4, Bilbao—Controlled by (a); manufacturer of chemical products for manufacture of paints, resins, and plastic materials; capital, 80,000,000 pesetas.

(e) Energia e Industrias Aragonesas S. A., Santa Catalina 7, Madrid—Controlled by (a); production of synthetic ammonia, sodium chloride, etc.; capital, 21,750,000 pesetas.

(f) 51 percent interest in Sociedad Electro-Quimica de Flix, Flix, Tarragona—Electrolysis of salt; capital, 6,000,000 pesetas.

(g) 1 percent share in Union Espanola de Explosivos S.A., Villanueva 11, Madrid—Production of explosives, plastics, and other chemical products; capital, 300,000,000 pesetas.

(h) Part interest in Quimica Comercial 7 Farmaceutica S. A., Calle de Bailen 59, Barcelona—Importer of chemical and pharmaceutical products; capital, 3,000,000 pesetas.

(i) Afga-Foto S. A., Rambla de Cataluna 135, Barcelona—Controlled by German principal; distributor and manufacturer of photographic supplies; capital, 2,100,000 pesetas.

(j) Manufacturas Espanoles de Papeles Fotograficos S. A., Monte Esquinza 4, Madrid, and Mallorca 480, Barcelona—Affiliate of (i).

(k) Negra y Tort, Monte Esquinza 4, Madrid, and Mallorca 480, Barcelona—Affiliate of (i).

- (l) Part interest in La Fodina S.A., Disputacion 280, Barcelona—Exploitations of potash mines; capital, 3,000,000 pesetas.
- (m) Part interest in La Minera S.A., Muntaner 6, and Paseo de Gracia 93, Barcelona—Exploit mines; capital, 1,000,000 pesetas.
- (n) Minas Reunidas, Felipe II, 14, Madrid—Stahlverein G. m. b. H., Berlin, Krupps, Essen, as well as I. G. Farben are shareholders; exploitation of wolfram mines; capital, 4,000,000 pesetas.
- Georgi, Curt, Leipzig:
Georgi, Curt, Aragon 92, Barcelona—Branch.
- Gesellschaft fuer Linde's Eismaschinen A.G., Wiesbaden:
Abello Oxigeno Linde S. A., Bailon 8, Barcelona—Subsidiary, chemical manufacturing concern; capital, 2,250,000 pesetas.
- Giebel Ltda., Hamburg:
Giebel Ltda., Herbert, Av. Queipo de Llano 64, Seville, and Ave. Jose Antonio 31, Madrid—Affiliate, dealers in chemical and pharmaceutical products, etc.
- Greiner & Gohne, C. A., Nurlingen:
Greiner, C. A., & Hijos S.A., Pecher y Santa Magdalena, San Feliu de Guixols—Subsidiary; exporters of cork; capital, 1,000,000 pesetas.
- Hartmann, Gebr., Halle:
Graficolor Hartmann Hnos., Mendez Alvaro 89, Madrid—Deals in printing dyes; capital, 500,000 pesetas.
- Herder & Co., Freiburg-i-Br.:
Libreria Herder, Balmes 22, Barcelona—Branch; library and booksellers; capital, 50,000 pesetas.
- Hermle, Gebr., Gosheim:
(See Batterie und Elementefabrik System Zeiler A. G., Berlin.)
- Hingste, Hermann Zum, Bremen:
Hingste, Forchos zum (Gorchos de Andalucia), Castelar 28, Seville—Cork exporters; capital, 3,000,000 pesetas.
- Hiros Handelges, Berlin:
(See Rowak Handelgesellschaft, Berlin.)
- Kahl, J. A., Hamburg:
(a) Frutera Valenciana Exportacion Importacion S. A., Calle de Moratin, N. 5, Valencia; capital, 500,000 pesetas.
(b) Kahl, J. A., Sorella 4-6, Barcelona—Branch; fruit and vegetable exporters.
- Kirlen, Hamburg:
(See Bolten, Hamburg.)
- Klingelberg Soehne, W. Ferd., Remscheid:
Klingelberg Soehne, W. Ferd., Consejo de Ciento 264, Barcelona—Subsidiary; Sale of machinery and tools; capital, 100,000 pesetas.
- Kloeckner-Humboldt-Deutz A. G., Cologne:
Cia. Espanola de Motores Deutz Otto Legitimo S. A., Madrid—Agency.
- Kromschroeder S. A., Hanover:
Kromschroeder S. A., Industria 278, Barcelona—Subsidiary; gas motor manufacturers; capital, 600,000 pesetas.
- Krupp A. G., Fried., Essen:
(See I. G. Farben (n).)
- Madert, Bruno, Grosse Praesidentstrasse 5, Berlin:
Madert, Bruno, Cucutulla 2, Barcelona—Branch; deal in watches, sewing machines, electrical goods, etc.; capital, 125,000 pesetas.
- Mannheimer Versicherungs Gesellschaft, Mannheim:
La Mannheim, Av. Jose Antonio 11, Madrid—Registered capital R.M. 4,000,000; subscribed capital, R.M. 2,000,000.
- M. A. N. (Maschinenfabrik Augsburg Nuernberg), Augsburg:
M. A. N. Diesel Iberica S. A., Alcala 45, Madrid—Subsidiary; machine and automobile manufacturers.
- Merck, E., Darmstadt:
Productos Quimico-Farmaceuticos S. A., Paseo Pujadas 9, Barcelona, and all branches in Spain—Subsidiary; capital, 510,000 pesetas.
- National Allgemeine Versicherungs Aktges, Stettin:
Nacional de Stettin, Compania Anonima de Seguros Generales, Lauria 50, Barcelona—Registered capital, R.M. 10,500; subscribed capital, R.M. 4,500,000.
- New Guinea Co., Berlin:
Drumen S. A., Romda Universidad 17, Barcelona; also Fernando Po, and

- elsewhere in Spanish Guinea—Subsidiary; purchase and exploitation of agricultural properties; capital, 2,015,000 pesetas.
- Norddeutscher Lloyd, Bremen:
 Norddeutscher Lloyd Bremen, Carrera San Jeronimo, 33, Madrid, and at Bilbao.
- Nord Deutsche Versicherungs Gesellschaft, Hamburg:
 Nord Deutsche Versicherungs Gesellschaft, M. del Ensancho 9, Bilbao—Registered and subscribed capital, R.M. 5,000,000.
- Nordstern Allgemeine Versicherungs Akt.-Ges., Berlin-Schoneberg:
 Nordstern Allgemeine Versicherungs Akt.-Ges., Alfonso XII No. 18, Madrid—Registered and subscribed capital, R.M. 6,000,000.
- Olympia Buromaschinewerke A. G., Erfurt:
 Olympia S. A., Maquinas de Escribir, Paseo de Calvo Sotelo 25, Madrid—Affiliate; distributors of typewriters; capital, 650,000 pesetas.
- Orenstein & Koppel A. G., Berlin:
 Orenstein & Koppel S. A., Carrera San Jeronimo 36, Madrid, Rambla Catalunya 66, Barcelona—Subsidiary; manufacturers of machinery for public works contractor, etc.; capital, 505,000 pesetas.
- Osram, G. m. b. H., Berlin:
 Osram S. A., Fray Luis de Leon 17, Madrid—Subsidiary; manufacturer of incandescent lamps; capital, 3,000,000 pesetas.
- Pareras, Filicarp, Wiesbaden:
 50 percent interest in Pareras, P., Cia., Palafrugall—Cork manufacturers.
- Phrix G. m. b. H., Hamburg:
 Fabricacion Espanola de Fibras Textile Artificiales S. A. (FEFASA), Madrid—Capital, 167,000,000 pesetas.
- Rheinmetall A. G., Dusseldorf:
 Rheinmetall Aceros y Metales S. A., Valencia 372, Barcelona—Subsidiary—Capital, 250,000 pesetas.
- Rohm, Alfredo, Stuttgart:
 Rohm, Alfredo, Cerdena 70, Barcelona—Branch, dealing in chemical products for the tanning industry.
- Rowak Handelgesellschaft m. b. H., Berlin:
 Hiros Handelges, Berlin:
 (a) "Sofindus (Soc. Financiera Industrial S. A.), Ave. Generalisimo, Madrid—Replaced "Hisma" as official German trading organization in Spain and Portugal; capital, 3,000,000 esc.
 Sofindus has the following affiliations:
 (b) Agro S. A., Gravina 53, Seville—Purchase of agricultural products for export to Germany.
 (c) Aldecoa y Compania, Colon de Lorrestegui 34, Bilbao—Operates fluorspar mines; capital, 1,000,000 pesetas.
 (d) Aralar, Cia. de Explotaciones Mineras de, Ave. del Generalisimo 1, Madrid, and Zumalcarrequi, Tolosa (Guipuzcoa)—Mining company; capital, 25,000,000 pesetas.
 (e) Comercial Andalus Extremena S. A., Peligros 9, Madrid, and Santiago 25, Seville—Purchasing, importing, and exporting hides and skins; capital 2,100,000 pesetas.
 (f) Comercial Maritima de Transportes S. A., Cia., Ave. del Generalisimo 1, Madrid (COMATRA)—Shipping company.
 (g) Corchos de Andalucia, Castelar 22, Seville.
 (h) Erhardt y Cia. Ltda., Plaza M. Ensanche 9, Bilbao—Shipping agents.
 (i) Estudios y Explotaciones Mineros Montana, Gran Via 62, Bilbao—Mining company; capital, 200,000,000 pesetas.
 (j) Fluoruros S. A., Alcala 45 and Desengano 18, Madrid; Calle San Bernardo 13, Gijon—Exploit fluorspar mines.
 (k) Frutal, S. L., Daimus 1, Gandia—Fruit and vegetable preserves factory.
 (l) General de Lanass, S. A., Ayala 10, Madrid—Dealers in wool and textiles; capital, 2,100,000 pesetas.
 (m) Otto Gerdtsen, Calle Urzaiz 16, Vigo—Purchase of wolfram and tin.
 (n) Herman Gaertner, Sociedad Anonima de Productos Resinosos, Av. del Generalisimo 13, Madrid; and Av. de Navarra, San Sebastian—Purchase and export of resinous products; capital, 2,100,000 pesetas.
 (o) Hoppe y Cia., Ltda., Alameda de Mazarredo 17, Bilbao—Ship brokers; capital, 400,000 pesetas.

(p) Importacion de Minerales, S. A., General Concha 12, Bilbao; Desengano 18, Madrid; and San Bernardo 11, Gijon—Importing and exporting minerals.

(q) Minas Reunidas, Filipe 11 and 14, Madrid—Mining company; capital, 4,000,000 pesetas.

(r) Minera Mauretania, S. A., Cia., Tetuan—Spanish mining company.

(s) Minerales de Espana, S. A., Zurbano 21, and Ave. Generalisimo 1, Madrid; Gran Via 62, Bilbao—German mineral purchasing and exporting company.

(t) Montanas del Sur, S. A., Seville—Dealers in lead.

(u) Montes de Galicia, S. A., Av. del Generalisimo 1, Madrid; and Policarpo Sanz 35, Vigo—Dealers in Wolfram; capital, 16,000,000 pesetas.

(v) Nova S. A., Ave. Generalisimo 13, Madrid; General Concha 12, Bilbao—Export of ore minerals.

(w) Pasch y Hermanos, G., Al. Recalde 96, Bilbao—Mining and mineral firm.

(x) Productos Agricolas S. A. (Prodag), Pl. del Caudillo 5 and 10, Valencia—Exportation of agricultural products; capital, 2,500,000 pesetas.

(y) Rubira, Boehme y Cia. Ltda., Felipe Sanches 24, Vigo; Canos 2, Madrid; Calle Rosellon 186, Barcelona—Drugs and pharmaceuticals firm.

(z) Sierra de Gredos S. A., Cia. Minera, Generalisimo 1, Madrid, and Gran Via 62, Bilbao—Tin mining company, capital, 8,000,000 pesetas.

(aa) Sociedad Exportadora de Pielas S. A., Jose Antonio 38, Madrid; Pozo Amarillo 24, Salamanca; Avenida del Generalisimo 408, Barcelona—Purchasing, selling, and exporting hides, skins, and wool; capital, 2,100,000 pesetas.

(bb) Transportes Marion S. A., Van Dyck 6, Salamanca—Transportation company; capital reported from 2,100,000 to 8,000,000 pesetas.

Scharlau, Pablo, Magdeburg:

Monguio y Scharlau, Sucr., Aragon 219, and Balmes 65, Barcelona; Ave. Jose Antonio 25, Madrid—Importers and manufacturers of paints.

Schering, Berlin:

(a) Construcciones Industriales S. A. (C. I. S. A.), General Mola 9, Madrid—Constructional works; capital, 500,000 pesetas.

(b) Instituto Llorente, Turas 9, Madrid—Manufacturers of pharmaceutical products.

(c) 25% interest in Quimica Espanola S. A., Mendez Alvaro 57, Madrid—Manufacturers of pharmaceutical products; capital, 2,000,000 pesetas.

(d) Tarsia S. A., General Mola 9, Madrid—Perfume manufacturers; capital, 150,000 pesetas.

Siemens-Schuckert Werke A. G. & Siemens-Halske, Berlin:

(a) Industrial Latina de Electricidad Aplicada S. A. (ILDEA), Pedro IV 363, Barcelona, and Fuencarral 43, Madrid—Manufacture of electromedical equipment; capital, 600,000 pesetas.

(b) Industrias Sanitarias S. A., Avenida Jose Antonio Primo de Rivera, Barcelona—Manufacture of laboratory equipment; capital, 5,000,000 pesetas.

(c) Siemens Industria Electrica S. A., Barquillo 38, Madrid, and branches in Spain—Subsidiary; production of electrical equipment; capital, 7,000,000 pesetas.

(d) Siemens Reiniger Veifa S. A., Fuencarral 43, Madrid—Sales agent for electromedical equipment; capital, 1,200,000 pesetas.

Sihn, Wilhelm:

(See Batterie und Elementefabrik System Zeiler A. G., Berlin.)

Sloman, Robert M., Hamburg:

(a) Baquera, Kusche & Martin S. A. (Bakumar), Plaza de las Cortes 3, Madrid, and all branches in Spain—Partially controlled by "Sofindus"; shipping firm and steamship agency; capital, 505,000 pesetas.

(b) See also Rowak Handelsgesellschaft m. b. H., Berlin.

Telefunken, Berlin:

Telefunken Radio Tecnica Iberica, Carretera de Madrid 101, Madrid—Subsidiary; manufacture and sell radios and electrical equipment; capital, 3,000,000 pesetas.

Tetzlaff & Wenzel, Stettin:

(a) Ileva S. A., Huertas Atlas 11, Velez-Malaga—Manufacturers and retailers of oils and soaps; capital, 1,000,000 pesetas.

- (b) Tetzlaff & Wenzel, Layetana 128, Barcelona—Dealers in foodstuffs; capital, 50,000 pesetas.
- Vereinigte Stahlwerke, Dusseldorf:
- (a) Minerale Galacios S. A., Avda. Martires de Carral 1, Montforte de Lemos (Lugo)—Subsidiary; mining concern; capital, 200,000 pesetas.
- (b) Minerale de Hierro de Galicia S. A., Avda. Martires de Carral 1, Montforte de Lemos (Lugo)—Mining firm; capital, 100,000 pesetas.
- Victoria zu Berlin Allgemeine V. A. G., Berlin:
- La Victoria do Berlin, Sociedad Anonima do Seguros Generales—Carrera de San Jeronimo 11, Madrid—Registered and subscribed capital, RM3,000,000.
- Voith, J. M., Heidenheim:
- Maquinaria, J. M. Voith S. L., Desengano 18, Madrid—Subsidiary; importers of machinery.
- Wagner, Guenther ("Pelikanwerke"), Hanover:
- Wagner, S.A., Guenther (Productos Pelikan), Padre Claret 264, Barcelona—Subsidiary; capital, 4,000,000 pesetas.
- Wuttemburgische und Badische Vereinigte Versicherungs Gesellschaften Aktien-Gesellschaft Heilbronn, Heilbronn:
- Wurtembergues y Badense, Compañias Reunidas de Seguros S.A., Disputacion 239, Barcelona—Registered capital, RM 3,050,000; subscribed capital, RM 762,500.

SWEDEN

- Accumulatoren Fabrik A.G., Berlin:
- (a) "Tudor" Ackumulator Fabriksaktiebolaget, Birger Jarlsgatan 22, Stockholm—Branch; manufacture of electric batteries; capital, 2,500,000 kr.
- (b) Latex A/B, Birger Jarlsgatan 22, Stockholm—Controlled by (a); importers and exporters of raw materials; capital, 100,000 kr.
- (c) Nordradio A/B, Birger Jarlsgatan 55, Stockholm—Subsidiary of (a); capital, 15,000 kr.
- (d) Nordring A/B, Birger Jarlsgatan 55, Stockholm—Holding company; capital, 105,000 kr.
- (e) Svenska Torrelement A/B, Vollmar Yxkullsgatan 15A, Stockholm—Owned by (a); manufacturers of dry cells, batteries, etc.; capital 50,000 kr.
- Aldag, Otto, Hamburg:
- Enhornings Kemisk-Tekniska A/B, Lutzengatan 14, Stockholm—Dealers in resin, oil, and glue; capital, 10,000 kr.
- Allgemeinen Elektricitäts-Gesellschaft, Berlin:
- (a) A.E.G. Elektriska A/B, Stockholm—Branch; capital, 5,000,000 kr.
- (b) Svenska Instrument A/B, Sveavagen 21-23, Stockholm—Manufacturers of electric lighting equipment; capital, 300,000 kr.
- (c) Svenska Tradlos Telgraf A/B, Sveavagen 21, Stockholm—Branch; wireless installations and wireless telegraphy; capital, 300,000 kr.
- Ayl, Berlin:
- Michaelis & Gaul, Hamburg:
- Lier, Erik, Hamburg:
- Part interest in Nordiska Travaruagenturen, Ake Wettergren, Stockholm—Timber and charcoal agents.
- Beiersdorf, Hamburg:
- Sandstrom A., A/B., Friggagatan 16, Gothenburg—Manufacturers and agents of chemicals and medicinal preparations; capital, 50,000 kr.
- Berggren & Co., Hamburg:
- Berggren, Berndt & Co., G., Stockholm—Dealers in skins.
- Berkefeld Filter, G.m.b.H., Celle:
- Skandinaviska Berkefeld Filter A.B., Kungsgatan 35, Stockholm—Subsidiary; capital, 5,000 kr.
- Continental Gummiwerke A/G, Hanover:
- Continental-Caoutchouc A/B, Stockholm—Branch; capital, 200,000 kr.
- DKW, Berlin:
- Horch:
- Wanderer-Werke A.G., Siegmars-Schonau:
- (a) Participate in financing of A/B Augustendals Industrier, Stockholm—Agents for motorcars; capital, 900,000 kr.
- The following are the subsidiaries of (a):
- (b) A/B Bilo, Smalsandsgatan 4, Stockholm—Manufacturers of producer gas apparatus; capital, 10,000 kr.

- (c) Lindblads Motor A/B, St. Eriksgatan 117, Stockholm—Dealers in motorcars and cycles; capital, 100,000 kr.
- (d) Philipsons Automobil A/B, St. Eriksgatan 117, Stockholm—Holding company; capital, 1,000,000 kr.
- (e) Philipsons Forsaljnings A/B, St. Eriksgatan 117, Stockholm—Sales organization; capital, 10,000 kr.
- (f) A/B Svenska Bilfabriken, St. Eriksgatan 117, Stockholm—Assembles motorcars; capital, 100,000 kr.
- Deutsche Amerika-Linie G.m.b.H., Bremen:
Deutsche Amerika-Linie Svenskt A/B, Jakobstorg 1, Stockholm—Subsidiary; travel bureau and shipping office; capital, 25,000 kr.
- Deutsche Lufthansa A/G, Berlin:
Deutsche Lufthansa A/G, Appelviken—Branch.
- Dibbern, Wilhelm, Hamburg:
50% interest in A/B Bröderna Sjunnesson, Stockholm.
- Dralle, Georg., Hamburg:
Parfumerie Georg. Dralle, Stockholm—Branch; capital, 50,000 kr.
- Duerkoppwerke A/G, Bielefeld:
Durkopp A/B, Gothenburg—Agency.
- Farbenindustrie, I. G., A. G., Frankfurt:
(a) Afga Foto A/B, Stockholm—Manufacturers of photographic equipment; capital, 15,000 kr.
(b) Anilinkompaniet A/B, Gothenburg—Branch; capital, 100,000 kr.
(c) Arto A/B, Sodra Farstadsgatan 2, Malmo—Manufacturers of photographic apparatus; capital, 240,000 kr.
(d) Igefa Svenska A/B, Stockholm—Subsidiary; capital 15,000 kr.
- Fischer:
Kullager A/B, F. A. G., Upplandsgatan 33, Stockholm—Branch; dealers in ball bearings; capital, 20,000 kr.
- Flohrs, Carl, G. m. b. H., Berlin:
Svenska A/B Flohrs Hissar, Sveavagen 33, Stockholm—Subsidiary; lift and transport installations; capital, 40,000 kr.
- Forster, August, Loban, Saxony:
Svenska Pianofabriken A/B, Vasagaten 23-25, Stockholm.
- Gannstatt-Stuttgart, Germany:
Werner & Pfeiderer A/B, Kungsgatan 33, Stockholm—Manufacturers and retailers of baking machinery, hydraulic presses, etc.; capital, 60,000 kr.
- Gesellschaft fur auslands-Werbung, Berlin:
Auslands Werbung G. m. b. H., Svenska Filialen, Drottninggatan 49, Stockholm—Subsidiary; advertising consultants.
- Gleitzmann, E. T., Dresden:
Gleitsmann A/B, E. T., Johan Kocksgatan 14, Trelleborg—Subsidiary; manufacturers of printing inks; capital, 200,000 kr.
- Gratenau, H. & A., Hamburg:
Gratenau, H. & A. A/B, Smalandsgatan 4, Stockholm—Subsidiary; importers of chemicals; capital 100,000 kr.
- Gutehoffnungshutte Oberhausen A/G, Oberhausen:
(See Hoesch A/G, Dortmund.)
- Hamburg-Amerika Linie (Hapag), Hamburg:
(a) Skeppsbron A/B, Stockholm Organized by P. G. Thulin, Swedish agent, for purpose of acquiring Swedish vessels, partly with funds transferred by Hapag and partly with a loan of 6,000,000 kr. from the Svenska Handelsbanken; capital, 300,000 crowns.
(b) Rederi A/B Trivla—Subsidiary of (a); capital 100,000 kr.
(c) Rederi A/B Prosperina—Subsidiary of (a), capital 200,000 kr.
(d) Rederi A/B Atomena—Subsidiary of (a); capital 100,000 kr.
(e) Svenska West Afrika Kompaniet, Skeppsbron 134, Stockholm—Shipping company; capital 5,000 kr.
(f) 60 percent interest in Svenska Hamburglinjen A/B, Trelleborg—Shipping company; capital 100,000 kr.
- Henkel & Cie., G. m. b. H., Dusseldorf:
(a) Helios Kemisk Tekniska Fabriker A/B, Nybrokajen 7, Stockholm—Manufacturers and distributors of chemical products; capital 1,500,000 kr.
(b) Henkel Kemiskt Tekniskt A/B, Stockholm—capital 1,000,000 kr.
- Heumann, Ludwig, Nurnberg:
Heumann, L. & Co. A/B, Lindhagensgatan 132, Stockholm—Subsidiary; wholesale dealers in chemicals and medical supplies.

Hoesch A. G., Dortmund:

(a) Lekomberg, Grufaktiebolaget, Sarvik, nr. Ladvika—Mining company; capital, 1,000,000 kr.

(b) See Hoesch A/G, et al. below.

Hoesch A/G, Dortmund:

Krupp A/G, Essen:

Gutehoffnungshutte Oberhausen A/G, Oberhausen:

Hold equal shares in the following:

(a) Haksbergs Nyagruf A/B, Grasberg, nr. Ludvika—Mining company; capital, 3,000,000 kr.

(b) Nya Nuragrovorna A/B, Nera—Mining company.

(c) Stollbergs Grufvor och Anrikningsverk A/B, Haksberg—Mining concern; capital, 1,000,000 kr.

(d) Vulcanus Bergverks A/B, Blotberget, near Ludvika—Iron ore mine; capital, 3,750,000 kr.

Hollander, P. (Dr.), Leipzig:

Palsvaru A/B, Sverus, Sveavagen 34-36, Stockholm—Wholesale furriers; capital, 60,000 kr.

Horch:

Participates in financing of A/B Augustendals Industrier, Stockholm.

(See D. K. W., Berlin.)

Hostmann-Steinbergische Farbenfabriken, Hanover:

Hostmann-Steinbergs Tryckfargs A/B, Liljeholmsvagen 2, Stockholm—Subsidiary; manufacturers of printers colors; capital, 50,000 kr.

Kloeckner-Humboldt-Deutz A. G., Cologne:

A/B Axel Christiernsson, Stockholm—Sales organization.

Krages & Co., L. Porz am Rhein:

Krages & Co., L., Smalandsgatan 20, Stockholm—Purchase of timber.

Kreuz A/B, Walter, Hamburg:

Kreuz A/B, Walter, Vastmannagatan 1, Stockholm—Subsidiary; wholesale dealers in men's and women's clothes; capital, 5,000 kr.

Krupp A. G., Friedrich, Essen:

(a) Bofors Munition Works, Sweden.

(b) Jurke A/B, E. A., Stadsgarden 22, Stockholm—Forwarding and storage agents; capital, 10,000 kr.

(c) (See also Hoesch A/G, Dortmund.)

Mey and Edlick, Leipzig:

Mey-Kragen A/B, Gamla Brogatan 32, Stockholm—Subsidiary; collar manufacturers; capital, 35,000 kr.

Michaelis & Gaul, Hamburg:

(See Axel, Berlin.)

Moller, Erik, Hamburg:

(See Axel, Berlin.)

Montan-Union G. m. b. H., Hamburg:

Rederi A/B Atlantides, Gothenburg—Owners of S. S. Atlantides and Solvik; capital, 2,600,000 kr.

Mulhens Eau de Cologne & Parfymeri-Fabriken 4711, Cologne:

Mulhens Eau de Cologne & Parfymeri-Fabriken 4711, Sundyberg, Sweden—Branch; manufacturers of perfume.

Neumann & Sohne, Reichenberg:

A/B Fodervavnader, Alingsas—Manufacturers of art silk lining; capital, 600,000 kr.

Noffnungsbutts-Oberhausen A. G., Oberhausen:

Landsverk A/B, Landskrens—Manufacturers of armaments and all kinds of mechanical vehicles; capital, 2,170,000 kr.

Olio tank, Hamburg:

Skandinaviska Tank & Mineralolje A/B, Djaknegatan 2, Malmo—Dealers in petrol and oils; capital, 1,450,000 kr.

Olympia Buromaschinen Werke A/G, Erfurt:

Olympia Skrivmaskiner A/B, Kungsgatan 16-18, Stockholm; sales organization for German principal; capital, 50,000 kr.

Osram G. m. b. H., Berlin:

Osram Elektraverken A/B, Stockholm—Capital, 2,750,000 kr.

Pignol & Heiland, Gorlitz:

Svenska Bandfabriken, K. T. Friedrichs, Boras—Ribbon and colored label manufacturers.

Possahl & Co., L., G.m.b.H., Lubeck:

Svecia Exportkompaniet A/B, Kungsgatan 30, Stockholm—Importers and exporters of iron and steel, mineral ores, and metals; capital, 1,000,000 kr.

Porzelenfabrik Th. Rosenthal & Co., A. G., Selb.:

Rosenthals Specialaffar A/B, Norrlandsgatan 7-9 and Kungsgatan 57, Stockholm—Subsidiary; dealers in glass and porcelain; capital, 100,000 kr.

Rohm & Haas A. G., Darnstadt:

A/B Kemiska Fabriken Textot, Centrumhuset, Gothenburg—Affiliate Agency; capital, 80,000 kr.

Rutgerswerke, Berlin:

Svenska Traimpregn Rings A/B, Ludvika—Dealers in creosoted sleepers; capital, 600,000 kr.

Schaffer & Budenberg G.m.b.H., Magdeburg:

Schaffer & Budenberg A/B, Klara Södrakyrkogatan 18, Stockholm—Subsidiary; manufacturers of boiler machine fittings; capital, 100,000 kr.

Schenker & Co., Berlin:

Schenker & Co., Bregrand 2, Stockholm—Subsidiary; transport and forwarding agents; capital, 50,000 kr.

Schering A. G., Berlin:

(a) Nordiska A/B, Schering, Wachrendorffsgatan 6, Stockholm—Branch; capital, 50,000 kr.

(b) 60% interest in Santonin Pharmaceutiskt Aktiebolag, Wahrendorffsgatan 6, Stockholm—Sales organization for medicines and drugs of German principal; capital, 5,000 kr.

Schuchardt & Schuttische Maschinen Vertriebs G.m.b.H., Berlin.

Schuchardt & Schutte A. B., Drottninggatan 11, Stockholm—Branch; dealers in machine tools; capital, 100,000 kr.

Schwinges, Albert, Osnabruck:

Schwinges Nordiska Textil Kontor (Hans Schwinges), Djaknegstan 2, Malmo—Machinery for hosiery manufacture.

Siemens-Schuckertwerke A. G., Siemensstadt, Berlin:

(a) Elema A/B, Kungsgatan 34, Stockholm—Subsidiary; agents for electrical, surgical, and X-ray apparatus, etc.; capital, 700,000 kr.

(b) Siemens Elektriska A/B, Kungsgatan 36, Stockholm—Sales organization of German principal; capital, 1,500,000 kr.

Mulvens Eau de Cologne:

Sirius, Handels-Och Fabriks A. B., Esplanaden 2, Sundbyberg—Perfumery business; capital 50,000 kr.

Stinnes interests, Hamburg:

(a) A/B Kol & Transport, Stockholm—Believed to be owned by Stinnes interests.

(b) Appelqvist Forvaltnings A/B, Stockholm—48 percent owned by (a). The following are controlled by (b):

(c) Appelqvist Kolimport A/B. A. R., Regeringsgatan 5, Stockholm—Coal importers; capital, 1,000,000 kr.

(d) Ara A/B, Regeringsgatan 5, Stockholm—Capital, 5,000 kr.

(e) Arafart A/B, Regeringsgatan 5, Stockholm—Shipowners and shipping agents; capital, 800,000 kr.

(f) Automatisk Varmer A/B, Regeringsgatan 5, Stockholm—Dealers in regulators for central heating boilers, etc.; capital, 100,000 kr.

(g) Branslecentralen A/B, Sonnegardsbarnen, Gothenburg—Importers of coal and coke; capital, 500,000 kr.

(h) Fahlstorm & Co., A/B, Centralplan 5, Gavle—Coal, coke, and building material merchants; capital, 100,000 kr.

(i) Jansson & Co., A/B, P., N. Stromsgatan 15, Norrköping—Dealers in fuel and building materials; capital, 660,000 kr.

(j) Jonkopings Kol A/B, Ostra Stangatan 3, Jonköping—Coal importers; capital, 100,000 kr.

(k) Latens Kolimport A/B, Kungsgatan 4, Stockholm—Importers and dealers in coal and coke; capital, 1,000,000 kr.

(l) Norrköpings Bransle A/B, N. Stromsgatan 15, Norrköping—Dealers in coal and coke; capital, 100,000 kr.

(m) Orebro Kol & Koks A/B, Orebro—Coal, wood and peat merchants; capital, 50,000 kr.

(n) Sandvikens Biggnadsvaruafpar, Eftr. E. W., Esbjore, Sandviden—Dealers in building materials.

(o) Sjöfart Och Kol A/B (now P. Janssons Linköping A/B), Tradgardagatan 17, Stockholm—Holding company; capital, 300,000 kr.

- (p) Solstad, Rederi A/B, Stockholm—Shipowners; capital, 500,000 kr.
 (q) Zieglers Kol & Koks A/B, Karlstad—Importers of coal and coke; capital, 200,000 kr.
 (r) Zieglers Spedition A/B, Sonnegardsbarnen A/B, Gothenburg—Shipping agents, brokers, and coal dealers; capital, 10,000 kr.
- Strebelverken G. m. b. H., Mannheim:
 Svenska Strebelverken A. B., Vastorvik—Manufacturers of heating and sanitary appliances; capital, 200,000 kr.
- Stromeyer, M., Lagerhaus Gesellschaft, Mannheim:
 (a) Lidkopings Kol & Koks A/B, Lidköping—Coal merchants, owned by (b); capital, 80,000 kr.
 (b) Linne Dahllof & Co. A/B, Kaneltorgst 1, Gothenburg—Coal merchants; capital, 122,000 kr.
- Sudostropa, Berlin:
 Sudostropa A/B, Malmskillnadsgatan 25, Stockholm—Subsidiary; importers and exporters; capital, 22,500 kr.
- Thorer & Co., Leipzig:
 A/B Gronwall & Soderstrom, Kungsgatan 24, Stockholm—Property dealers and estate agents; capital, 1,000,000 kr.
- Tobis Film A/B, Berlin:
 Tobis Film A/B, Adolf Frediks Kyrkogatan 5-7, Stockholm—Subsidiary; film distributors; capital, 20,000 kr.
- Ufafilm A/B, Berlin:
 (a) Nordiskt Filmotek A/B, Norr Malarstrand 22, Stockholm—Subsidiary; film distributors; capital, 10,000 kr.
 (b) Ufafilm A/B, Kungsgatan 44, Stockholm—Affiliate; capital 100,000 kr.
- Vasenolwerke, Leipzig:
 Svenska Vasenolfabriken A/B, Gavlegatan 12A, Stockholm—Subsidiary; capital, 10,000 kr.
- Vereinigte Stahlwerke A. G., Dusseldorf:
 (a) Stora Langviks Gruv A/B, Hedemora—Mining concern; capital, 400,000 kr.
 (b) Rylander & Asplund A/B, Jungsgatan 34, Stockholm—Sanitary and hardware manufacturers; capital, 1,500,000 kr.
 (c) Skandinaviska Montanindustrie A/B, Striberg—Majority of share capital owned by (a); capital, 2,300,000 kr.
 (d) Smalands Taberg A/B, Stockholm and Smalands Taberg—Mining company; 59 percent of the shares are registered in the name of (a); capital, 800,000 kr.
- Wagner A/G, Gunther, Hanover:
 Wagner A/B, Gunther, Kammakaregatan 21, Stockholm—Subsidiary; manufacturers of and dealers in stationery; capital, 75,000 kr.
- Wander-Werke, Siegmar-Schonau:
 Participates in financing of A/B Augustendals Industrier, Stockholm. (See DKW, Berlin.)
- Winkle, Gebruder, Albeerstadt:
 Lastfabriken Winkle A/B, Orebro—Manufacturers of boot lasts; capital, 50,000 kr.
- Witte & Co., Export A/B Franz:
 Witte & Co., Export A/B Franz, Bararegatan 14, Gothenburg—Branch; exporters of herring and "liagon"; capital, 140,000 kr.
- Wollheim, Caesar, Berlin:
 (a) 95 percent interest in Coal & Oil Trading Company, A.B., Jergen Kocksgatan 2, Malmo—Coal importers, bunkering agents, and tanker owners; capital, 750,000 kr.
 (b) Scana A/B, Jergen Kocksgatan 2, Malmo—Subsidiary of (a); coal importers, bunkering agents, and tanker owners; capital, 50,000 kr.
- Wurtembergische Metallwarenfabrik, Wurtemberg:
 Aktiebelaget Ikora, Norrmallstorg 1, Stockholm—Subsidiary; agents and retailers in silver and metalware; capital, 50,000 kr.
- Zeiss-Jena, Jena:
 Zeiss Svenska A/B, Stockholm—Branch; capital, 100,000 kr.

SWITZERLAND

- "Adrema" Maschinenbaugesellschaft m. b. H., Berlin:
 Adrema A. G., Zurich—Manufacturers of office machinery; capital, 100,000 fra.

- Allgemeinen Elektrizitäts-Gesellschaft, Berlin:
A. E. G. Elektrizitäts A. G., Zürich—Dealers in electrical apparatus; capital 500,000 frs.
- "Amor Skin Corporation G. m. b. H.," Berlin:
Amor Skin Corporation A. G., Werdmuehlestrasse 5, Zurich—Sale of cream products; capital, 10,000 frs.
- Athaemaion Verlag, Potsdam:
Alpina Verlag A. G., Hergiswil Nidwalden—Subsidiary; capital, 25,000 frs.
- Auterader und Felgenfabrik, Max hering A. G., Honeburg:
Hering-Rad A. G., Zurich—Dealers in automobile wheels; capital, 500,000 frs.
- Bauer, Kurt, Stuttgart:
Bauer, Kurt (Stuttgart Zweigniederlassung, Zurich), Zurich—Branch; dealer in metal goods.
- Beiersdorf A. G., P., Hamburg:
Chemische Fabrik Pilot A. G., Steinenertstrasse 23, Basle—Holding company; capital 100,000 frs.
- Bemberg Co., Barmen:
Cuprum A. G., Glarus—Holding company; capital, 500,000 frs.
- Berward A. G., Bremen:
Golvag A. G. Goliath-Vertrieb, Zurich—Distribution of Goliath lorries; capital, 10,000 frs.
- Bergwerke Ges. Hibernia A. G., Berne:
(a) Rhein u See Transport A. G., Basle—Subsidiary; capital, 100,000 frs.
(b) "Rhenus" A. G. fuer Schiffahrt & Spedition, Basle— capital, 1,500,000 frs.
- Berndorfer Metallwarenfabrik Arthur Krupp A. G., Berndorf:
Berndorfer Kruppmetallwerke A. G., Lucerne—Branch; mining and metal rolling works; capital, 500,000 frs.
- Berthold Messinglinienfabrik & Schriftgiesserei A. G., H., Berlin:
Haas'sche Schriftgiesserei A. G., Muenchenstein (Baselland)—Capital, 250,000 frs.
- Boehler & Co., A. G., Gebr., Berlin:
Boehler & Co., Gebr., A. G., Zurich—Holding company for Boehler subsidiaries in Prague, Vienna, Budapest, and Bucharest; capital, 500,000 frs.
- Boehlhoff, Kurt (Dr.), Berlin:
Majority interest in Interradio G. m. b. H., Zurich—Construction of, and participation in, broadcasting plant; capital, 20,000 frs.
- Boehringer & Soehne G. m. b. H., C. H., Mannheim:
Boehringer, C. F. & Soehne A. G., Zellikofen, Berne—Manufacture of chemicals and pharmaceuticals; capital, 50,000 frs.
- Bohnenberger, Friedrich, Stuttgart:
Bohnenberger, Friedrich, Verlag Stuttgart, Filiale, Zurich—Branch; publishers.
- Bosch A. G., Robert, Stuttgart:
(a) Bosch A. G., Robert, Zurich and Geneva—Subsidiary; manufacture and sale of electrotechnical and precision goods; capital, 900,000 frs.
(b) Scintilla A. G., Solothurn—Manufacturers of magnetos and motor car accessories; capital 4,500,000 frs.
- Caesar & Loretz, Halle:
Caesar & Loretz, Linmatstrasse 45, Zurich—Branch; wholesale trade in drugs and pharmaceuticals.
- Concordia Bergbau A. G., Oberhausen, Duisburg:
Part interest in "Vulkan" Kohlenhandels A. G., Zurich—Capital, 300,000 frs.
- Conradty, Eugen & Ottomar, Rothenbach:
Cece-Graphit Werke A. G., Wehntalerstrasse 600, Zurich—Manufacture of graphite and carbon products.
- Continental Gummiwerke A. G., Hanover:
Continental Caoutchouc Compagnie A. G., Zurich and Geneva—Subsidiary; capital, 50,000 frs.
- Dachpapenfabrik & Chemisch-Technische Werke, Berlin:
Chemisch-Technische Werke A. G., Bitzenstrasse 44-46, Muttens, Baselland—Manufacture of insulating materials; capital, 300,000 frs.
- Daimler-Benz A. G., Berlin and Stuttgart:
Mercedes-Benz Automobil A. G., 119 Badenerstrasse, Zurich, and all branches in Switzerland—Subsidiary; capital, 250,000 frs.

- Deutsche Buchgemeinschaft C. A. Koch's Verlag Nachfolg, Berlin:
Deutsche Buch-Gemeinschaft C. A. Koch's Verlag Nachf. Berlin, Filiale,
Zurich—Branch; book distributors.
- Deutsche Edelmetallwerke A. G., Krefeld:
Marathon Edelmetall A. G., Zurich—Swiss representatives of German
firm; capital, 350,000 frs.
- Deutsche Linoleum Werke A. G., Bietigheim:
(a) Hettinger Basel A. G., Steinenberg 19, Basle—Wholesale and retail
trade in linoleum, carpets, etc.; 150,000 frs.
(b) Hettinger Zurich A. G., Talackerstrasse 24 and Peterstrasse, Zurich—
Wholesale and retail trade in linoleum, carpets, etc.; capital, 150,000 frs.
(c) Lintep Holding A. G., Boergenstrasse 22, Zurich—Holding company
for the linoleum industry; capital, 100,000 frs.
(d) Continentale Linoleum Union A. G., Bahnhofstrasse 17, Zurich.
(e) Linoleum A. G., Giubiasco—Affiliate of (d); linoleum manufacturers;
capital, 3,300,000 frs.
- Dinier Werke A. G., Berlin:
Part interest in Gas-Industrie A. G. Fuer, Lowenstr. 2, Zurich—Manu-
facturers of gas plants and industrial furnaces.
- Donier Werke, Friedrichshafen:
(a) Aero-Metall, A. G., Zurich—Subsidiary; dealers in airplanes and
parts; capital, 100,000 frs.
(b) Dornier Werke A. G., Altenrhein, St. Gallen—Manufacture of air-
planes and accessories.
- Dralle A. G., Georg., Hamburg:
Dralle A. G., Georg., Basle—Manufacturer of perfumes and patent medi-
cines; capital, 75,000 frs.
- Duerkoppwerke A. G., Bielefeld:
Duerkoppwerke A. G., Zurich—Dealers in machinery.
- Eau de Cologne & Parfumeriefabrik, Glockengasse 4711, Cologne:
(a) A. G. Guer Aetherische Oele, Glarus—Dealers in perfumes; capital,
400,000 frs.
(b) "Blau-Gold" A. G., Stockerstrasse 38, Zurich—Sales agency of (a);
capital, 100,000 frs.
- Ehni & Co., Geo., Stuttgart:
Ehni & Co., Geo., Zurich—export of watches and jewelry.
- Engelhorn Family, Mannheim:
90 percent in Keramische Werte A. G., Seefeldstrasse 6, Zurich—Ceramics;
capital, 1,000,000 frs.
- Ewel & Co., Hamburg:
Ewel & Co., Brandschenkestrasse 20, Zurich—Importers and exporters of
unblocked felts.
- Fanto Group:
Fanto Benzin Import A. G., Zurich—Dealers in oil; capital, 25,000 frs.
- Farbenindustrie, I. G., Frankfurt-am-Main:
(a) Agfa Photo A. G., Bleicherweg, Zurich—Branch.
(b) Internationale Gesellschaft der Stickstoff Industrie, St. Jakobstrasse
22, Basle—Trade in explosives; capital, 6,000,000 frs.
(c) Internationale Gesellschaft Fuer Chemische Unternehmungen A. G.
(I. G. Chemie), Peter-Mevrianstrasse 19, Basle—Acts as holding company
for I. G. Farben through Industrie Bank A. G., Zurich, and Soc. Auxiliaire
de Participations et de Depots, Lausanne; capital, 170,000,000 frs.
(d) Sturzenegger & Cie., H., Jacobstr. 22, Basle—Majority interest held
by Industrie Bank A. G., Basle.
(e) Teerfarben A. G., Bahnhofstr. 55, Zurich—Subsidiary; dealers in
dyestuffs and chemical products; capital, 500,000 frs.
(f) Treupha A. G. Fuer Chemisch-pharmazeutische und Kosmetische
Produkte, Baden—Manufacture and deal in chemical and pharmaceutical
products; capital, 50,000 frs.
- Fibroplast G. m. b. H., Krefeld.
Fibroplast, A. G., Fronwagplatz 7, Schaffhausen—Branch; financial
advisers and brokers.
- Flender & Co., Friedrich, Germany:
Flender & Co., Friedrich, Bocholt, Zweigniederlassung Kuesnacht—
Branch; manufacture of driving parts.
- Frederic Henri Coal Mines, Lintfort:
"Socoder" Societe pour le Commerce des Combustibles S. et de Leurs
Derives, Geneva—Coal dealers.

Gallus, Annie (Mrs.), Berlin:

(a) Massie Verlag G. m. b. H., Feldeggstr. 12, Zurich—Capital, 50,000 frs.

(b) Scientia A. G., Feldeggstr. 12, Zurich—Publishing firm; capital, 15,200 frs.

Gas & Wassermesserfabrik A. G., Mainz:

Gas und Wassermesserfabrik a. g., Lucerne—Manufacture of gas and water meters, capital, 500,000 frs.

Gesellschaft fur Getreide Handel A. G., Berlin:

Getreide Import A. G., Zurich—Importers of grain; capital, 200,000 frs.

Gesellschaft fuer Linde's Eismaschinen, Wiesbaden:

40 percent interest in Sauerstoff-und-Wasserstoffwerk A. G., Bruenigstrasse 24, Lucerne—Manufacture of compressed and liquid gas; capital, 900,000 frs.

Gold & Silber Scheidenstalt, Frankfurt-am-Main:

Leuken A. G., Freigutstr. 7, Zurich—Subsidiary; manufacture and trade in chemicals and metals; capital, 400,000 frs.

Guetermann & Co., Breisgau:

Guetermanns Nahseiden A. G., Stampfenbachstrasse 12, Zurich—Manufacture of silk thread; capital, 100,000 frs.

Haff Family, Hamburg and Munich:

Haff, Gebr. C. H. & F., A. G., Bahnhofplatz 5, Zurich—Dealers in mathematical instruments; capital, 32,000 frs.

Hafta Kunststoff Gesellschaft, Dr. Hubner & Co., A. G., Berlin:

Part interest in Globag A. G., Schaffhausen—Machinery; capital, 75,000 frs.

Hahn & Kolb, Stuttgart:

Hahn & Kolb, Zurich.

Hamburg-Amerika Linie, Hamburg:

Bronner & Co., A. G., Aeschengraben 33, Basle—Forwarding agents; capital, 60,000 frs.

Hamel A. G., Carl, Schonau:

Hamel, Spinn- & Zwirnereimachinen A. G., Carl, Arben—Manufacturer of textile machinery; capital, 600,000 frs.

Haniel A. G., Franz, Duisburg:

75 percent interest in Haniel A. G., Franz, Basle, and all branches in Switzerland—Subsidiary; coal importers and distributors; capital, 250,000 frs.

Hartmann, Walter & Erich, Halle:

(a) Hartmann A. G., Gebrueder, Neubrunnenstrasse 41, Oerliken, Zurich—Dealers in chemicals; capital, 500,000 frs.

(b) Chomographic Holding A. G., Glarus—Holding company; entire capital held by Alfred Koelliker, Swiss resident in Buenos Aires on behalf of Hartmann; capital, 100,000 frs.

(c) Rotula A. G., Zurich—Affiliate of (b); participation in printing machinery concerns; capital, 100,000 frs.

(d) Tektocolor A. G., Zurich—Affiliate of (b); printing; capital, 200,000 frs.

Hasenclever, Hermann, Remscheid, Legatees of:

Majority interest in Lagerhaus A. G., Glarus—Holding company; capital, 2,000,000 frs.

Hauff A. G., Stuttgart:

Hauff-Photo-Vertretung, Zurich—Sale of photographic materials; capital, 20,000 frs.

Hellmuth & Co., Germany:

Hellmuth & Co., Loerbach, Filiale Basle, Basle—Commission agents.

Henkel G. m. b. H., Dusseldorf:

(a) Uma A. G., Poststrasse 2, Chur.—Participates in undertakings in the chemical industry; capital, 2,000,000 frs.

(b) Henkel & Cie. A. G., Kirschgartenstrasse 12, Basle—Owned by (a).

(c) Henkels Persilwerke A. G., Pratteln—Controlled by (b); dealers in chemicals; capital, 2,000,000 frs.

(d) Labor-Fac A. G., Elizabethanstrasse 44, Basle—Controlled by (b); manufactures and trade in chemicals; capital, 50,000 frs.

Henschel G. m. b. H., Kassel:

Jon A. G. fuer Industrielle Unternehmungzn, Zurich—Capital, 250,000 frs.

Hepp Gebr. G. m. b. H., Glauchau:

Hepp Gebr. G. m. b. H., Glauchau, Filiale Zurich—Branch; manufacture of table and silverware.

- Hermelin Verlag, Dr. Paul Schoeps, Leipzig:
Hermelin Verlag, Dr. Paul Schoeps, Leipzig, Filiale Zurich—Branch; publisher of trade journals.
- Hibernia A. G., Herne, Westfalen (see Bergwerke Ges. Hibernia):
Oberrhein Reederei & Kohlenhandels A. G., Basle—Subsidiary; coal dealers; capital, 500,000 frs.
- Hilb, Siegfried, Konstanz:
Hilb, Siegfried, Bahnhofstrasse 31, Kreuzlingen—Wholesale trade in cloth and linings.
- Hoehner, Matth., Tressingen:
(a) Accordina A. G., Laupen-Wald, Zurich—Subsidiary; manufacturer of accordions.
(b) Hohnika A. G., Schoffhausen—Holding company; capital, 525,000 frs.
- Hoffman, G., Frankfurt:
Hoffman, G., Basle—Branch; wholesale dealers in sanitation appliances.
- Holzmann A. G., Philipp, Frankfurt A/M:
Soc. Financiere et Technique (Sofitec), Basle—Subsidiary.
- Hostmann-Steinberg Farben A. G., Hamburg:
Hostmann-Steinberg Farben A. G., Bederstrasse 103a, Zurich—Branch; manufacturer of printer's ink; capital, 200,000 frs.
- Imfeld, Karl, Berlin:
Partner in "Astra" Beteteiligungs und Verwaltungs G. m. b. H., Bondastr., Chur.—Patent administrators and investment company; capital, 200,000 frs.
- Inag Industrie-Unternehmungen A. G., Berlin:
75% interest in Schaere, M. A. G., Berne—Capital, 945,000 frs.
- Industriegeraete G. m. b. H., Germany:
"Messpruf," Gesellschaft fur Mess-und Pruefwesen M. B. H., Feuerthalen—Branch.
- Jakob, Graff, Mannheim:
Two-thirds interest in Gefuag A. G., Berne—Grain dealers; capital, 50,000 frs.
- Kadus-Werk, Ludwig Kegel Kommandit Gesellschaft, Neustadt:
Kadus-Werk, Zurich—Branch; dealers in electrical apparatus.
- Kahl, J. A., Hamburg:
Naruya S. A., Geneva and Zurich—Fruit importers.
- Kaisers Kaffeegeschäft A. G., Viersen (Rhineland):
Kaisers Kaffeegeschäft A. G., Guterstrasse 311, Basle and all branches—Subsidiary; trade in tea, coffee and colonial produce; capital, 2,000,000 frs.
- Kaloderma A. G., Karlsruhe:
Kaloderma A. G., Waldenburgerstrasse 1, Basle—Branch; manufacturer of soaps, etc.; capital, 30,000 frs.
- Karlsruher Parfumerie & Toilettenseifenfabrik (F. Wolff & Sohn G. m. b. H.), Karlsruhe:
Karlsruher Parfumerie und Toilettenseifenfabrik (F. Wolff & Sohn G. m. b. H.), Grenzacherstrasse 63, Basle—Branch; manufacture of soap and perfumery; capital, 5,000,000 goldmark.
- Keller's Tuchhandlung A. G., Stuttgart:
Keller's Tuchhandlung A. G., Gerberstrasse 26, Basle—Subsidiary; cloth merchants; capital, 200,000 frs.
- Klement & Spaeth, Parfumerie & Seifenfabriken, Ravensburg:
Klement & Spaeth, Parfumerie und Seifenfabriken, Romanshorn—Branch.
- Klepperwerke, Bavaria:
Klepper-Sportersougnisse A. G., Zurich—Manufacture and trade in Klepper sports equipment; capital, 236,000 frs.
- Klingelberg Sohne, W. Ferd., Remscheid:
Klingelberg Sohne, W. Ferd., Zurich.
- Knoll A. G., Ludwigshafen:
Knoll & Cie. A. G., Liestal, Basle—Manufacture and deal in chemicals; capital, 500,000 frs.
- Krebs, Otto (Dr.), Heidelberg:
Krebs, Dr. Strebel-Kessel & Radiatoren, Rothrist, Aargau—Dealers in Strebel heating boilers, radiators and electrical apparatus; sales agent for G. Muenster & Co.
- Krupp A. G., Fried., Essen:
Pantana A. G., Glarus—Subsidiary; capital, 325,000 frs.

- Kummerle, Emil, Stuttgart:
Textil Rohstoff A. G., Hennebuehl 6, Zug—Dealers in Textiles.
- Lackfarben A. G., Berlin:
Lackfarben A. G., Unterseestrasse 32, Kreuzlingen—Branch; manufacture of chemicals, varnishes, etc.; capital, R.M. 71,000.
- Langbein Pfannhauser Werke A. G., Leipzig:
Langbein Pfannhauser Werke A. G., Zurich—Branch; manufacturers of, and dealers in, electrical goods; capital, R.M. 2,040,000.
- Lange F. A. Metallwerke A. G., Ave-Auerhammer:
Lang F. A. Metallwerke A. G., Biel—Branch.
- Lingnerwerke A. G., Berlin:
Extraktion A. G., Birzbrunnallee 28, Basle—manufacturer of tooth-paste; capital, 200,000 frs.
- Lorenz A. G., Berlin:
Lorenz A. G., Berne—Branch; manufacturers of telephone and telegraph equipment; capital, R.M. 9,500,000.
- Maag, Heinrich, Munich:
Gummi-Maag, Zurich.
- Mannesmann Roehrenwerke, Dusseldorf:
Mannesmann A. G., Zurich—Dealers in products of German firm.
- Marabuwerke A. G., Tamm, Wurtenburg:
Marabuwerke A. G. Tamm, Zweigniederlassung Seebach, Zurich—Branch
- Maschinenfabrik Augsburg-Nurnberg (M. A. N.), Augsburg:
(a) Maschinen A. G., Monbijoustrasse 61, Berne—Holds agency for M. A. N. for the sale of printing presses; capital, 550,000 frs.
(b) 50 percent interest in Transkrit A. G., Loewenstrasse 29, Zurich—Capital, 50,000 frs.
- Mauthe G. m. b. H., Uhren, Friedrich, Schwenningen:
Uhren A. G., Vormels Mauthe Uhren A. G., Zurich—Watch dealers; capital, 200,000 frs.
- Melitta A. G., Minden, Westphalia:
Melitta A. G., Zurich—Subsidiary; capital, 10,000 frs.
- Mercedes-Maschinenwerke, Zella-Mehlis, Thuringen:
Mercedes Buromaschinen A. G., Talstrasse 11, Zurich—Agency.
- Merck G. m. b. H., E., Darmstadt:
(a) Merck Produkten, A. G. fuer Handel, Bahnhofstrasse 23, Zug—Capital, 50,000 frs.
(b) Merck-Unternehmungen, Holding A. G. fuer, Bahnhofstrasse 23, Zug—Holding company for German principal; capital, 3,000,000 frs.
- Merz & Co., Frankfurt:
Merz & Co., Chemische Fabrik, Dufourstrasse 176, and Frochlichstrasse 28, Zurich—Branch; manufacturer of chemicals.
- Metallgesellschaft A. G., Frankfurt:
Rotopulsor A. G., Fronwagplatz 9, Schaffhausen—Patent administrators and investment company; capital, 200,000 frs.
- Meyer, Hellmuth G., Zoppot:
Meyer, Hellmuth G., Zurich; Branch.
- Mielewerke A. G., Guetersloh:
Verkaufsgesellschaft der Mielewerke A. G., Zurich—Distributors of agricultural implements; capital, 10,000 frs.
- Mitteuropaische Reiseburg, G. m. b. H., Berlin:
Transkontinent A. G., Zurich—Capital, 2,150,000 frs.
- Moessinger, Friedrich (Dr.), Langen, Hessen:
Part interest in Brandt A. G. Richard, Apotheker Vormals, Finsternaldstrasse 95, Schaffhausen—Manufacturers of pharmaceuticals; capital, 51,000 frs.
- Mueller-Clemm, Wolfgang, Essen:
(See Pfeiffer, Heinz, Essen.)
- Munchener Rueckversicherungs Gesellschaft, Munich:
Union Ruckversicherungs A. G., Alpenquai 8, Zurich—Subsidiary; reinsurance company; capital, 10,000,000 frs.
- Mutter, Albert, Loerbach:
Mutter, Albert, Basle—Branch; forwarding agents.
- Nestler A. G., Albert, Lahr, Baden:
Majority interest in Masstafabrik A. G., Schaffhausen—Capital, 375,000 frs.

- Nitsche & Guenther Optische Werke K. G., Rathenow:
Nitsche & Guenther Optische Werke K. G., Bahnhofstrasse 78, Zurich—
Subsidiary; manufacturers of optical and mechanical instruments.
- Noerpel C. E., Friedrichshafen:
Noerpel C. E., St. Gallen—Branch; forwarding agents.
- Orenstein & Koppel, A. G., fuer Feld & Kleinbahnen Bedarf, Berlin:
Orenstein & Koppel A. G. fuer Feld & Kleinbahnen Bedarf, Zurich—
Subsidiary; dealers in machinery for public works; capital, 350,000 frs.
- Osram G. m. b. H., Berlin:
(a) Licht A. G. Vereinigte Gluehlampenfabriken, Aarau—Manufacturer
of electric lighting goods; capital, 2,800,000 frs.
(b) "Osa" Industrielle Beteiligungen A. G., Schaffhausen—Holding com-
pany; capital, 1,000,000 frs.
(c) Osram A. G., Zurich, and all branches in Switzerland—Dealers in
electrical goods; capital, 600,000 frs.
- Oswald, Kurt von:
(See Spaeter, Rudolf.)
- Pfeiffer, Heinz, Essen:
Mueller-Clemm, Wolfgang, Essen:
Part interest in Verlags G. m. b. H., Berne—Publishers of Deutsche Zeitung
in der Schweiz; capital, 20,000 frs.
- Platte, R., Epetia-Werke Rudolf Platte, Wuppertal-Vohwinkel:
● Ressort A. G. fuer Patenverwertung, Bahnhofstr. 23, Zug—Acquisition
and exploitation of patents; capital, 100,000 frs.
- Pomosing Werke, Fisher & Co., Frankfurt:
(a) Rohstoff Verkehrs A. G., Glarus—Subsidiary; capital, 100,000 frs.;
holding company for all of German principal's foreign subsidiaries which
include:
(b) Omon A. G., Basle—Capital, 5,000 frs.
(c) Opekta A. G. fuer Chemische & Pharmaceutische Produkte, Solo-
thurn—Capital, 10,000 frs.
(d) Pektin A. G., Glarus—Capital, 50,000 frs.
- Preussische Elektrizitaets A. G., Berlin:
Continentale Elektrizitaets-Union A. G., Basle—Electrical power; capital,
20,000,000 frs.
- Raab Karcher G. m. b. H., Karlsruhe:
(a) 40 percent interest in Kohle Union Geldner A. G., Basle—Coal im-
porters; capital, 1,000,000 frs.
(b) Noba A. G., Geneva and Basle—Majority of shares held by (a);
importers and marketers of petroleum products; capital, 500,000 frs.
The following are the subsidiaries of (b):
(c) "Hucar" Huiles et Carburants Morges, S. A., Passage de la Bouronne
7, Morges.
(d) "Naphtag" Napha-Produkte A. G., Werdhollzlistrasse 103, Zurich-
Alstetten.
(e) Noba-Rheinlager A. G., Birdofelden.
(f) Usol A. G., Muenchensteinstrasse, Basle.
(g) Zeleir A. G., A., Solothurnstrasse 313, Olten.
- Recenia A. G., Hartmannsdorf, Max Boese.
Recenia A. G., Basle—Capital, 100,000 frs.
- Rheinisch-Westfaelischen Kohlen Syndikat, Dusseldorf:
Ruhr & Saar Kohle A. G., Basle—Distributors of coal and coke in Switzer-
land for German principal; capital, 1,500,000 frs.
- Rheinisch Westfaelisches Elektrizitaetswerk A. G., Essen:
(a) 40 percent interest in "Finelectra" Finanzgesellschaft fuer Elektrizitaets
Beteiligungen A. G., Aarau—Holding company for electrical firms and
operating power stations; capital, 6,000,000 frs.
(b) Aarewerke A. G., Brug—Operation of power stations; affiliate of (a).
- Rheinmetall A. G., Dusseldorf:
(a) Mess Union G. m. b. H., Zurich—Manufacturers of measuring instru-
ments and gages; capital, 100,000 frs.
(b) Waffenfabrik Solothurn A. G., Solothurn—Manufacturers of arms and
munitions; capital, 2,000,000 frs.
- Rhenania Schiffahrts & Speditionen G. m. b. H., Mannheim:
Part interest in Neptun Transport & Schiffahrts A. G., Basle—Capital,
1,500,000 frs.

- Rhenania Wormser Lagerhaus & Speditionen A. G., Worms:
Part interest in Neptun Transport & Schiffahrts A. G., Basle—Capital, 1,500,000 frs.
- Richter, Otto:
Richter, Otto, Zurich—Magazine and book shop.
- Roechling'schen Eisen & Stahlwerke G. m. b. H., Voelklingen:
(a) Roechling & Cie., A. G., Basle—Branch; coal and iron dealers; capital, 2,000,000 frs.
(b) Roechling Stahl A. G., Zurich—Dealers in steel goods; capital, 100,000 frs.
(c) Boehringer A. G., Robert, 28 Ostenbachgasse, Zurich—Trade in coal, coke, etc.; subsidiary of (a).
(d) Briket-Umschlags & Transport A. G., Muttens—Owned by (e).
(e) Vicina A. G., Zug—Holding company in which (a) has part interest.
(f) Grunauer & Co., A. G., A., Basle—Subsidiary of (b); dealers in coal, iron, etc.
- Roehren-Verband G. m. b. H., Dusseldorf:
Rohren-Handels-Gesellschaft Zurich, Zurich—Importers and distributors of metal pipes.
- Rosenthal-Porzellan A. G., Selb:
Keramische Unternehmungen A. G., fuer, Hennebuehle, Zug—Holding company for foreign sales companies of principal; capital, 1,000,000 frs.
- Sachsische Metallwarenfabrik A. G., Aue:
Wellner Soehne A. G. August, Zurich—Branch; dealers in metals and metal goods.
- Sachsches Serumwerk A. G., Dresden:
Serumwerk A. G., Mittlerestr. 19, Basle—Manufacturers and distributors of pharmaceutical and chemical preparations; capital, 60,000 frs.
- Salamander Schuh A. G., Kornwestheim:
Salamander Schuh A. G., Bahnhofstrasse 72, Zurich—Trade in shoes; capital, 50,000 frs.
- Schenker & Co. A. G., Berlin:
Schenker & Co. A. G., Buchs, St. Gallen—Subsidiary; forwarding agents; capital, 300,000 frs.
- Schering A. G., Berlin:
(a) "Forinvent" Gesellschaft fur Auswartige Anlagen & Erfindungen, Fribourg and Basle—Financial investment company and holding company for foreign subsidiaries of German principal; capital, 250,000,000 frs.
(b) "Chepha" A. G. fuer Chemische & Pharmazeutische Unternehmungen, Lausanne—Holding company for subsidiaries of principal in the United Kingdom and United States of America; capital, 1,000,000 frs.
- Schlarafiawerk A. G., Berlin:
Schlarafiawerk A. G., Basle—Subsidiary; capital, 100,000 frs.
- Schlesische Cellulose & Papierfabriken Ewald Schoeller & Co., Hirschberg:
100 Shares in Celludur A. G., Koronanstrasse, Cham.—Capital, 200,000 frs.
- Schleussner, Karl L. (Dr.), Frankfurt:
Schleussner, Walter (Dr.), Cologne:
Schueller, Wilhelm (Dr.), Frankfurt:
Imfeld, Karl, Berlin:
Partners in "Astra" Beteiligungs & Verwaltungs G. m. b. H., Bondastr., Dhur.—Patent administrators and investment company; capital, 200,000 frs.
- Schlossfabrik A. G. Vorm Wilhelm Schulte, Schlagbaum:
Schulte Kommanditgesellschaft Schlossfabrik, Wilhelm, St. Gallen—Branch; manufacturers of locks and other iron goods; capital, 509,000 frs.
- Schueller, Wilhelm (DR.), Frankfurt:
(See Schleussner, Dr. Karl A.)
- Schneider Ernst, Photographische Kunstanstalt, Berlin:
Schneider Ernst, Photographische Kunstanstalt Berlin, Zurich—Branch.
- Semelkamp & Co., Krefeld:
Part interest in Fibroplast A. G., Fronwagplatz 7, Schaffhausen—Financial advisers and brokers.
- Senker, Joseph, Hanover:
Stinnes, Hugo, Hamburg:
Kohlenkontor A. G., Basle—Importation of coal; capital, 60,000 frs.

Senking Werke A. G., Hildesheim:

Senking A. G., A., Zurich—Manufacturers of culinary appliances; capital 71,000 frs.

Siemens-Schuckert Werke A. G. & Siemens-Halske, Berlin:

(a) Albiwerke Zurich A. G., Zurich—Subsidiary; manufacturers of and dealers in electrical equipment; capital, 75,000 frs.

(b) Siemens Elektrizitats Erzeugnisse A. G., Zurich and Berne—Agency for products of German principal; capital 1,500,000 frs.

(c) Siemens & Halske, Zurich—Agency.

(d) Siemens S. A. Des Produits Electrotechniques, Lausanne—Agency.

(e) Signum A. G., Wallisellen, Zurich—Manufacturers of, and dealers in, signaling equipment; capital, 1,500,000 frs.

Sigle & Co., Schuhfabriken A. G., Stuttgart:

Loder & Schuh A. G., Talastr. 11, Zurich—Holding company; capital, 500,000 krs.

Soennecken, F., Bonn:

Soennecken, F., Zweigniederlassung, Zurich—Branch.

Spaeter, Rudolf:

Oswald, Kurt von:

(a) Spaeter, Karl & Wilhelm Oswald Unternehmungsges. A. G., Hauptstr., Glarus—Metal dealers; capital, 5,000,000 frs.

(b) Spaeter A. G., Karl, Viaduktstr. 50, Basle—Owned by (a); metal dealers; capital, 3,000,000 frs.

Speditions & Transport Kontor "Atlas" G.m.b.H., Singen:

"Atlas" Speditions & Transport Kontor, Basle—Branch.

Spiesshofer & Braun, Heubach, Wurtemberg:

Spiesshofer & Braun, Zurich—Branch.

Stallmann, Gebrueder, Duisberg:

Stallmann, Gebrueder, Heiden—Branch; silk embroidery products.

Stinnes, Hugo, Hamburg:

(See Senker, Joseph, Hanover.)

Stock A. G., R., Berlin:

Stockwerkzeuge und Maschinen Verkaufs A. G., Basle—Importers and distributors of machine tools and machinery; capital, 180,000 frs.

Straub, Ernst, Constance:

Straub, Ernst, Zurich—Branch; dealers in tools and machinery.

Strebel Werk G. m. b. H., Mannheim:

Muenster & Co., G., Aargau—Manufacturers and dealers in machinery.

Stromeyer, M., Lagerhausgesellschaft, Mannheim:

(a) Stromeyer M. Kohlenhandel A. G., Basle and all branches in Switzerland—Subsidiary; importers and dealers in fuels; capital, 1,000,000 frs.

(b) Kohlen & Briketwerke A. G., Basle—Owned by (a); fuel importers and heating engineers; capital, 1,000,000 frs.

Telefunken Gesellschaft fuer Drahtlose Telegraphie m. b. H., Berlin:

Telefunken Gesellschaft fuer Drahtlose Telegraphie m. b. H., Zweigniederlassung, Zurich—Branch.

Teorwerk Biesrich, Ofenbau G. m. b. H., Wiesbaden:

Part interest in Gas-Industrie A. G. fuer, Lowenstr. 2, Zurich—Manufacturers of gas plants and industrial furnaces.

Tobis-Film, Berlin:

(a) "Tobis" Film-Verleih A. G., Zurich—Subsidiary; capital, 100,000 fra.

(b) Schmalfilm A. G., Zurich—Affiliate of (a); capital, 50,000 fra.

Transit Transport Gesellschaft m. b. H., Singen:

Transit Transport Gesellschaft m. b. H., Singen, Schaffhausen—Branch; forwarding agents.

Vereinigte Aluminiumwerke A. G., Berlin:

Bauxit Trust A. G., Stadthausquai 7, Zurich—Holding company for Bauxit mining companies; capital, 11,000,000 frs.

Vereinigte Seidenstoffweberei, Krefeld:

Seiden Textil A. G., Loewenstrasse 19, Zurich—Trade in textiles; capital, 600,000 frs.

Vereinigte Stahlwerke, Dusseldorf:

(a) Eissen und Metall A. G., Zurich—Subsidiary; iron and steel merchants; capital, 1,000,000 frs.

(b) Part interest in "Vulcan" Kohlenhandels A. G., Zurich—Capital, 300,000 frs.

Wagner, Alfred, Dessau:

Wagner, Alfred, Zurich—Branch; Sells periodicals.

Wagner, Guenther, Hanover:

(a) Wagner A. G., Guenther, Zurich—Subsidiary; capital, 200,000 frs.

(b) Palikan A. G., Zurich—Holding company; capital 1,000,000 frs.

Webendoerfer, Gebr., Hamburg:

Webendoerfer, Gebr., Zurich—Branch; watch dealers.

Wittkop & Co., Bielefeld:

Wittkop & Co., Beckenried—Branch.

Yahya Kia, Hamburg:

Yahya Kia, Kramgasse 54, Berne—Importers.

Zapp A. G., Robert, Kruppstahl, Dusseldorf:

(a) Zapp A. G., Robert, Zurich—Sales office for German principal; capital, 500,000 frs.

(b) Stahl-Holding Co. A. G., Zurich—Holding company for German principal's branches outside Germany; capital, 1,000,000 frs.

(c) Socoda A. G., Zurich—Holding company; holds majority capital in (a) and (b); capital, 100,000 frs.

TURKEY

Allgemeine Elektrizitaets-Gesellschaft, Berlin:

A. E. G. Turk Anonin Elektrik Sirketi Umumiyesi, Ankara and all branches in Turkey—Subsidiary; electrical goods.

Allianz & Stuttgarter Verein, Berlin:

Allianz & Stuttgarter Verein V. A. G., Istanbul—Insurance.

Atlas Transport, Hamburg:

Atlas Transport, Istanbul—Forwarding agents.

Deutsche Levante Linie, Hamburg:

(a) Deutsche Levante Linie, Galata, Istanbul—Agency.

(b) Deniz Yapi Ve Isletme T. L. S. (Deniyap), Galata, Istanbul—Construction of ships for (a); capital, £T 50,000.

Deutsche Lufthansa A/G, Berlin

Deutsche Lufthansa A/G, Istanbul.

D. K. W., Berlin:

Beyoglu, Istanbul—Branch; Refrigerators.

Edekazentrale Einkaufskontor:

Edekazentrale Einkaufskontor, Galata, Istanbul—Branch; exporters and importers.

Farbenindustrie, I. G. Frankfurt:

(a) Bayer Leverkusen Widmann ve Seriki, Istanbul and Izmir—Dealers in pharmaceutical and dental products.

(b) "Turkanil" Sabri Atayolu ve Sirketi, Galata, Istanbul—Agency.

Heck & Tiefbauten Vorn, Gehr, Heifmann, A. G., fuer, Essen:

Hohtif A. G. (Hoch & Tiefbauten), Galata, Istanbul—Branch; building materials.

Holzmann & Co. G. m. b. H., Philipp, Frankfurt:

Holzmann A. G., Philipp, Galata, Istanbul—Branch; building contractors.

Hordece Hochsee Fisch A/G, Hamburg:

Balik Sanayi T. A. S., Galata, Istanbul—Producers of fish meal, fish oil, etc.

Jansen & Francke, Hamburg:

Jansen, Helmuth, Istanbul—General exporters.

Kloeckner-Humboldt-Deutz A. G., Cologne:

Turk Kloeckner-Humboldt Deutz Ltd. S., Galata, Istanbul—Branch.

Kochs Adlerhahmaschinen Werke Aetien-Gesellschaft, Bielefeld:

Adler Dikis Makinelere K. Ve A. Valasakis, Istanbul—Agency for sewing machines.

Krupp A. C., Fried., Essen:

(a) Krupp Germany Verft A/G, Istanbul.

(b) Uc Halka Turk Ltd. Sirketi, Ankara.

Kuehne & Nagel, Hamburg:

Kuehne ve Nagel Nakliyat Nvi Albert Baxmann, Galata, Istanbul—Branch; forwarding agents.

Lassen & Co. A. G., Hamburg:

Lassen & Co., Galata, Istanbul—Branch; shipping and forwarding agents.

Mercedes Buromaschine-Werke A. G., Benshausen:

"Mercedes," Istanbul—Sells writing and calculating machines.

- Muller A. G., Clemens (Vornals A. G. Seidel & Nauman), Dresden:
Naumann Makineleri Satis Turk Ltd., Istanbul—Sales agency; capital, £T 54,000.
- Orenstein & Koppel A/G, Berlin:
Orenstein und Koppel A/G, Istanbul—Agency.
- Pisani & Rickertson, Hamburg:
(a) Kuru Meyve Turk Ltd. Sti., Istanbul—Nut exporters.
(b) P. P. Danielsen, Istanbul and Izmir—Commission agent.
- Reemtsma, R. F. & Ph. F., Hamburg:
"Reemtsma," Galata, Istanbul—Subsidiary; shipping and forwarding agents.
- Schenker & Co. A. G., Berlin:
Schenker & Co. A. G., Galata, Istanbul—Branch.
- Schering Kahlbaum A/G, Berlin:
(a) Part interest in Kihka ve Ecza Middelerei T. L. S., Istanbul—Capital, £T 30,000.
(b) Schering Kahlbaum A. G., Istanbul.
- Schuldt Line, Hamburg:
Orient Schuldt Line, Istanbul—Branch.
- Stinnes, Hugo, Hamburg:
Stinnes Rederay A. G., Hugo, Galata, Istanbul—Branch.
- Telefunken Ges. fuer Drahtlose Telegraphie G. m. b. H., Berlin:
(a) Elektron T. A. S., Galata, Istanbul—Agents.
(b) Telefunken Radyolari, Galata, Istanbul—Agency.
- Voigtlander & Sohn A. G., Braunschweig:
Voigtlander u Sohn A. G., Istanbul—Branch.
- Weiss & Freitag A. G., Germany:
Weiss & Freitag A. G., Istanbul—Branch, building materials.

ARGENTINA

- AAchener & Munchener Feuer, Versicherungs-Gesellschaft, Aachen:
(a) Aachen & Munich, Cia., de Seguros, Buenos Aires—Branch; insurance; net worth, 500,000 pesos (1942).
(b) "El Fenix Sudamericano," Cia. de Reaseguros, Buenos Aires—Reinsurance.
- Accumulatoreh-Fabrik A. G., Berlin:
(a) Accumulateren-Fabrik A. G., Buenos Aires—Branch; electrical goods.
(b) Afa-Tudor-Varta S. A., Fabricas Reunidas de Acumuladores, Buenos Aires—Believed owned by (a) above; electrical goods, capital, 300,000 pesos (1939).
- AEG, Allgemeine Elektricitaets Gesellschaft, Berlin:
(a) AEG, Compania Argentina de Electricidad, Buenos Aires, and various branches in Argentina—Branch; electrical goods; capital and reserves, 4,500,000 pesos (1944).
(b) SEMA Sociedad Electro-Metalurgica Argentina, Buenos Aires, and various branches in Argentina—Manufacturer of copper tubing; 862 shares owned by AEG, Germany; capital, 20,000,000 pesos (1945).
(c) Alambrica, Sociedad Industrial Argentina, S. A., Buenos Aires—Subsidiary of (b); electrical goods.
(d) CESIA, Conductores Electro Sociedad Industrial Argentina—Manufacturer of brass and copper tubing; believed owned by (b).
(e) Metalurgica Comercial, S. de R. L., Cia., Buenos Aires—Machinery; owned by (b); capital, 40,000 pesos (1942).
(f) Weco y Cia.—Believed owned by (a).
- Beiersdorf & Co., P., Hamburg:
Beirsdorf S. de R. L., Buenos Aires—Chemicals and drugs; net worth, 265,000 pesos (1942); capital, 30,000 pesos (1944).
- Berger, Curt (Dr.), Leipzig:
(a) Berger y Cia., S. de R. L., Curt, Buenos Aires—Office supplies and equipment; net worth, 9,000,000 pesos (1942); capital, 6,000,000 pesos (1941).
(b) La Lipsia, Cia., Comercial y Financiera, S. A., Buenos Aires—Holding company for German principal, net wroth, 2,640,000 pesos (1942).
(c) Vicum y Cia., S. de R. L., Carlos, Buenos Aires—Subsidiary of (a); machinery; capital, 100,000 pesos (1942).

Boker A. G., H. H., Bonne:

Boker y Cia., S. de R. L., Buenos Aires—Partly owned; machinery; capital, 2,058,000 pesos (1940); net worth, 2,060,000 pesos (1942).

Bosch, Robert G. m. b. H., Stuttgart:

Bosch S. A., Robert, Buenos Aires—Importer and manufacturer of electrical supplies and Diesel injection equipment; controlled by German principal; capital, 200,000 pesos (1944); net worth, 457,840 pesos (1944).

Deutsches Kohlendepot G. m. b. H., Hamburg:

"Riberena del Plata," Compania Sudamericana de Comercio S. A., Buenos Aires and various branches in Argentina—Dealers in coal, wood, and coke and repair of naval vessels; partly controlled by German principal, capital, plus reserve, 2,080,000 pesos (1944).

Deutsche Sudamerikanische Bank, Berlin:

(a) Banco Germanico de la America del Sud, Buenos Aires—Branch; banking; net worth, 7,950,000 pesos (1942); capital, 6,818,200 pesos (1943).

(b) Edificio Germanico Cia. Inmobiliaria, S. A. Buenos Aires—Administration of properties.

(c) "Midos" Compania Argentina Financiera y Fideicomisaria S. de R. L., Buenos Aires—Subsidiary; real estate.

Deutsche Ueberseeische Bank, Berlin:

(a) Banco Aleman Transatlantico, Buenos Aires and various other branches in Argentina—Branch; banking; capital and reserves, 11,425,000 pesos (1942).

(b) Compania Argentina de Mandatos—Holding company.

Farbenindustrie A. G., I. G., Frankfurt:

(a) Farma Platense S. de R. L., Buenos Aires—70 percent interest held by Drugofa G. m. b. H., Berlin, a member of I. G. Farben group; chemicals and drugs; capital, 100,000 pesos (1940).

(b) Instituto Behring de Terapeutica Experimental S. de R. L., Buenos Aires—75 percent interest held by Behringwerke A. G., Hamburg, member of I. G. Farben group; chemicals and drugs; capital, 20,000 pesos (1944).

(c) Anilinas Alemanas S. A., Buenos Aires—Subsidiary; chemicals and drugs; capital, 2,000,000 pesos (1944); reserves, 71,738 pesos (1943).

(d) La Quimica Bayer S. A., Buenos Aires—Subsidiary; chemicals and drugs; capital, 500,000 pesos.

(e) "Monopol" S. A. Quimica Industrial y Comercial, Buenos Aires—Subsidiary controlled by (c); chemicals and drugs; capital, 1,000,000 pesos.

(f) Agfa Argentina, Dr. Kurt Oppenheim y Cia., Buenos Aires—Manufacturers of optical instruments and photographic materials; capital, 80,000 pesos (1939).

(g) La Plata Ozalid S. de R. L., Buenos Aires—Partly owned by (c); photographic supplies.

(h) Weyland, Sigfrido, Buenos Aires—Owned by (c); chemicals and drugs.

Ferrostaal A. G., Essen:

Ferrostaal S. A., Buenos Aires—Branch; iron and steel goods; net worth, 145,000 pesos (1942); capital, 100,000 pesos (1944).

Genschow A. G. G., Hamburg:

"Geco" Cia. Industrial y Comercial S. A., Buenos Aires—Branch; munitions manufacturer; capital, 100,000 pesos (1941).

Grun & Bilfinger Aktiengesellschaft, Mannheim:

Gruen y Bilfinger, Soc. de Responsabilidad Ltda., Buenos Aires—Construction work; 96 shares out of a total of 100 shares owned by above; capital, 1,500,000 pesos.

Guderian (a German general), Germany:

Denubio—A textile firm owned by above and Count Galeazzo Ciano; capital, 2,000,000 pesos.

Hardt, A. G., Berlin:

Hardt y Cia., R., Buenos Aires—Branch; importers and exporters of general merchandise.

Herder, Sohne, Solingen:

Herder, F. A. (Sohn), Buenos Aires—Branch; importers and exporters of general merchandise; assets, 66,050 pesos (1943).

Holzman, A. G., Philip, Frankfurt:

(a) General de Construcciones S. A. Cia., Buenos Aires—Branch; building contractors and dealers in construction materials; capital, 1,000,000 pesos (1939).

(b) "GEOPE" Compania General de Obras Publicas, Soc. Anon., Buenos Aires—45 percent interest; building contractors and dealers in construction materials; capital, 4,000,000 pesos (1944).

Klockner Werke A. G., Dusseldorf:

(a) Establecimientos Klocker S. A. Industrial Argentina, Buenos Aires—Branch; iron and steel; capital, 1,000,000 pesos (1943); reserves, 4,000,000 pesos (1943).

(b) Maldonado y Cia.—Iron and steel.

(c) Manuella y Cia., Rosario—Owned by (a); iron and steel.

(d) Ferrocal S. de R. L., Rosario and Buenos Aires—Branch; manufacture of quick lime; capital, 50,000 pesos (1941).

(e) "Deutz Otto" Legitimo, S. A., Compania Argentina de Motores, Buenos Aires and various branches in Argentina—Capital, 1,500,000 pesos; reserves, 1,119,000 pesos (1943).

"Knoll" A. G. Ludwigshafen:

Oficina Cientifica Knoll, Buenos Aires—Capital, 300,000 pesos.

Mannesman Roehrenwerke, Dusseldorf:

(a) Tubos Mannesmann Ltd., Soc., Buenos Aires and various branches in Argentina—Subsidiary; capital, 5,000,000 pesos (1943); reserves, 2,800,000 pesos (1943).

(b) Morsetto S. A. Establecimientos Metalurgicos, Buenos Aires—Subsidiary of (a); iron and steel.

(c) Sica, Soc. de Resp., Ltda.—Combined capital of "Sica" and (b); 5,000,000 pesos (1944).

Mannheimer Versicherungs-Gesellschaft, Mannheim:

(a) "La Internacional," Cia. de Seguros S. A., Buenos Aires—Insurance; capital, 1,000,000 pesos.

(b) "La Mannheim," Cia. de Seguros, Buenos Aires—Insurance.

Merck, E., Darmstadt:

Merck Quimica Argentina S. A., Buenos Aires—Branch; drugs; capital, 1,250,000 pesos.

Meyer, Arnold Otto, Hamburg:

(a) Stinnes, Ltda. Soc. Anon. Comercial e Industrial, Hugo, Buenos Aires—Automobile service, formerly import of motortrucks and steel and export of hides, skins and wool; capital, 1,000,000 pesos.

(b) Stinnes Maritima, Soc. Anon. Hugo, Buenos Aires—Steamship agents; capital, 500,000 pesos.

Minag Muhlenbau und Industrie A. G., Braunschweig:

Amme, Giesecke y Konegan S. de R. L.—Machinery.

Neus Baugesellschaft, Wayss & Freytag A. G., Frankfurt:

Wayss & Freytag S.A., Buenos Aires—Branch; building contractors and dealers in construction materials; capital, 200,000 pesos; reserves, 810,000 pesos (1943).

Norddeutscher Lloyd, Bremen:

Lloyd Norte Aleman, Buenos Aires—Branch; steamship agents.

Orenstein & Koppel-Arthur Koppel A. G., Berlin:

Orenstein & Koppel S. A., Buenos Aires—Branch; manufacturers of railway equipment; reserves, 450,000 pesos (1943).

Osram G. m. b. H., Berlin:

"Osram" Cia. Argentina de Lampares Electricas S.A., Buenos Aires and various branches in Argentina—Branch; electrical goods; capital, 500,000 pesos (1943); reserves, 300,000 pesos (1943).

Rheinmetall-Borsig A. G., Berlin:

(a) Rheinmetall-Borsig Cia. Argentina de Maquinas S. de R. L., Buenos Aires—Branch; iron and steel; capital, 4,000,000 pesos (1943); reserves, 1,500,000 pesos (1943).

(b) "Cadema" Cia. Argentina de Maquinas, S. de R. L., Buenos Aires—Believed controlled by (a); iron and steel.

Rienisch-Westfallische Kohlen Syndicat, S.G., Dusseldorf:

"Riberna del Plata," Compania Sudamericana de Comercio S. A., Buenos Aires and various other branches in Argentina—Partly controlled by German principal; dealers in coal, wood, and coke and repair of naval vessels; capital, 2,080,000 pesos (1944).

S. E. C. Alemena Gunther Wagner, Hanover:

Gunther Wagner, S. R. L.—Manufacturing stationery supplies; net worth, 400,000 pesos (1944).

Schering A. G., Berlin:

(a) "Arcofina" Cia. Argentina de Comercio y Finanzas S.A., Buenos Aires—Holding company owned by (b); capital, 50,000 pesos.

(b) Schering S. A., Quimica, Buenos Aires—Owned by Forinvent, Switzerland, holding company for German principal; chemicals and drugs; capital, 2,000,000 pesos.

Schmidt, F. H., Hamburg:

- (a) General de Construcciones, Soc. Anon., Cia., Buenos Aires—Branch; construction business; capital, 2,000,000 pesos.
- (b) Rhenania, S.A., Comercial y Financiera, Buenos Aires—Affiliate of (a).
- (c) SAEMA, S.A. Explotacion Maderera y Anexos, Buenos Aires—Affiliate of (a).
- (d) SAERA, S.A. Explotaciones Rurales y Anexos, Buenos Aires—Affiliate of (a).
- (e) Establecimientos Vitivinícolas Escorihuela, S.A., Buenos Aires—Affiliate of (a).
- (f) Cia. de Seguros La Mercantil Andina, Mendoza—Affiliate of (a).
- (g) Cia. Inmobiliaria de Buenos Aires, S.A., Buenos Aires—Affiliate of (a).

Siemens-Schuckert, Berlin:

- (a) Siemens-Schuckert S.A., Cia. Platense de Electricidad, Buenos Aires, and various branches in Argentina—Branch; electrical goods; assets, 31,000,000 pesos (1944); net worth, 6,950,000 pesos (1942).
- (b) Siemens y Halske A.G., Buenos Aires—Branch; electrical goods; net worth, 11,410,000 pesos (1942).
- (c) Siemens-Bauunion, Cia. Platense de Construcciones, S.A., Buenos Aires—Subsidiary of (a); building contractors; capital, 5,000,000 pesos; reserves, 5,376,000 pesos (1943).
- (d) "INAG" Fabricas Reunidas de Utiles Sanitarios S.A., Buenos Aires—Subsidiary; surgical and laboratory equipment distributors; net worth, 550,000 pesos (1944).
- (e) Compania Internacional de Telefonos, Argentina—Controlled by (b) and financed by (a).
- (f) "Fenix" Sociedad Argentina de Ceramica, Buenos Aires—Subsidiary of (a); manufactures bricks; capital, 220,000 pesos.
- (g) Agrin Metal S. de R.L. Argentina—Believed owned by (d); surgical appliance manufacturers; capital, 50,000 pesos (1942).

Springer & Moeller, Leipzig:

Springer y Moeller S.A., Buenos Aires—Branch; chemicals and drugs.

Stahlwerke Roechling-Buderus A.G., Saar:

Aceros Roechling Buderus S.A., Buenos Aires—Branch; iron and steel; net worth, 250,000 pesos (1942).

Staudt y Cia., Berlin:

- (a) Staudt y Cia., S.A.C., Buenos Aires and 61 branches in Argentina—Manufacturers of cotton and wool goods, hides, and other varied interests; capital, 25,000,000 pesos (1944).
- (b) Bromberg y Cia., S.A.C., Buenos Aires and various branches in Argentina—Owned by (a); import and export of machinery; capital, 4,500,000 pesos (1940).
- (c) E. Pallavicini y Cia., Buenos Aires—Branches at Tucuman, Cordoba, and Mendoza; owned 60 percent by (a); sugar sales organization; capital, 6,000,000 pesos (1944).
- (d) Jobke y Niedig, Buenos Aires—Owned by (b); machinery and construction.
- (e) Atanor S.A., Argentina—Owned and controlled by (a); chemical firm; capital 4,500,000 pesos (1944).
- (f) "Unitas" Compania Financiera Argentina, S.A., Buenos Aires—Holding company for Staudt interests; capital, 10,000,000 pesos.
- (g) "La Querencia" S.A., Compania Inmobiliaria y Financiera, Buenos Aires—Holding company for Staudt interests; capital, 10,000,000 pesos (1944).
- (h) Panificadora de Cordoba S.R.L., Cordoba—Interest held by (b).

Vereinigte Boehlerstalwerke A.G., Germany:

Casa Denk-Aceros "Boehler" S.A. Comercial e Industrial, Buenos Aires—Iron and steel; capital, 500,000 pesos (1939).

Vereinigte Stahlwerke, Dusseldorf:

- (a) "Thyssen-Lametal," Cia. Industrial y Mercantil Thyssen Ltda., Buenos Aires and various branches in Argentina—Iron and steel; capital, 5,000,000 pesos (1943); reserves 5,850,000 pesos (1943).
- (b) Arbizu y Cervino S.A. Industrial y Comercial, Buenos Aires—Subsidiary of (a); capital, 2,000,000 pesos (1942).

- (c) Crefin S.A., Creditos y Financiaciones, Buenos Aires—Subsidiary of (a); iron and steel; capital, 5,000,000 pesos (1942).
 (d) La Union Bulonera Argentina, S. de R.L., Avellaneda—Financed by (a); steel and iron; capital, 150,000 pesos (1942).
 (e) Speratti Romanelli S. de R.L., Buenos Aires—Building contractors; believed owned by (a).
 (f) "Sudamsteel," S. de R.L., Argentina—Believed owned by (a); iron and steel; capital, 5,000 pesos (1941).
 (g) TAEM, Talleres Argentinos Electro-Mecanicos, Buenos Aires—Mechanical workshop—Believed owned by (a).
 Wella-Franz Stroher A.G., Apolda:
 Wella-Sudamericana, S.A., Buenos Aires—Manufactures hairdressing equipment; capital, 20,000 pesos (1941).
 Wilckens & Sohn, M., Gluckstadt:
 Wilckens, German Guillermo (Wilckens Hnos.), Buenos Aires—Importers and exporters of general merchandise; capital, 140,000 pesos (1938).
 Zeiss-Jena, Jena:
 Zeiss, Carl, Buenos Aires—Subsidiary; manufactures optical instruments and photographic materials; net worth, 440,000 pesos (1942).

EXHIBIT No. 5

DUTCH BANKS SPONSORED AND/OR CONTROLLED BY GERMANS

HANDEL-MAATSCHAPPIJ H. ALBERT DE BARY & Co., N. V.

A. LOCATION, UNITED STATES CORRESPONDENTS

Address: 450 Heerengracht, Amsterdam.

United States correspondents: Chase National Bank, National City Bank, New York Trust Co., Guaranty Trust Co., Bank of the Manhattan Co.

B. NATURE OF BUSINESS

Handel-Maatschappij H. Albert de Bary & Co., N. V., hereinafter referred to as HADB, was established as a Dutch company in 1919 to continue the business formerly handled by an Antwerp firm of the same name. At the time of organization its business consisted of general merchandising as well as banking, but in 1920 its merchandising features were eliminated. The inauguration of HADB as a purely banking enterprise was sponsored by the Deutsche Bank, Berlin, which from that time on, at least, was intimately associated with, and also held a large financial interest in HADB. Since 1929 HADB has been regarded as the Amsterdam agent of the Deutsche Bank. It is known that the greater part of its business is German and that it has relatively few Dutch clients.

HADB is a general or "mixed" bank, including in its functions, in addition to the short-term credit operations of ordinary commercial banking, the activities of an investment bank, purchasing participations in other enterprises, and dealing in securities. It is closely associated with two "administratiekantoren," the offices which in Holland act as custodians for securities, issue interim certificates for foreign securities, etc. Through one of these administration offices HADB had close connections with the Dutch and German coal and rayon industries.

HADB is believed to have suffered serious set-backs in 1939, in part through losses incurred through the failure of Mendelssohn & Co., Dutch branch of the German banking house of the same name; and in part through the enmity of the Dutch population toward it, because of its German control, at a time when feeling was strong because of German aggression in Europe.

C. SIZE AND IMPORTANCE

HADB is regarded as one of the most important of Holland's foreign-controlled banks. It is well known in foreign financial centers, and its operations were international in scope. Its directorate includes the names of financiers prominent both in Germany and Holland.

1. Relation to other enterprises or banking institutions in Holland or the Dutch colonies

(a) *N. V. Gemeenschappelijk Bezit van Aandeelen Maatschappij H. Albert de Bary & Co., N. V.*

Address: Amsterdam.

Capital: Fl. 9,000,000.

Business: Holding company.

Interests: HADB owns Fl. 5,000,000 of the capital stock of the above-mentioned holding company, which in turn owns about Fl. 9,000,000 of the shares of HADB. This holding company was organized in September 1939, ostensibly "to preserve the Dutch character of HADB, and to prevent the control from falling into foreign hands. Its establishment, however, was generally regarded as an attempt to conceal the German control of the bank, due to the increasing feeling against Germany on the part of the Dutch public.

(b) *N. V. Beleggings Societeit*

Address: Amsterdam.

Capital: Fl. 5,000,000 authorized (Fl. 3,500,000 paid-in).

Business: General investment and finance company.

Interest: HADB is reported to own all the ordinary shares and 85 percent of the preferred shares of the above-mentioned investment company. The remaining interest was held by officials of HADB, namely E. M. Kreef, who was a director of HADB in 1939, and Willy Redelmeier and W. Pannenburg, who were managers in that year.

(c) *Internationale Accountants en Trusteekantoor.*

Address: Vosdijk 2, Arnhem.

Capital: Fl. 25,000 authorized (Fl. 5,000 paid-in).

Business: Acts as custodian and administrator of securities and trades in international markets. It was headed by Fentener van Vlissingen, arch-collaborationist under the German occupation, who is prominent in the Dutch coal industry and the head of Algemeene Kunstzijde Unie (AKU) the Dutch rayon combine which is closely affiliated with the German concern Vereinigte Glanzstoffen A. G.

Interest: HADB has an interest in Internationale Accountants Trusteekantoor.

(d) *West-Europese Beleggings Bank*

Interest: This bank, which is understood to have been established by a former Austrian who was domiciled in Switzerland for many years, was managed by HADB.

2. Relation to other enterprises or banking institutions in countries other than Holland or the Dutch colonies

(a) *Deutsche Bank*

Address: Berlin.

Capital: RM. 160,000,000.

Business: Largest German commercial bank.

Interest: HADB was the Dutch subsidiary of the Deutsche Bank, and was reported at one time to be almost 100 percent owned by the latter. In 1938 and 1939 efforts were made through the transfer of shares, and the formation of a holding company with nominal Dutch owners, to conceal the German ownership.

3. Activities under the occupation—German connection

HADB has been intimately associated with the Deutsche Bank since 1920, when its trading functions were eliminated and its establishment as a purely banking institution is reported to have been sponsored by the Deutsche Bank. In 1929 HADB absorbed the Amsterdam office of the Deutsche Bank and thereafter acted as the agent of the Deutsche Bank in Amsterdam. Up to 1936 it was generally understood that the Deutsche Bank held approximately 100 percent control of HADB. About that time, however, an attempt was made through what were believed to be nominal transfers of stock, and later when there was a threat that HADB would be placed upon the British blacklist through the formation of a holding company, N. V. Gemeenschappelijk Bezit Aandeelen Maatschappij Albert de Bary, N. V., to conceal the German interest in HADB and give it the appearance of being an entirely Dutch concern. To further strengthen the outward appearance of Dutch control a number of Germans were dismissed from the staff of HADB. Coincidentally with this move, however, came the

dismissal of all non-Aryan Dutch members of the staff. The Deutsche Bank, as late as 1938, continued to list HADB as one of their principal foreign participations. HADB was blacklisted by the British in February 1940, apparently because of the enemy interest in it.

D. MANAGEMENT PERSONNEL

1. Prior to occupation, 1939

Management

Board of directors:

Dr. E. Heldring, chairman and/or
president
Herman J. Abs
Dr. A. van Doorninck

G. A. Kessler
Dr. Robert Pferdmenges
Dr. E. Enno Russell
J. G. Wiebenga

Managers:

E. M. Brändlin
Hendrik Müller

W. Pannenburg
W. Redelmeier

Assistant Managers:

J. F. Kutzleb

K. Lefor

Holders of procuration:

F. Beck
K. W. Becker
J. Bennett
W. H. J. de Boer
W. Böse
M. J. Brandner
Chr. Bürger
Jhr. J. P. Crasborn
H. Dennerlein
G. Flierl
H. Folzer
F. Fomm
Ch. Gatterer
C. Jungblut
M. Katz
C. Krieb
A. Lochner
H. E. Nitsch

J. Salm
G. Schuitman
H. Seckler
H. Stabenow
C. Stockman
F. Streiter
J. S. Theijse
K. A. H. Wüsteney
A. Buchholz
M. van Dijck
H. Eikeln
J. S. Frank
P. Grotz
E. Messmer
C. O. Möhle
A. Mooi
D. C. Nefkens
A. von Türk

2. Subsequent to occupation

Between 1939 and 1941 the directorate was reduced in number from 7 to 4, the management from 6 to 1, and the holders of procuration from 37 to 21. Herman J. Abs took E. Heldring's post when the latter resigned in February 1940 after HADB was placed on the British blacklist. The three new members of the board are all Nazi sympathizers: E. Bechtolf is a German and a director of Deutsche Bank, Berlin; J. M. Honig and T. J. Twijnstra, both members of H. L. Woltersom's collaborationist Committee for Industrial Organization (CO), are Dutch-Nazis.

Management

Board of directors:

Herman J. Abs, chairman
E. Bechtolf, delegate

J. M. Honig
T. J. Twijnstra

Manager: E. M. Brändlin

Holders of procuration:

F. Beck
W. H. J. de Boer
Fr. Christian
Chr. J. P. Crasborn
H. Dennerlein
H. Eikeln
F. W. Englehardt
G. Flierl
Ch. Gatterer
P. Kemp
C. O. Möhle

H. E. Nitsch
H. Stabenow
C. Stockman
J. S. Theyse
W. Ackerman
D. Bruins
M. van Dijck
P. Grotz
E. Messmer
A. Mooi

*Biographies of some members of the management group**Herman J. Abs*

Abs is a German banker and industrialist whose business ties are not primarily with Dutch concerns. However, his two connections aside from the chairmanship he holds with Handel-Maatschappij H. Albert de Bary and Co., N. V., established in Holland since 1939, are with internationally prominent Dutch concerns, namely, Algemeene Kunstzijde Unie (A. K. U.—Rayon) and Lever Bros. and Unilever, N. V.

Herman Abs' rise to prominence within the Nazi economy has been phenomenal. There is no record of his participation in commercial undertakings prior to 1938 when it was first reported that he was a member of the management committee of the Deutsche Bank and a member of the Creditanstalt-Bankverein. His success within the next 4 years is the more remarkable in the light of his having begun his career as secretary to Cardinal Schulte, the Archbishop of Cologne.

Between 1938 and 1942, his connections extended through 40 of the most important banks and industries in Germany. It may be that he is merely a figurehead for the Government or the protector of the interests of the Deutsche Bank. In the field of banking also his influence has expanded from affiliation with only the Deutsche Bank and the Creditanstalt-Bankverein (controlled by the Deutsche Bank) to that of director of an imposing list of Deutsche-Bank-controlled financial institutions in the Balkans.

Abs is on the board of numerous enterprises in the field of utilities, heavy industries, munitions, machine tools, etc. He is a director of I. G. Farben, Metallgesellschaft, Deutsche Solvay-Werke and others. He is on the boards of 26 important industrial companies and 14 banking institutions.

Herman Abs is about 48 years of age. He is one of the prominent lay Catholic leaders in Germany and rumors persist that he is a potential leader of the Catholic opposition in the country. However, no references to his political activities is available and it may be concluded that his preoccupation arising from affiliation with 40 banks and commercial enterprises has prevented any appreciable contribution to the work of the opposition.

His banking and commercial connections were the following in 1942:

Banking.—Handel-Maatschappij H. Albert de Bary & Co., N. V., Amsterdam (Deutsche Bank's interest in this Dutch bank was extended to a full control during the occupation of Holland by the Nazis)—Chairman of board of directors.

Deutsche Bank, Berlin (total assets in 1941, RM 7,500,000).—Member of the management committee; also in charge of the bank's foreign department.

Creditanstalt-Bankverein, Vienna (51 percent owned by Deutsche Bank and 25 percent owned by VIAG)—Deputy chairman of board of directors.

Allgemeiner Jugoslavischer Bank-Verein A. G., Belgrade (majority control held by Creditanstalt-Bankverein, above, which founded this bank)—Member of management committee.

Landesbank für Bosnien und Herzegovina, Sarajevo (majority control held by Creditanstalt Bankverein, above, which founded this bank)—Member of management committee.

Bohmische Union Bank, Prague (59 percent owned by Deutsche Bank and 35 percent owned by Creditanstalt-Bankverein, above)—Member of management committee.

Kreditbank, Sofia (50 percent owned by the Deutsche Bank)—Chairman of board of directors.

Banca Commerciala Romana, Bukarest (59 percent owned by Deutsche Bank and 30 percent owned by Bohmische Union Bank, above)—Deputy chairman of advisory board.

Deutsch-Asiatische Bank, Shanghai-Berlin (organized by the six "Berliner Grossbanken" for the purpose of expanding trade in China)—Deputy chairman of board of directors.

Generalbank Luxembourg A. G., Luxembourg (large participations by Deutsche Bank)—Deputy chairman of board of directors.

Luxemburger Unionbank Anon. Ges., Luxembourg—Director.

Rheinisch-Westfälische Boden-Credit-Bank, Cologne (specializes in second mortgages)—Director.

Deutsche Ueberseeische, Berlin—Chairman of board of directors.

Deutsche Reichsbank, Berlin—Member of advisory board.

Industrial.—Rayon: Algemeene Kunstzijde Unie N. V., Arnheim, Holland—Director.

Vereinigte Glanzstoff-Fabriken A. G., Elberfeld (rayon—in 1935 Algemeene Kunstzijde Unie N. V. (AKU) and Vereinigte Glanzstoff-Fabriken A. G. consolidated their interests. AKU is capitalized at RM 76,500,000. Among its subsidiaries are the North American Rayon Corporation of Tennessee, the American Bemberg Corporation of Tennessee, and the British Bemberg Corporation, Ltd., of London)—Chairman of board of directors.

Margarine, fats, oils, etc.: Lever Bros. & Unilever N. V. (Lever Bros. & Unilever [international margarine, fats, oils, etc., holding company] through the shareholdings of its operational company, Van den Bergh en Jurgens' Fabriken N. V., is connected with Norddeutsche und Vereinigte Elbeschiffahrt A. G., Hamburg [a shipping company operating on the Elbe-Moldau inland waterways] and with Margarine Verkaufs Union, Ltd., Berlin [presumably the German branch of the English end of the Unilever concerns])—Member of board of advisers.

Iron and steel works: Metallgesellschaft A. G., Frankfurt/Main (subsidiary of I. G. Farben; it is the dominant industrial concern of the Metal Trust in the field of nonferrous metals and related industrial spheres. Major shareholders are the British Metal Corp. and the Schweizerische Gesellschaft für Metal-werke)—Director.

Neunkircher Eisenwerk A. G., vorm. Gebr. Stumm, Neunkirchen/Sarr (large trading and manufacturing company producing iron products. It is capitalized at RM 40,000,000 and its major shareholders are the Stumm Bros. and Otto. Wolff¹)—Director.

Pittler Werkzeugmaschinenfabrik A. G., Leipzig-Wahren (machine tools, capitalized at RM. 5,000,000, majority owned by the Commerz Bank and the Dresdner Bank)—Chairman of board of directors.

Walther-Staubtechnik G. m. b. H., Köln-Dellbrück (manufacturing concern for boilers and heavy shell equipment)—Director.

Mining.—Bergwerksgesellschaft Dahlbusch, Gelsenkirchen (subsidiary of Deutsche Solvay-Werke A. G., below. Capitalized at RM. 15,000,000, it specializes in coal and belongs to the Rheinisch-Westfälische Kohlensyndikat. In 1936 it was owned jointly by Deutsche Solvay-Werke A. G., below, and the Libbey-Owens concern)—Chairman of board of directors.

Schlesische Bergwerks-und Hütten A. G., Beuthen (majority controlled by Metallgesellschaft A. G., above, and Schweizerische Gesellschaft für Metallwerte. It is capitalized at RM. 16,200,000)—Chairman of board of directors.

Erft-Bergbau A. G., Brüggen/Erft (mining contractors)—Director.

Utilities.—Compania Hispano-Americana de Electricidad, Madrid (holding company for foreign utilities, particularly in Argentina, France, and Belgium. Its directorate is predominantly Spanish and British)—Director.

Rheinisch-Westfälisches Elektrizitäts-Werke A. G., Essen (subsidiary of Vereinigte Industrie-Unternehmungen A. G.)—Director.

Munitions.—Accumulatoren-Fabrik A. G., Berlin (storage batteries, 75 percent owned by E. Günther Quandt. It is capitalized at RM. 21,250,000 and participates in other electrical enterprises. Maintains many important affiliates in Hungary, Sweden, Finland, Yugoslavia, and Holland)—Chairman of board of directors.

Deutsche Waffen-und Munitions-fabriken A. G., Berlin (ammunition works, probably affiliated with Accumulatoren-Fabrik, above, whose majority stockholder Quandt, is also chairman of the board of directors of Deutsche Waffen-und Munitions-fabriken)—Director.

Chemicals and dyes.—I. G. Farbenindustrie A. G., Frankfurt/Main (this huge German Dye Trust was capitalized in 1939 at RM. 730,000,000, and had total assets of RM. 1,900,000,000)—Director.

Deutsche Solvay-Werke A. G., Bernburg (capitalized at RM. 55,000,000, it is controlled by the Belgian Solvay family)—Director.

Kontinentale Oel A. G., Berlin—Director.

Cement works.—Portland-Cementwerke Heidelberg A. G., Heidelberg (capitalized at RM. 27,100,000)—Deputy chairman of board of directors.

Dyckerhoff Portland-Zementwerke A. G., Amonsburg (capitalized at RM. 20,000,000, its majority shareholder is the Dyckerhoff family)—Director.

Cellulose.—Aschaffenburg Zellstoffwerke A. G., Berlin (cellulose, capitalized at RM. 23,200,000, it maintains affiliates in Holland and Finland).—Director.

Photographic equipment and precision instruments.—Zeiss Ikon A. G., Dresden (majority stockholder is the huge Carl Zeiss concern)—Deputy chairman of board of directors.

¹ Deceased 1939 or 1940.

Transportation.—Compania de Ferrocarriles Suramericanos Gran Ferrocarril de Benezuela, Madrid—Director.

Real estate and construction.—Philipp Holzmann A. G., Frankfurt/Main (capitalized at RM. 12,900,000, it owns extensive storage and factory structures and maintains construction works in South America, Greece, and Turkey)—Chairman of board of directors.

Leather.—Norddeutsche Lederwerke A. G., Berlin—Chairman of board of directors.

Glass works.—Deutsche Libbey-Owens Gesellschaft für Maschinelle glas Herstellung (33½ percent owned by Bergwerksgesellschaft Dahlbusch, above; glass manufacturing with patents held by Libbey-Owens. Capitalized at RM. 11,500,000—Director.

Miscellaneous (business not ascertained).—Mechanik G. m. b. H., Buchlitz, Leipzig-Wahren—Chairman of board of directors.

H. F. & Ph. F. Reemtsma, Hamburg-Behrenfeld—Member of advisory board

W. Ackermann

W. Ackermann was appointed to the position of holder of procuration in Handelsmaatschappij H. Albert de Bary & Co., N. V., after the occupation of Holland when the Deutsche Bank was still endeavoring to conceal its controlling participation in and at the same time strengthen its hold upon Handelsmaatschappij H. Albert de Bary & Co., N. V. Whether or not W. Ackermann is a Dutch or German citizen is not known.

Erich Bechtolf

He was appointed to the board of directors of Handelsmaatschappij H. Albert de Bary & Co., N. V., after 1939 as a result of changes effected in this bank's management in order to carry out its "aryanization" policy. Bechtolf is also a director of the Deutsche Bank, Berlin, the German bank which sponsored the establishment of Handelsmaatschappij H. Albert de Bary & Co. in 1920 and still holds an extensive participation in it.

Erich Bechtolf was born on April 8, 1891, at Hamburg. In addition to his position with the Deutsche Bank, the largest of Germany's commercial banks, he is also connected with a number of German financial, industrial, and insurance concerns which for the most part are located in Hamburg.

His last known address is Adolphsplatz 8, Hamburg.

His business connections as of 1942 were as follows:

Banking.—Handelsmaatschappij H. Albert de Bary & Co., N. V./Amsterdam (a general "mixed" bank and the Dutch banking agent for the Deutsche Bank)—Manager.

Deutsche Bank Filiale, Hamburg—Manager.

Hanseatische Wertpapierboerse, Hamburg (the Hanseatic Securities Exchange Board, Hamburg)—Member of the management committee.

Liquidationskasse in Hamburg A. G., Hamburg (Hamburg Clearinghouse)—Director.

Zulassungstelle an den Boerse zu Hamburg (Office for the Hamburg Stock Exchange)—Member.

Industrial.—Stader Lederfabrik A. G., Stade (leather industry at Stade)—Chairman of the board.

Tretorn Gummi und Asbestwerke A. G., Hamburg (rubber and asbestos industry)—Chairman of the board of directors.

Triton Werke A. G., Hamburg—Chairman of board of directors.

Portland-Cementfabrik Hemmoor, Hemmoor—Director.

Guanowerke A. G., formerly Ohlendorffsche und Mercksche Werke (guano works), Hambrg—Director.

Norddeutsche Affinerie, Hamburg—Director.

Shipping companies.—Hamburg Suedamerikanische Dampfschiffahrts Gesellschaft, Hamburg (South American Steamship Co.)—Deputy chairman of the board.

Hamburg Amerikanische Packetfsahrt A. G./ Hamburg (Hamburg-American Steamship Packet Lines) (HAPAG)—Director.

Insurance.—Norddeutsche Versicherungs Gesellschaft, Hamburg (North German Insurance Co.)—Director.

Nord-Deutsche Lebensversicherungs A. G., Hamburg (North German Life Insurance Co.)—Director.

Franz Beck

Franz Beck, a German, is a holder of procuration for Handelsmaatschappij H. Albert de Bary & Co., N. V., which is controlled by Deutsche Bank, Berlin. Aside from this Dutch connection, Franz Beck's principal affiliations are with German concerns. He has a power of attorney for the iron and steel firm Neunkircher Eisenwerk, Neunkirchen, whose principal shareholders are the Stumm Bros. and Otto Wolff¹ and is also a member of the management committee of the iron concern Jul. u. Edm. Kronenberg A. G., Leichlingen, which is controlled by the Neunkircher Eisenwerk.

Beck was born on June 19, 1884, in Burgau. His last known address was Neunkircher Eisenwerk, Neunkirchen/Saar, and his known connections are the following:

Banking.—Handelsmaatschappij H. Albert de Bary & Co., N. V.—holder of procuration.

Industrial.—Neunkircher Eisenwerk, Neunkirchen (iron and steel. Has several subsidiaries and affiliates. Gebr. Stumm G. m. b. H. and Otto Wolff are the principal shareholders. Capital RM. 40,000,000.)—Power of attorney.

Jul. u. Edm. Kronenberg A. G., Leichlingen (iron, controlling interest held by Neunkircher Eisenwerk, Neunkirchen. Capital, RM. 400,000)—Member of management committee.

Erzbergbaugesellschaft-Saar m. b. H., Saarbrücken (mining)—Manager.

K. W. Becker

K. W. Becker was a holder of procuration for Handelsmaatschappij H. Albert de Bary in 1939 but by 1941 his connections with this bank had been severed. His separation from Handelsmaatschappij H. Albert de Bary, which is largely controlled by the Deutsche Bank, may well have been in connection with the extensive personnel changes which took place in this Dutch bank between 1938 and 1940 for the twofold purpose of concealing the degree of its German interests and to "aryanize" it as a bow to German nazism.

K. W. Becker's business interests seem to be restricted to banking and finance and as of 1941 his connections with institutions of this kind were as follows:

Financial institutions.—Beleggingsmaatschappij "Zaandam" N. V. (an investment company)—Manager.

N. V. Trust Maatschappij Heerengracht, Amsterdam (a trust company)—Manager.

N. V. Algemeene Handels en Bankinstelling (a general credit institution in liquidation)—Liquidator.

N. V. Noord Nederlandsche Exploitatie en Financieele Maatschappij (finance company in liquidation)—Liquidator.

W. H. J. De Boer

W. H. J. de Boer has been a holder of procuration in the Handelsmaatschappij H. Albert de Bary & Co., N. V., at least since 1939. Aside from his other official financial connection as a director of Beleggings Societeit N. V., an investment company in which Handelsmaatschappij H. Albert de Bary holds an extensive participation, De Boer appears to have no other prominent business affiliations.

Eugeno Max Brändlin

E. M. Brandlin has held the position of manager of Handelsmaatschappij H. Albert de Bary & Co. N. V., at least since 1939. Together with Hendrik Muller, formerly also a manager of Handelsmaatschappij H. Albert de Bary & Co. N. V., Brandlin founded in 1939 a holding company, N. V. Gemeenschappelijk Bezit van Aandelen Maatschappij H. Albert de Bary & Co., to conceal part of the shares of Handelsmaatschappij H. Albert de Bary & Co. N. V.

E. M. Brandlin's connections are principally with financial concerns in Holland. As of 1941 these connections were as follows:

Handelsmaatschappij H. Albert de Bary & Co. N. V. (a banking house in which Deutsche Bank, Berlin, holds a major participation)—Manager.

N. V. Amsterdamsche Trustmaatschappij "FIDES" (a trust company)—Director.

Vereeniging voor den Wisselhandel (a foreign exchange dealers' association)—Treasurer.

¹ Deceased 1939 or 1940.

D. Bruins

D. Bruins was appointed a holder of procuration for Handelsmaatschappij H. Albert de Bary & Co., N. V., subsequent to 1939, the period when the Deutsche Bank, which controls this Dutch bank, was making drastic changes in the management personnel of Handelsmaatschappij H. Albert de Bary & Co., N. V., in order to conceal the extent to which it is under German domination. This attempt at concealment of the character of Handelsmaatschappij H. Albert de Bary & Co., N. V., was for the purpose of avoiding its being placed on the British Black List. In February of 1940, however, this Dutch bank was blacklisted by the British governmental authorities.

Ernst Heldring

Ernest Heldring, a director of Nederlandsche Bank and President of Nederlandsche Handelsmaatschappij, was also president of Handelsmaatschappij H. Albert de Bary (a Dutch commercial banking house controlled by the Deutsche Bank, Berlin) until February 1940 when he reportedly resigned because this bank was placed on the British Black List. In addition he is actively connected with Dutch shipping, steel, and grain industries.

Because of his position with Handelsmaatschappij Albert de Bary, he knows the Germans, Herman J. Abs, of the Deutsche Bank, and Dr. Robert Pferdmenges, director of the Deutsche Centralbodenkreditbank A. G., both of whom are the German representatives on the Board of Handelsmaatschappij H. Albert de Bary. Ernst Heldring also knows Willy Redelmeier who was the moving power of the Handelsmaatschappij H. Albert de Bary until 1939 when he left Holland because he is non-Aryan. Mr. Redelmeier now resides in Canada.

Ernest Heldring was born on September 21, 1871, in Amsterdam. He was 30 years of age when he became president in the field of Dutch banking and industry. In 1932 he was given an honorary degree at the University of Amsterdam. His last known Holland address is Delaïressestraat 96, Amsterdam.

The following is a list of his business affiliations as of 1941:

Banking.—Nederlandsche Bank N. V.—Director.

Handelsmaatschappij H. Albert de Bary—Chairman (1937-40).

Amsterdam Bankers Association—Director.

Nederlandsche Handelsmaatschappij—President (succeeded D. Crena de Jongh's to this office on October 23, 1939).

After the occupation of Holland the head office of this bank was transferred to Batavia and placed under the control of the British Netherlands Trading Co. East, Ltd. The Banque de l'Indo-Chine acquired substantial participations in this bank during 1941. After the occupation of the Netherlands East Indies the Japanese ordered all the Netherlands East Indies branches of Nederlandsche Handelsmaatschappij to liquidate.

Commercial (shipping).—Java-China Japan Steamship Co.—Director.

N. V. Nederlandsche Scheepvaart Unie—Director.

Stoomvaartmaatschappij "Nederland"—Director.

South African Steamship Company—Director.

Koninklijke Nederlandsche Stoombootmaatschappij—Manager (1889-1937).

Industrial.—Koninklijke Nederlandsche Hoogovens on Staalfabrieken—Director (steel).

N. V. Stoommeelfabriek Holland (flour)—Director (1925).

Business organizations.—Chamber of Commerce, Amsterdam—President.

J. M. Honig.

J. M. Honig, a director of H. Albert de Bary & Co. N. V. in 1941, was not connected with that institution prior to the German invasion of Holland.

Honig appears to have taken a prominent part in aiding the occupation authorities in gaining control of the Dutch economy. He was a member of the Committee of Industrial Organization, formed in November 1940 to organize Dutch industry in such a manner that it might more easily be taken under German control.

Honig is also connected with a large Dutch brewing company and is a member of the advisory board of Lever Bros. & Unilever N. V., an international soap cartel which has many close German ties.

Honig's business and financial connections as of 1941 are listed below:

Banking.—Handel-Maatschappij H. Albert de Bary & Co., N. V. (German-controlled)—Director.

Industrial.—Lever Bros. & Unilever N. V. (international soap cartel with many German ties)—Member of advisory committee.

N. V. Heineken's Bierbrouwerij Maatschappij, Amsterdam (brewery with many participations and affiliated enterprises in Holland as well as in other countries such as: Brasserie Leopold S. A., Brussels; Malayan Breweries Ltd., Singapore; Heineken's Nederlandsch Indische Bierbrouwerij Maatschappij, Sourabaya, and N. V. Koloniale Brouwerijen "Cobra," Amsterdam, the latter with important participations in the S. A. des Bieres Bomonti and Pyramides, Cairo; Crown Brewery, Alexandria; Societe Internationale de Brasserie "Interbra," Brussels. The latter company has big interests in the Brasserie Union Messine, Metz (Alsace) and Brasserie de Leopoldville, at Leopoldville (Congo) as well as in the Heineken's Curacaosche Bierbrouwerij at Willemstad)—Manager.

Political.—Committee of Industrial Organization (organized after the German occupation of Holland)—Member.

K. Lefor

K. Lefor was an employee of Handel-Maatschappij H. Albert de Bary & Co. until 1939, and was said to have worked very closely with W. Redelmeier, one of the managers of the bank. After the beginning of World War II, but prior to the German invasion of Holland, Lefor was one of about 60 employees, either Germans or non-Aryans, dismissed from the bank. The dismissal of German employees was reportedly part of a plan to give the bank at least the outward appearance of being an entirely Dutch institution.

Dr. Robert Pferdmenges

Dr. Robert Pferdmenges, a German, was a director of Handelsmaatschappij H. Albert de Bary & Co., N. V. (a Dutch bank controlled by Deutsche Bank, Berlin) until late 1939 or early 1940. To conceal the German interests in this Dutch bank and to dispel the existing threat of its being placed on the British Blacklist the Deutsche Bank during the period 1938-40 as one of its cloaking devices gradually dismissed a number of German persons from the management personnel of Handelsmaatschappij H. Albert de Bary & Co., N. V. and by so doing hoped to make the bank appear to be a Dutch concern. Robert Pferdmenges was one of the Germans dismissed. This incident was of small moment in Pferdmenges' career since he has numerous important banking and industrial connections in Germany and is also prominent in German social circles. He is co-owner of Pferdmenges & Co., of Cologne, one of the leading private banking houses in Germany which, following the aryanization of Jewish enterprises, became the legal successor of the closely connected firms, A. Levy, and Sal. Oppenheim Jr. und Cie., both of Cologne.

On the board of the Deutsche Centralbodenkreditbank, Pferdmenges is associated with Count Hans Bedo von Alvensleben, president of the exclusive Herrenklub; known to have been instrumental in helping Hitler to gain the confidence of the Rhineland industrialists. Also on the board of the bank is the Duke of Saxe-Coburg, the most prominent member of the German nobility to have cooperated actively with the Nazis.

In the field of German industry his Pferdmenges connections tie him up closely with Allgemeine Elektrizitäts-Gesellschaft and Vereinigte Stahlwerke A. G., two of the largest of Germany's industrial combines.

In the field of insurance, Dr. Pferdmenges' affiliations are with companies closely connected by common interests. He is chairman of the advisory board of Rückversicherungs-Aktiengesellschaft Colonia, of Cologne, and holds important official positions on the boards of companies connected with it.

Dr. Pferdmenges is deputy chairman of the advisory board of the Schoeller'sche Kammgarnspinnerei Eitorf A. G., Eitorf, a worsted mills company majority of shares of which are owned by the Schoeller family in Zurich, Switzerland and Düren, Germany.

Dr. Pferdmenges was born on March 27, 1880, in M. Gladbach, and his last known address is 250 Coltsteinerstrasse, Cologne. His commercial and financial affiliations are shown below:

Banking.—Handelsmaatschappij H. Albert de Bary & Co., N. V.—Director.

Bankhaus Pferdmenges & Co., Cologne (large private banking institution)—Co-owner and member of board of directors.

Insurance.—Rückversicherungs-Aktien-Gesellschaft Colonia, Cologne (reinsurance company, capitalized at RM. 1,000,000, with interests in three other insurance companies)—Deputy chairman of advisory board.

"Colonia" Kölnische Feuer- und Kölnische Unfall-Versicherungs A. G. (insurance company, 25 percent owned by Rückversicherungs-Aktien-Gesellschaft Colonia)—Chairman of executive committee.

Kölnische Rückversicherungs-Gesellschaft, Cologne (reinsurance company, 27 percent owned by "Colonia" Kölnische Feuer- und Kölnische Unfall-Versicherungs A. G.)—Deputy chairman of advisory board.

Kölnische Glas-Versicherungs A. G., Cologne (small glass insurance company, 100 percent owned by "Colonia" Kölnische Feuer- und Kölnische Unfall-Versicherungs A. G.)—Chairman of the executive committee.

Nordstern Allgemeine Versicherungs A. G., Berlin (general insurance company)—Director.

Gladbacher Feuerversicherungs A. G., M. Gladbach (fire insurance)—Chairman of board of directors.

"Concordia" Lebensversicherungs A. G., Cologne (life insurance, Kölnische Rückversicherungs-Gesellschaft the principal shareholders)—Deputy chairman of board of directors.

Industrial.—Gladbacher Wollindustrie A. G. vorm. L. Josten, M. Gladbach (woolen industry, R.M. 4,000,000 capital)—Deputy chairman of advisory board.

Kabelwerk Rheyt A. G., Rehyd (cables and wires company, R.M. 12,000,000 capital; owns a 93.3 percent interest in the Deutsche Kabelwerke A. G.)—Deputy chairman of the advisory board.

Klöckner-Werke A. G., Duisburg (an important mining and smelting corporation owning numerous mines and foundries; it has interests in 12 other companies; capital, R.M. 105,000,000)—Deputy chairman of the advisory board.

Schoeller'sche Kammgarnspinnerei Eitorf A. G., Eitorf (worsted mills, capital R.M. 2,440,000; majority of shares owned by the Schoeller family in Zurich and Duren)—Deputy chairman of the advisory board.

Allgemeine Elektrizitäts-Gesellschaft, Berlin (large electrical German combine) Director.

Deutsche Kabelwerke A. G., Berlin (production of electric connections and cables; it has six subsidiaries and is more than 93 percent owned by Kabelwerk Rheyd A. G.)—Director.

Demag A. G., Duisburg (a large machinery concern capitalized at R.M. 26,500,000; this company has a large number of subsidiaries both in Germany and abroad, as for example in Poland, Italy, England, and Spain; its board of directors includes some of the most influential individuals in Germany's financial and industrial life, among which it should be mentioned Vögl of the Vereinigte Stahlwerke; Finck of Germany's largest private banking house, Merck Finck & Co.; Kimmich of the Deutsche Bank and Rudolf Stahe of the Deutsch Gold und Silberscheide Anstalt)—Director.

Felten & Guillaume Carlswerk A. G., Cologne (a very large company capitalized at R.M. 64,500,000 and specialized in the manufacture of cables and other wires for electric industry. It also trades in and manufactures all kinds of machinery and deals in iron, coal, and other mining products, and participates in official and private enterprises; it has many important subsidiaries, and through a Luxemburg company, the Arbed Konzern, which is its major stockholder, penetrates into Hungary, Argentina, and Poland)—Director.

Harpner Bergbau A. G., Dortmund (a large coal-mining corporation capitalized at R.M. 60,000,000 operating many mines with numerous subsidiaries or interests in other companies; its principal shareholders are Eisenwerke Gesellschaft, Maximilianshütte, which has the majority of the shares and F. Fentner Van Vlissingen, Utrecht who holds 10 percent. Very powerful figures in Germany's financial and industrial life are found on its board of directors as, for instance, Ernst Tengelmann, who is alleged to have played an important part in bringing Hermann Goering and Flick together when the Nazis came into power; Kurt von Schröder, the notorious German banker and financier, and Kimmich, of the Deutsche Bank)—Director.

Mitteldeutsche Stahlwerke A. G., Berlin (a very large steel and iron producing enterprise with a capital of R.M. 28,000,000. This company is generally assumed to be the main company in the Flick group. It is also 100 percent owned by Flick's holding company, the Friedrich Flick Kommandit-Gesellschaft)—Director.

Rheinische Kunstseide A. G., Krefeld (artificial silk company capitalized at R.M. 7,400,000)—Director.

Vereinigte Stahlwerke A. G., Düsseldorf (a very large and most important German steel trust, capitalized in 1939 at R.M. 460,000,000)—Director.

Willy Redelmeier

Willy Redelmeier resigned as a manager of Handelsmaatschappij H. Albert de Bary & Co., N. V., on January 27, 1940, but remained with this bank as a director for a time thereafter. Shortly before or after the occupation of Holland, he

emigrated and at present resides in Canada. Redelmeier, a Dutch citizen and a non-Aryan, is reported to have fled from Holland because of the persecution of his brother by the Nazis; and it is said that Willy Redelmeier also incurred the disfavor of the present Nazi German Government, which back in 1938 tried to eliminate him as the leading figure of Handelmaatschappij H. Albert de Bary & Co., N. V., by forcing the Deutsche Bank, which has a control in Handelmaatschappij H. Albert de Bary & Co., N. V., to call Redelmeier's personal loan against his stockholdings in Handelmaatschappij H. Albert de Bary & Co., N. V. Redelmeier, however, before leaving Holland, is said to have repaid the loan with the assistance of a number of his Amsterdam friends.

As far back as 1936 Redelmeier reportedly bought many of the shares held by the Deutsche Bank in Handelmaatschappij H. Albert de Bary, N. V., which were sold in that year.

T. J. Twijnstra

T. J. Twijnstra, a pro-Nazi Dutchman, was appointed a director of Handelmaatschappij H. Albert de Bary & Co., N. V., subsequent to 1939 and has, because of this position, associations with such persons as the German, Herman J. Abs, and J. M. Honig, the latter of whom is a member of H. L. Wolterson's Committee for Industrial Organization (C. O.), which was formed by the Nazis for the purpose of reorganizing Dutch industry to meet the needs of the German war machine. T. J. Twijnstra himself is a member of this committee, in connection with which he is associated with Karel P. van der Mandele (also a C. O. member), who in turn is a director of U. Twijnstra Oliefabrieken (vegetable oil and cattle feed), Utrecht, in which company T. J. Twijnstra has at least a directorship interest.

In view of the political proclivities of two of its directors, van der Mandele and Twijnstra, and a probable ownership interest in Twijnstra Oliefabrieken by T. J. Twijnstra, it is possible that this vegetable oil and cattle feed company has lent its support to the Nazi schemes for the coordination of Dutch industries to fit Nazi wartime production needs.

A. van Doorninck

A. van Doorninck, a director of the Nederlandsch Indische Handelsbank, N. V., is also officially connected with the Netherlands Railroad Co., and with a munitions factory.

In 1940 he was a director of the banking house, Handelmaatschappij H. Albert de Bary & Co. This firm, in 1929, absorbed the Dutch branch of the Deutsche Bank, and thereafter was considered the Deutsche Bank's agent for commitments in Holland. The business of H. Albert de Bary was largely German, and it had very few Dutch clients. Van Doorninck apparently did not retain this connection in 1941.

Van Doorninck is reported to have held the post of Treasurer General of the Ministry of Finance, which was a civil post and not a political appointment. Later sources mention his dismissal by the German authorities in July 1944 from the board of directors of the F. J. Spanjaard Steam Spinning Co., Ltd. (cotton mills), at Borne, together with four other officials, all of whom were replaced by Germans. At the same time the name of the enterprise was changed to "Westland Stoomspinnerijen."

Dr. van Doorninck's affiliations as of 1941 were reported as follows:

N. V. Nederlandsch Indische Handelsbank (colonial commercial bank)—Director.

N. V. Crediet en Effectenbank (bank primarily dealing in credit and securities)—Director.

N. V. Maatschappij voor Industrie-financiering (company to finance industrial enterprises)—Director.

N. V. Nederlandsche Spoorwegen (state railroads)—Director.

N. V. Nederlandsche Springstoffenfabrieken te Amsterdam (ammunition factory)—Director.

Friedrich H. Fentener van Vlissingen

F. H. Fentener van Vlissingen, a leading Dutch industrialist and arch-collaborationist, is head of the Internationale Accountants en Trustkantoor, a Dutch administration office which handles securities and trades in international markets. Handelmaatschappij H. Albert de Bary has a financial interest in Trustkantoor.

In Holland, together with members of the van Beuningen family, van Vlissingen is the leading power in Allgemene Kunstzijde Unie (AKU), the largest rayon

cartel of the Netherlands which in 1935 consolidated with Vereinigte Glanzstoff A. G., the German rayon cartel.

In the United States this Dutch rayon cartel is tied up with American Enka, American Bemberg and North American Rayon; in Germany it owns a subsidiary company, the Phrix-Werke (one of the largest cellulose producing concerns on the board of which are high ranking Nazi Party officials and big industrialists), and has control of Phrix-Verfahrenverwertung A. G., a company organized by the Phrix-Werke to take care of certain of its foreign interests.

In addition to his German industrial holdings maintained through AKU, van Vlissingen also owns the Administratiekantoor Unitas, Utrecht, the administration office which furnished all of the capital for the Combined Investment Corp., United States of America, and also held other important investments in the American Wine Corp., of St. Louis, a United States company, vested by the United States Alien Property Custodian in 1943.

During the period 1928-38 van Vlissingen was a director of Vereinigte Stahlwerke A. G. (German Steel Trust) and at the outbreak of the present war was still connected through business and personal ties with Steenkohlenvereeniging N. V. (a coal outlet company tied up with German Ruhr mining interests), managed by his son, J. M. Fentener van Vlissingen, and his close friend, Daniel G. van Reuningen.

Van Vlissingen's German business ties are further complicated by German marriage relationships. Through the marriage of a daughter van Vlissingen has personal ties with the Henkel family, prominent German wine producers. Because of these relations van Vlissingen knows Joachim von Ribbentrop, Reich Minister for Foreign Affairs, who also married into the Henkel family. It has been reported that van Vlissingen's daughter, Leiny, married a prominent Nazi after the death of her first husband, Stefan K. Henkel, in 1940.

From 1933 to 1937 van Vlissingen was president of the International Chamber of Commerce. On the strength of this office held in the past van Vlissingen, according to a recent United States broadcast statement (December 1944), had set up in Switzerland an illegal organization and named it the International Chamber of Commerce.

Under the occupation, as early as 8 weeks after the Dutch capitulation, July 5, 1940, van Vlissingen gave his services or at least lent his name to collaborationist activities by heading up the National Committee for Economic Collaboration made up of other prominent Dutch industrialists. This committee apparently unsuccessful was superseded by the Committee for Industrial Organization (C. O.), headed by the known collaborator, H. L. Woltersen, which had as its admitted task the gearing of Dutch economic production to the needs of the German war machine in Holland.

In February of 1937 Rollins College, Florida, gave van Vlissingen an honorary LL. D.; in July of the same year Adolf Hitler decorated him with the Starred Merit Cross of the German Eagle.

Van Vlissingen's Holland address is Maliebaan 42, Utrecht, and his known connections as of 1941 were:

Banking

Internationale Accountants en Trustkantoor—Head.
Administratiekantoor Unitas—Owner.

Industrial

Allgemeene Kunstzijde Unie N. V. (AKU) (largest Dutch rayon cartel; in the United States tied up with American Enka, American Bemberg, and North American Rayon)—Chairman of board of directors.

Werkspoor N. V.—Director.

N. V. Nederlandsche Maatschappij tot Ontginning van Steenkohlvelde—Chairman of board of directors.

Koninklijke Nederlandsche Hoogovens & Staalfabrieken—Director.

N. V. Nederlandsche Vliegtuigenfabriek Fokker—Director.

N. V. Hollandsche Kunstzijde Industrie (HKI)—Director.

The International Viscose Co.—Member of board of directors.

Steenkohlvereeniging N. V.—Director.

J. G. Wiebenga

J. G. Wiebenga, as of 1939, was a member of the board of directors of Handel-Maatschappij H. Albert de Bary & Co. N. V., but does not appear to have retained this connection in 1941. He had formerly served as general manager of that bank. Wiebenga was one of the Dutch members of the board who in 1939 was appointed a

director of a holding company formed to cloak the German interests in Handel-Maatschappij H. Albert de Bary & Co., N. V. Wiebenga's connections as of 1941 were listed as follows:

N. V. Gemeenschappelijk Bezit von Aandeelen Maatschappij H. Albert de Bary & Co. N. V.—director.

Dordrechtsche Onderlinge Credietvereniging N. V., Dordrecht (mutual credit institution)—director.

N. V.'s Gravenhaagsch Kantoor-Mulie & Co. (administration office for securities and other assets)—director.

N. V. Nationale Maatschappij voor Kasgeldleeningen-Mulie & Co. (company for cash loans; interlocking directorates with N. V. 'sGravenhaagsche Kantoor-Mulie & Co. (see above))—director.

N. V. Administratie en Cultuurbank, Amsterdam (administration office for agricultural shares)—manager.

N. V. Administratiekantoor (Hagam) (Administration office)—director.

N. V. Administratiekantoor voor Publiek Fonds en andere Waarden (Apfond) (administration office for public and other securities; connected with N. V.'s Gravenhaagsch Kantoor-Mulie & Co. and N. V. Nationale Maatschappij voor Kasgeldleeningen (see above) through the interlocking directorates in the persons of G. E. F. M. van der Schriek, R. van Steeden, and J. G. Wiebenga)—director.

N. V. Internationale Beleggings Unie (Interunie) (investment company, managed by N. V. 'sGravenhaagsch Kantoor-Mulie & Co.)—Director; member of the supervisory committee.

N. V. Kooy & Co.'s Administratiekantoor, Amsterdam (administration office, connected with Nederlandsche Handel Maatschappij (see report on this bank))—director delegate.

N. V. Suikerfabriek (Krian), Amsterdam (development of the sugar factory of the same name in Sourabaya, Java)—manager.

N. V. Nederlandsch Indische Suiker Unie (NISU) The Hague (holding company for sugar enterprises in the Netherlands Indies)—director.

Suikercultuur Maatschappij N. V., Amsterdam (development and acquisition of sugar estates in Netherlands East Indies)—manager.

CONTINENTALE HANDELSBANK N. V.

A. ADDRESS, BRANCH OFFICE, CORRESPONDENTS

Address: 492-496 Keizergracht, Amsterdam.

Branch office: Rotterdam.

Correspondents:

New York City, United States of America, New York Trust Co.

Berlin, Germany, Reichs-Kredit-Gesellschaft A.G.

Brussels, Belgium, Banque de Bruxelles.

Copenhagen, Denmark, Den Danske Landmandsbank Hypothek-og Vekselbank.

Milan, Italy, Banca Commerciale Italiana.

Oslo, Norway, Den Norske Creditbank.

Paris, France, Credit Lyonnais.

Stockholm, Sweden, Skandinaviska Kreditaktiebolaget; Stockholms Enskilda Bank.

Zurich, Switzerland, Swiss Bank Corporation (Schweizerischer Bankverein); and Union de Banques Suisses (Schweizerische Bankgesellschaft).

B. NATURE OF BUSINESS

The Continentale Handelsbank N. V., hereinafter referred to as C. H. B., was established in 1919 by Hope & Co., private banking house of Amsterdam, and the Deutsche Kalisyndikat, the German potash syndicate, one of the strongest cartels in Germany. Its function has been to finance the foreign trade of the German interests in the Franco-German potash cartel and its activities, other than this, were of minor importance. It did participate to some extent in the investment market, and controlled three administration offices for handling securities which normally trade in international financial centers.

C. SIZE AND IMPORTANCE

From the point of view of capital size, C. H. B. is one of the smaller Dutch banks. Its importance lies in its direct connection with the Deutsche Kalisyndikat, and the important international group of enterprises, industrialists, and financiers associated with that cartel.

1. Relation to other banks or enterprises in Holland or the Dutch colonies

- (a) Hope & Co.
Address: 659 Postbus, Amsterdam.
Business: Private bankers.
Interest: Hope & Co. participated in the establishment of C. H. B. and is believed to hold an interest in it. Hope & Co. has two representatives on the board of C. H. B.
- (b) Kali Transport Gesellschaft G. m. b. H.
Address: Amsterdam.
Business: Transport company concerned with the shipment of potash.
Interest: C. H. B. is connected with this company through Deutsche Kalisyndikat.
- (c) Rembours-en-Industriebank N. V.
Address: 320-4 Heerengracht, Amsterdam.
Capital: Fl. 10,000,000.
Business: Acts as bank and financial agent in Holland for Societe Commerciale des Potasses d'Alsace, the distributing agency of the French potash syndicate, which through agreements and sales agencies is closely connected with the Deutsche Kalisyndikat.
Interest: Rembours-en-Industriebank is an affiliate of C. H. B.
- (d) N. V. Potash Export Mij.
Address: Amsterdam.
Business: This is a Dutch company organized by the Franco-German potash cartel, to handle potash sales in the United States.
Interest: C. H. B. was connected with this company through Deutsche Kalisyndikat.
- (e) Trustmaatschappij Curaçao II N. V.
Address: Keizersgracht 577-581, Amsterdam.
Capital: Fl. 15,000 (Fl. 11,400 paid in).
Business: Trust company.
Interest: Trustmaatschappij Curaçao II is connected with C. H. B. through interlocking directors, Jhr. H. M. van Loon and E. J. Dommering.
- (f) N. V. Internationale Wissel Bank
Address: Amsterdam.
Capital: Fl. 50,000.
Business: Commercial banking, and foreign exchange activities.
Interest: C. H. B. controls the Internationale Wissel Bank.
- (g) Administratiekantoor "Securitas"
Address: Amsterdam.
Capital: Authorized, G. 50,000; paid in, G. 5,000.
Business: Administration office for securities, acts as custodian, issues interim certificates, etc.
Interest: C. H. B. controlled this company, which has a subsidiary, the York Commercial Co., New York City.
- (h) Administratiekantoor "Feralde"
Business: Administration office for securities.
Interest: C. H. B. controls this company.
- (i) Administratiekantoor "Trubeka"
Business: Administration office for securities.
Interest: C. H. B. controls this company.
- (j) N. V. Aziatische Handelsmij. voor Meststoffen
Address: Amsterdam.
Capital: G. 200,000.
Business: Exportation of chemical fertilizer to the Netherland East Indies.
Interest: C. H. B. is reported to be closely connected with this enterprise, which is believed to be owned by the Deutsche Kalisyndikat.

(k) Consortium voor Internationale Financieringen (Confisi)

This is a holding company for approximately 490,000 shares of stock of an enterprise known as the American Potash & Chemical Co. The stock had been sold by the Consolidated Goldfields of South Africa. The capital of Confisi, amounting to Fl. 20,000, was paid by C. H. B., but three German potash companies, Wintershall A. G., Salzdstfurth, and Burbach Kaliwerke A. G., obtained an option to buy Confisi by creating with C. H. B. a time deposit equal to Confisi's capital. No information is available as to whether or not this transaction was consummated. Until 1940 C. H. B. was also connected with Burbach Kaliwerke, A. G., by way of an interlocking directorate in the person of Dr. Gerhard Korte.

2. *Relation of other banks or enterprises in countries other than Holland or the Dutch colonies*

(a) Deutsche Kalisyndikat

C. H. B., as stated above, was organized by Deutsche Kalisyndikat, and is controlled by it. The Deutsche Kalisyndikat is dominated by the Reich Government through the State of Prussia, one of the largest potash producers.

(b) Reichs-Kredit-Gesellschaft

Address: Berlin.

Capital: R.M. 50,000,000 (as of 1942).

Business: Reichs-Kredit-Gesellschaft is one of the large Berlin commercial banks, Government-owned.

Interest: C. H. B. had close relations with the Reichs-Kredit-Gesellschaft, through common control by the Reich.

(c) Wintershall A. G.

Address: 139 Hohengellenstraat, Kassel, Germany.

Capital: R.M. 150,000,000.

Business: The largest German potash producer and the most important single factor in the German potash cartel.

Interest: C. H. B. is reported to be closely connected with Wintershall A. G. Dr. August Diehn (deceased, 1942) who was a director of C. H. B. in 1940, was formerly chairman of Wintershall and until his death, was general manager of Deutsche Kalisyndikat.

3. *Activities under the occupation—German connections*

There are conflicting statements as to the distribution of control of C. H. B., but the general opinion is that the majority interest is held by Deutsche Kalisyndikat, and that minor participations are held by the Dutch private banking house, Hope & Co., which has close German connections, and by the Otto Wolff interests.

Control of C. H. B. is actually held by the Reich Government, which dominates Deutsche Kalisyndikat through the State of Prussia, one of the largest potash producers. In spite of its close connection with the Nazi government C. H. B. had, up to the time of the German invasion of Holland, a number of Jewish officials who, it was suspected, were allowed to hold office to conceal the Nazi character of C. H. B. and thus guard this bank against unpopularity. Following the invasion, Jewish managers were retired from the board, and were replaced by A. W. A. Meyer, a partner of the private banking firm of Hope & Co., Amsterdam, and a prominent Dutch financier.

Business of C. H. B. was at a low ebb during the German occupation as a result of the cessation of the export trade in German potash.

D. MANAGEMENT PERSONNEL

1. *Prior to occupation, 1939*

Management

Board of directors:

Jhr. H. M. van Loon, chairman.

Dr. A. Diehn.

O. Fleck.

E. Baron van Heerdt tot Eversberg.

Dr. Gerhard Korte.

E. J. Dommering.

Managers:

E. Frohnknecht.

Max L. Philippsohn.

Holders of procuration:

J. Mathot.

J. Querido.

P. J. Schmidt.

P. W. Vermeulen.

W. Benischek.

J. van Buuren.

G. Peter Fleck.

Ch. F. de Roo van Alderwerelt, Jr.

F. B. Wijchers.

2. Subsequent to occupation, 1940

The following changes took place subsequent to occupation. The board of directors and management personnel were reduced from eight to six, O. Fleck, Dr. G. Korte, and Max L. Philippssohn (a non-Aryan) being replaced by A. W. A. Meyer, a partner of Hope & Co., who acts both as delegate-director and manager. The retention of Dr. A. Diehn until the time of his death by C. H. B. kept the bank under the control of the Deutsche Kalisyndikat, while the appointment of A. W. A. Meyer provided a strong link with Hope & Co. The number of holders of procuration was reduced from nine to four retaining J. A. B. Mathot, J. van Buuren, Ch. F. de Roo van Alderwerelt, Jr., and F. B. Wijchers.

Board of directors:

Jhr. H. M. van Loon

Dr. A. Diehn (deceased, 1942)

E. Baron van Heerdt tot Eversberg.

E. J. Dommering.

A. W. A. Meyer (delegate)

Managers:

A. W. A. Meyer.

E. Frohnknecht.

Holders of procuration:

J. A. B. Mathot.

J. Van Buuren.

Ch. F. de Roo van Alderwerelt, Jr.

F. B. Wijchers.

3. Biographies of some members of the management group

E. J. Dommering

E. J. Dommering is a director of Continentale Handelsbank N. V., the Dutch bank for the International German Potash Syndicate, the Deutsche Kali-Syndikat. E. J. Dommering, together with another director of Continentale Handelsbank N. V., A. W. A. Meyer (Meijer), is also an official of Trust Maatschappij Curaçao, a N. W. I. company in which Continentale Handelsbank has an interest. The above-mentioned A. W. A. Meyer was appointed a director of Continentale Handelsbank N. V. a few months after the Nazi occupation of Holland. (See below for biography on A. W. A. Meyer).

E. J. Dommering, in addition to his connections discussed above, had as of 1941 affiliations with the following companies:

N. V. Landbouw Maatschappij "Batoe Djamoës" (holding company of rubber estates in Java)—Director.

N. V. Nederlandsche Indische Houtaankap-Maatschappij in liquidatie (lumber and logging company in Netherland Indies)—Member of board of liquidators.

Ernst S. Frohnknecht

Ernst S. Frohnknecht, manager of the Continentale Handelsbank, N. V., the Dutch bank of the German potash syndicate, is of German-Jewish origin. He went to Holland in 1899 and was naturalized in 1924. He is connected with a number of enterprises associated with the potash cartel.

In March 1940 Frohnknecht entered the United States on a visitor's visa but in February 1941 went to Canada and reentered the United States during the same month on an immigration visa. During his stay in the United States Frohnknecht was engaged in organizing the York Commercial Corp., a holding company for assets of the German potash syndicate.

Ernst Frohnknecht is now 75 years old. As of 1943 his address was given as 11 Broad Street, New York City.

His financial connections as of 1941 were reported as follows:

Continentale Handelsbank N. V. (connected with Deutsche Kalisyndikat)—Manager.

Internationale Wissel-Bank N. V. (international exchange bank)—Manager.

N. V. Administratie en Trustkantoor (Securitas) (administration office and trust company connected with Internationale Wissel Bank N. V. through interlocking directorates in the persons of E. Frohnknecht and J. W. Lansink)—Manager.

Administratie Maatschappij (Feralda) N. V. (administration office)—Manager.
Trust en Beleggingskantoor (Trubeka) N. V. (trust and investment company)—

Manager.
"Franubo" Handels en Beleggingskantoor N. V., Amsterdam (investment company)—Owner.

Algemeene Maatschappij voor Financiële Zaken "Algema," Amsterdam (personal holding company)—Sales manager and director, owning 50 percent interest.

N. V. Financiële Mij. "Torlowja," Amsterdam (personal investment company)—Holds controlling interests.

Verrekeningskantoor "Leata" N. V., Amsterdam (an accounting bureau for foreign exchange accounts for the German potash producing companies)—Manager.

J. A. B. Mathot

J. A. B. Mathot, in addition to being a holder of procuration for the Continentale Handelsbank N. V. in 1939 for both the main offices and branches, is manager of the German company (Ferlowja) (finance company).

A. W. A. Meyer (Meijer)

A. W. A. Meyer, a Dutch citizen, subsequent to 1939 became a deputy director of the Continentale Handelsbank N. V., German-controlled Dutch bank for the international potash syndicate which includes the Deutsche Kalisyndikat. In his other ties which are primarily in the field of finance and banking the name of A. W. A. Meyer is repeatedly associated with those of such persons as Jhr. H. M. van Loon, J. H. Scheepmaker and the German, Dr. A. Igleseder.

As of 1941 these connections of A. W. A. Meyer were as follows:

Continentale Handelsbank N. V.—Director.

Hopam Trust Compagnie N. V.—Director. This trust company, which is under the custodianship of the German, Dr. A. Igleseder, is connected with N. V. Trust Maatschappij Curacao I through an interlocking directorate in the persons of Jhr. H. M. van Loon, A. W. A. Meyer, and J. H. Scheepmaker.

N. V. Trust Maatschappij Curacao I—Director. This trust company is connected with Hopam Trust Compagnie N. V. through an interlocking directorate in the persons of Jhr. H. M. van Loon, A. W. A. Meyer, and J. H. Scheepmaker.

N. V. Tweede Administratiekantoor van Binnen en Buitenlandsche Fondsen—Director. This is an administration office for domestic and foreign securities connected with Hopam Trust Compagnie and N. V. Trust Maatschappij Curacao I through an interlocking directorate in the persons of Jhr. H. M. van Loon, A. W. A. Meyer, and J. H. Scheepmaker.

Hope & Company—Holder of procuration. This is a Dutch private banking house which has German financial connections in addition to its connections with Hopam Trust Compagnie N. V., N. V. Trust Maatschappij Curacao I, and N. V. Tweede Administratiekantoor van Binnen en Buitenlandsche Fondsen through an interlocking directorate in the persons of Jhr. H. M. van Loon, J. H. Scheepmaker, and A. W. A. Meyer.

Max L. Philippssohn

Max L. Philippssohn, as of 1939, was one of the managers of Continentale Handelsbank N. V., the Dutch bank of the German potash syndicate. In 1940, however, Philippssohn was removed from this position as a non-Aryan, and according to latest reports is in New York City. Until 1940 Philippssohn, in addition to his connection with Continentale Handelsbank, was managing director of the Internationale Wissel-Bank and of the securities company, Administratie en Trustkantoor "Securitas," both of which were controlled by Continentale Handelsbank.

E. Baron van Heerdt Tot Eversberg

E. Baron van Heerdt Tot Eversberg was a director of Continentale Handelsbank N. V. in 1939 and continued to act in this capacity as of 1941. This is the Dutch bank for the German potash syndicate.

Eversberg was also officially connected with a number of Dutch industrial organizations. He is a member of the old Dutch nobility, but without financial means, who reportedly has made his living by holding directorships to represent German interests in Dutch companies. One of the interests which he is said to represent in this manner, in addition to the Continentale Handelsbank N. V.,

is N. V. Wodan Handel-Maatschappij of Rotterdam, a strongly German enterprise closely connected with the large German steel combine, Vereinigte Stahlwerke A. G. of Essen. Eversberg's official connections as of 1941 were reported as follows:

Continentale Handelsbank N. V.—Director.

N. V. Staalwerken "De Maas," Maastricht—Director. A company engaged in the manufacture of iron and steel piping by the "Schweissen" (welding) process.

N. V. Vereenigde Blikfabrieken, Amsterdam—Secretary to the board of directors. This company, which manufactures tinware, was established in 1912 as a result of a merger of the following Dutch tin factories: Verwer's Fabrieken, N. V. Zaanlandsche Blikfabriek, and N. V. Weesper Blikfabrieken; and as of 1941 it controlled (1) Dordrechtsche Metaalwarenfabriek, formerly Widow J. Bekkers & Son, (2) N. V. de Vereenigde Automatenfabrieken VAF, the latter of which was active as an outlet company for automat equipment.

N. V. Cultuur Maatschappij "Tjilangkap," Amsterdam—Director. A tea and rubber plantation.

Holland Dakota Landbouw Compagnie N. V., Amsterdam—Director. A concern which handled real estate in North Dakota, United States, and also dealt in the promotion of agricultural and industrial enterprises.

N. V. Nederlandsche Tramweg-Maatschappij, Heerenveen—Director. A company operating tramways and bus lines in the northern provinces of Holland.

HUGO KAUFMANN & Co.'s BANK N. V.

(Liquidated under anti-Jewish laws, and replaced in 1942 by the newly created Rijnsche Handelsbank)

A. LOCATION, BRANCH OFFICES, NEW YORK CORRESPONDENTS

Address: 8-10 Vijgendam, Amsterdam.

New York correspondents: New York Trust Co., Bank of the Manhattan Co., Chase National Bank, Irving Trust Co., National City Bank, Manufacturers Trust Co.

B. NATURE OF BUSINESS

Hugo Kaufmann & Co.'s Bank N. V., hereinafter referred to as H. K. C., did a general banking and investment business. It controlled several security administration offices (Administratiekanteren), and was active in normal times in the purchase and sale of securities. In 1939 H. K. C. sustained serious losses occasioned by the drop in prices of European securities, following the outbreak of war. As shown below, its assets were reduced, in that year, by nearly Fl. 7,000,000.

C. SIZE AND IMPORTANCE

H. K. C. was a relatively small bank, important chiefly for its close connections in British and German financial centers.

1. Relation to other enterprises or banking institutions in Holland or the Dutch colonies

(a) *Rijnsche Handel-Maatschappij* (or Handelsbank)

Address: 8-10 Vijgendam, Amsterdam.

Business: This institution was established in 1942 as a subsidiary of the Commerz Bank of Berlin, and located in the building of H. K. C. When the latter was liquidated under the anti-Jewish laws, Rijnsche Handelsbank took over such part of H. K. C.'s business as was not transferred elsewhere.

(b) *N. V. Administratiekantoor "Austria"*

Address: Hermietenstraat 3, Amsterdam.

Capital: Fl. 500,000 authorized (Fl. 100,000 paid in).

Business: Administration office (as the name indicates probably dealing with securities of Austrian enterprises).

Interest: Was controlled by H. K. C. and connected with it through an interlocking directorate in the persons of H. Kaufmann and L. Berliner.

(c) 's Gravenhaagsch Kantoor-Mulie & Co.

Address: Parkstraat 30, The Hague.

Capital: Fl. 100,000 authorized (Fl. 50,000 paid in).

Business: Banking house (trust company and securities brokerage house).

Interest: Connected with Hugo Kaufmann & Co.'s Bank N. V. through interlocking directorate in the persons of G. E. F. M. van der Schriek, R. van Steeden, and J. G. Wiebenga.

(d) *Administratiekantoor "Gaudium"*

Address: 1 Hermietenstraat, Amsterdam.

Capital: Fl. 10,000.

Business: Administration office for securities.

Interest: H. K. C. controlled this enterprise, which was directed by Hugo Kaufmann.

(e) *Administratiekantoor "Oranje-Nassau"*

This administration office for securities was controlled by H. K. C.

2. Relation to other enterprises or banking institutions outside of Holland or the Dutch colonies

(a) *Commerz Bank*

Address: Berlin.

Capital: RM. 100,000,000.

Business: Commercial bank.

Interest: Prior to the commencement of World War II it was reported that the Commerz Bank, together with the Dresdner Bank, owned a 48-percent interest in H. K. C. It was later stated, however, that this interest had been transferred to S. Japhet & Co., Ltd., of London, in exchange for blocked Reichsmarks. S. Japhet & Co., however, was reported to be only the nominal owner, while Rothschild interests were the actual owners. The Rijnsche Handelsbank, which was created to take over the business of H. K. C. when the latter was liquidated in 1942, however, is called a subsidiary of the Commerz Bank. This would appear to indicate that the Commerz Bank had retained an interest in H. K. C.

(b) *Dresdner Bank*

Address: Berlin.

Capital: RM. 150,000,000.

Business: Commercial banking.

Interest: The Dresdner Bank, together with the Commerz Bank, was reported to hold a 48-percent interest in H. K. C. (see statement above, under heading Commerz Bank).

(c) *S. Japhet & Co., Ltd.*

Address: London.

Capital: £1,300,000 (paid in).

Business: Private bankers.

Interest: It was reported, prior to World War II, that H. K. C. was a controlled subsidiary of S. Japhet & Co., Ltd. This control would appear, however, to have been an attempt to cloak the German interest in H. K. C.

3. Activities under the occupation—German connections

For a long period of time H. K. C. appears to have had very close business relations with the Commerz Bank of Berlin. As late as 1936 it was reported that the Commerz Bank and Dresdner Bank together held a 48-percent interest in H. K. C. A later report was to the effect that this interest had been sold to S. Japhet & Co. Ltd., banking house of London, which had made the purchase with blocked reichsmarks. Other reports stated that S. Japhet & Co. was only the nominal owner of H. K. C., although the London house was operating H. K. C. as a subsidiary, and that the Rothschild interests of London were the real owners.

It would appear possible that the reports regarding British ownership represented an attempt to cloak the German interest in H. K. C. That the Commerz Bank at least had retained some interest in H. K. C. is indicated by the fact that in 1942 the Commerz Bank established a subsidiary, the Rijnsche Handelsbank, with offices in the building of H. K. C., to take over a part of the business of the latter, which was being gradually liquidated under the anti-Jewish laws. In H. K. C., as in other German-controlled banks in Holland, the retention of Jewish officials until after the occupation, appears to have been another means through which it was sought to conceal German interest. There is known to have been a strong feeling on the part of the public against German ownership of certain institutions, particularly after the beginning of German aggressions in Europe.

D. MANAGEMENT PERSONNEL

1. Prior to occupation, 1939

Management

Board of directors:

P. Lindenberg, chairman.
H. van Beek
M. Fontheim

Sir William Max-Muller
G. E. F. R. van der Schriek
J. C. C. Baron van Till

Mangers:

H. Kaufmann
L. Berlinger

G. Lust

Assistant managers:

Dr. H. L. Heiden-Heimer
P. J. Reinstra

K. J. H. Verschoof.

Holders of procuration:

W. Gerath
H. Hartmann
E. Schadek
B. Schuster
R. Spiegel

W. Steiner
R. Yntema
H. J. Weverink
R. J. Lak

2. Subsequent to occupation 1941

After the occupation of Holland certain changes took place in the management personnel of H. K. C.; G. Lust, H. K. C.'s representative in New York City, was replaced by A. E. Meckmann; P. J. Reinstra was dismissed from his post as an assistant manager, and W. Malletke was appointed by German authorities to the then newly created office of Custodian for Enemy Property.

Board of directors:

P. Lindenberg, chairman
H. van Beek
M. Fontheim

Sir William Max-Muller
G. E. F. M. van der Schriek
J. C. G. Baron van Till

Managers:

H. Kaufmann
L. Berliner

A. E. Meckmann

Assistant managers:

Dr. H. L. Heiden-Heimer

K. J. H. Verschoof

Holders of procuration:

W. Gerath
H. Hartmann
E. Schadek
D. Schuster
R. Spiegel

W. Steiner
R. Yntema
H. J. Weverink
B. J. Lak

Custodian for Enemy Property (appointed by German authorities):

W. Malletke

3. Biographies of some members of management group

L. Berliner

L. Berliner, a manager of Hugo Kaufmann & Co.'s Bank N. V., was appointed to this office in 1933. Formerly he was a director of the large German bank, Commerz & Privatbank, A. G. Berlin, as well as of N. V. Handelsmaatschappij "Britannica" (Britannica Trading Co.).

As of 1941 his financial interests in Holland were as follows:

Hugo Kaufmann & Co.'s Bank N. V. (private bank connected with Commerz Bank and/or Dresdner Bank interests through Rijnsche Handelsbank)—**Manager.**

N. V. Administratiekantoor "Austria" (administration office which is connected with Hugo Kaufmann & Co.'s Bank N. V. by way of an interlocking directorate in the persons of H. Kaufmann, L. Berliner, and K. J. H. Verschoof)—**Director delegate.**

Max Fontheim

Max Fontheim is a director of Hugo Kaufmann & Co.'s Bank N. V. which, since the occupation, has been under the control of the Rijnsche Handelsbank, a subsidiary established by the Commerz Bank in 1942; and according to certain reports the title of Kaufmann & Co.'s Bank N. V. has been changed to Rijnsche Handelsbank.

Max Fontheim is also a managing director of S. Japhet & Co. which, according to certain reports, bought up a percentage of the German holdings in Kaufmann & Co.'s Bank N. V. and for a time operated this Dutch bank as a subsidiary on behalf of the real owners, the Rothschild interests of London.

Hugo Kaufmann

Hugo Kaufmann was, in 1939 and 1941, manager of the Hugo Kaufmann & Co.'s Bank N. V.

Hugo Kaufmann's financial affiliations, as of 1941, were reported as follows:

Banks.—Hugo Kaufmann & Co.'s Bank N. V. (private bank under German custodianship)—Manager.

N. V. Administratiskantoor (Austria) (securities administration office connected with Hugo Kaufmann & Co.'s Bank N. V. through interlocking directorates in the persons of H. Kaufmann, L. Berlinger, and E. J. H. Verschoof)—Director delegate.

N. V. Administratiekantoor (Gaudium) (securities administration office)—Manager.

N. V. Industriele Trust en Handelmaatschappij (trust company for industrial and commercial enterprises, under custodianship of W. Malletke, appointed by occupation authorities)—Manager.

N. V. Trust en Administratiekantoor (Fortuna) (trust company and administration office)—Manager.

Paul Lindenberg

Paul Lindenberg was chairman of the board of Hugo Kaufmann & Co.'s Bank N. V. in 1939 and continued to hold this post in 1941 until the bank was put into liquidation and the major part of its assets taken over by Rijnneche Handels Bank (Rhine trading bank), a subsidiary of the Commerz Bank of Berlin. Lindenberg also acted as managing director of S. Japhet & Co., Ltd., of London, which before its liquidation reportedly held at least the nominal control of the Kaufmann Bank.

Prior to the outbreak of World War II, Lindenberg was connected with a number of foreign industrial and financial enterprises. As of 1941, however, his only connection other than that with the Kaufmann Bank was with Nederlandsche Crediet en Financiering Maatschappij, finance and credit institution, of which he was a director.

Georg Lust

Georg Lust, formerly a director of the Commerz Bank of Berlin, became a general manager of Hugo Kaufmann & Co.'s Bank in 1938, and continued to hold that post until 1941. In September 1939 he came to the United States, apparently to take part as a representative of the Kaufmann Bank in the establishment of the American-Dutch Trading Co., Inc., at 52 Broadway, New York City. He served as vice president and treasurer of that enterprise, which was established to handle certain affairs for the bank in the United States. Lust was still in this country as late as December 1941 and receiving mail for the Kaufmann Bank. By that time, however, Hugo Kaufmann & Co.'s was being gradually liquidated and the major part of its assets taken over by the Rijnneche Handels-maatschappij, a subsidiary of the Commerz Bank of Berlin.

W. Malletke

W. Malletke is the custodian appointed by the German authorities in 1941 for Hugo Kaufmann & Co.'s Bank. As of 1941 Malletke was serving in this same capacity for the banks and securities companies listed below:

N. V. Algemeene Beleggings Maatschappij, The Hague (a general investment company).

N. V. Amsterdamsche Beheerscompagnie A. B. C., Amsterdam (a company managing securities of French and Luxembourg enterprises).

N. V. Bank en Handelmaatschappij (Oliemolen) Amsterdam (a credit institution connected with Hamburger & Co.'s Bankierskantoor).

N. V. Bank voor Belegging op langen Termijn, Amsterdam (a credit institution for long-term loans).

Bax' Bank N. V., The Hague (a private bank).

N. V. Centrale Maatschappij voor Fondsenhandel, Amsterdam (a securities brokerage house connected with Hamburger & Co.'s Bankierskantoor through interlocking directorates in the persons of G. Hamburger, A. Hamburger, H. Hamburger, and C. F. Hamburger).

N. V. Commissie en Handelsbank, Amsterdam (a credit institution and commission house).

N. V. Effecten en Trust Maatschappij, Amsterdam (a securities and trust company, connected with Hamburger & Co.'s Bankierskantoor through interlocking directorates of G. Hamburger, A. Hamburger, C. F. Hamburger).

Arnold Gilissen's Bank N. V., Rotterdam (a private banking house).

N. V. Hamburger & Co.'s Bankierskantoor, Amsterdam (a private banking house).

N. V. Handelmaatschappij (de Amstel), Amsterdam (a commercial credit institution, connected with Hamburger & Co.'s Bankierskantoor through interlocking directorates in the persons of G. Hamburger, A. Hamburger, and L. Hamburger).

N. V. Internationale Beleggings Maatschappij Amsterdam (an investment company for foreign securities, connected with the Hamburger & Co.'s Bankierskantoor through interlocking directorates in the persons of G. Hamburger and A. Hamburger).

N. V. Internationale Maatschappij voor Financiële Zaken "IMAFIZA," Amsterdam (an international finance company).

Labouchere & Co. N. V., Amsterdam (a banking house).

Westersche Bank N. V. Amsterdam (controlled by the wealthy French Jewish family de la Meurthe).

Administratiekantoor voor Publieke Fondsen en andere Waarden "NOBRA" N. V., Breda (an administration office, connected with the private banking house, Van Mierlo en Zoon N. V., through interlocking directorates in the persons of A. A. J. van Mierlo and G. E. F. M. van der Schriek).

N. V. Fondsen en Trust Maatschappij, Amsterdam (a securities and trust company, connected with Hamburger & Co.'s Bankierskantoor through interlocking directorates in the persons of G. Hamburger and A. Hamburger).

N. V. Industriële Trust en Handelmaatschappij, Amsterdam (a trust company handling securities of industrial and commercial enterprises, connected with Hugo Kaufmann & Co.'s Bank N. V. through its manager, Hugo Kaufmann).

Vereenigde Kantoor voor Administratie N. V., Amsterdam (associated administration offices, connected with Hamburger & Co.'s Bankierskantoor through interlocking directorates in the persons of G. Hamburger, A. Hamburger, and H. Hamburger of Paris).

Sir William Grenfell Max-Muller

Sir William Grenfell Max-Muller was a member of the board of directors of Hugo Kaufmann & Co.'s Bank N. V. from 1935 to 1941, inclusive.

Max-Muller was formerly a director of the Corporation of Foreign Bondholders and affiliated with a number of foreign companies including the Bagdad Light & Power Co., Ltd., and the British & Polish Trade Bank, A. G.

A. E. Meckmann

A. E. Meckman, who in 1941 was one of the managers of Hugo Kaufmann & Co.'s Bank, N. V., had been appointed to that post in 1940. Meckman was formerly with the Credit Anstalt of Vienna and later with the banking firm, Labouchers & Co.

H. van Beek

H. van Beek in 1941 was a director of the German-controlled institution, Hugo Kaufmann & Co.'s Bank N. V., a position to which he had been elected in 1933. Van Beek was a partner of A. L. van Beek, wholesale tobacco dealers of Rotterdam and may still retain this connection.

G. E. F. M. van der Schrieck

G. E. F. M. van der Schrieck has been a director of Hugo Kaufmann & Co.'s Bank (now known as the Rijnsche Handelsbank and a subsidiary of the German Commerz Bank) since 1939.

As of 1940 van der Schrieck's known business connections which were in the field of banking and finance were as follows:

Van Mierlo & Zoon N. V., Breda (private banking house)—Director.

Nationale Maatschappij voor Kaskeldelingen-Mulie & Co., N. V. (financial clearing house)—Director.

'sGravenhaagsch Kantoor voor Fondsen en Vermogensbeheer (a securities administration office)—Director.

Administratiekantoor voor Publieke Fondsen en Andere Waarden "Apfond," N. V. (a securities administration office)—Director.

Administratiekantoor voor Publieke Fondsen en Andere Waarden "Gelfo" (a securities administration office)—Director.

Administratiekantoor voor Publieke Fondsen en Andere Waarden "Nobra," N. V., Breda (a securities administration office)—Director. Under the occupation the German, W. Malletke was appointed Custodian of this administration office. (See biography on W. Malletke.)

Baron J. C. C. van Till

Aside from his associations maintained as a director of Hugo Kaufmann & Co.'s Bank N. V., Baron van Till's primary business connection is with the private banking house of Oppenheim & van Till, of which he is a partner. This firm is located at The Hague.

N. V. HOLLANDSCHE KOOPMANSBANK

A. LOCATION, UNITED STATES CORRESPONDENTS

Address: 674 Keizersgracht, Amsterdam (in June 1940 the bank's domicile was transferred to Willemstad, Curacao).

New York correspondents: Central Hanover Bank & Trust Co., Bank of the Manhattan Co., Guaranty Trust Co.

B. NATURE OF BUSINESS

N. V. Hollandsche Koopmansbank, hereinafter referred to as N. V. H. K., is a small commercial bank which even before the German occupation of Holland functioned chiefly in financing German trade and industrial enterprises.

C. SIZE AND IMPORTANCE

N. V. H. K. is one of the smaller commercial banks of Holland. Its importance lay in its close connection with powerful international financial interests, and in its strong directorate.

1. Relation to other banks or enterprises in Holland or the Dutch colonies

(a) *Amsterdamsche Bank N. V.*

Address: 595 Heerengracht, Amsterdam.

Capital: Fl. 55,010,000 (paid in).

Business: Large commercial bank.

Interest: The Amsterdamsche Bank participated in the reestablishment of N. V. H. K. after the failure of the Kreuger interests, the founders of N. V. H. K. At one time the Amsterdamsche Bank was reported to hold a 25-percent interest in N. V. H. K.

(b) *Gebroeders Wolff Hzn. & Co.*

Address: 674 Keizersgracht, Amsterdam.

Business: Securities brokerage house.

Interest: Gebroeders Wolff Hzn. & Co. is connected with N. V. H. K. through interlocking directors in the persons of G. M. Fritze and H. F. van Meer.

(c) *Algemeene Societeit voor Administratie en Trustzaken*

Address: 674 Keizersgracht, Amsterdam.

Capital: Fl. 50,000.

Business: Administration office and trust company.

Interest: This enterprise is connected with N. V. H. K. through interlocking directors in the persons of G. M. Fritze and H. F. van Meer.

(d) *Handelsbank-Unie, Amsterdam*

Address: 674 Keizersgracht, Amsterdam.

Capital: Authorized, Fl. 1,000,000; paid in, Fl. 700,000.

Business: This is the Dutch subsidiary of the Berliner Handels-Gesellschaft.

Interest: The Handelsbank-Unie is believed to have acted for the Berliner Handels-Gesellschaft in the reorganization of N. V. H. K. in 1935, and it is possible that the Berliner Handels-Gesellschaft may control N. V. H. K. through Handelsbank-Unie.

2. *Relation to other banks or enterprises outside of Holland or the Dutch colonies*

(a) *Berliner Handels-Gesellschaft*

Address: Berlin, Germany.

Capital: R.M. 28,000,000.

Business: Commercial bank; the smallest of the large Berlin banks.

Interest: The Berliner Handels-Gesellschaft was one of a group of banks which reorganized N. V. H. K. in 1935 after the failure of the Kreuger interests which prior to that time had controlled N. V. H. K. Reports as to the extent of the Berliner Handels-Gesellschaft's interest in N. V. H. K. vary greatly but it is believed to represent an important percentage of control. This control is believed to have been increased since the German occupation of Holland, either through the acquisition of additional amounts of the stock of N. V. H. K. or through closer supervision of N. V. H. K. by officials of the Berliner Handels-Gesellschaft.

(b) *Stockholms Enskilda Bank Aktiebolag*

Address: Stockholm, Sweden.

Capital: Kr. 45,000,000 (paid in).

Business: Commercial bank with extensive international connections.

Interest: Stockholms Enskilda Bank participated in the reorganization of N. V. H. K. in 1935 and has maintained a close connection with it.

(c) *I. G. Farbenindustrie A.G.*

Address: Frankfurt, Germany.

Capital: R.M. 720,000,000 (1940).

Business: Chemical combine.

Interest: N. V. H. K. is known to have very close business relations with I. G. Farben, and is said to be the principal Dutch banking connections of the Farben group. We have received reports that G. M. Fritze, a prominent member of the board of N. V. H. K., is the confidential agent throughout Europe of I. G. Farbenindustrie.

(d) *Deutsche Golddiskontbank (Dego)*

Address: Berlin.

Capital: R.M. 600,000,000.

Business: This is a private corporation and a subsidiary of the Deutsche Reichsbank, the German central bank, which owns the greater part of its capital stock. It supplements the activities of the Reichsbank, taking up foreign credits, holding capital participations in large German credit institutions, etc.

Interest: We have received reports that through G. M. Fritze, a director of N. V. H. K. and reportedly the European agent of the I. G. Farbenindustrie, N. V. H. K. became the Dutch agent for the Deutsche Golddiskontbank.

(e) *Holland American Merchants Corporation*

Address: New York City, N. Y.

Interest: It was announced by the Royal Netherlands Legation in June 1940 that the above-mentioned enterprise had been established to take over funds transferred from N. V. H. K. In 1941, however, G. M. Fritze, delegate on the board of N. V. H. K., was appointed agent in the United States, with offices at 20 Exchange Place, New York City.

3. *Activities under the occupation—German connections*

The entire history of N. V. H. K. is primarily tied up with German interests, although it was originally established in 1922 by the Kreuger interests. In 1935, after the Kreuger failure, N. V. H. K. was reorganized under the auspices of Handels-Unie, a Dutch subsidiary of the Berliner Handelsgesellschaft. It functioned chiefly, even before German occupation, in financing German trade and business in Holland.

It has been said that the condition of N. V. H. K. after the Kreuger and Toll debacle was good; its position was further strengthened in 1937 by the absorption of the Internationale Bank N. V. of Amsterdam. In taking over this bank N. V. H. K. added several of the Internationale Bank's officials to its directorate and is said in this way to have acquired an extremely strong board.

As in the case of several of the reportedly German-controlled banks in Holland there have been a number of conflicting stories as to the controlling interests in N. V. H. K. So far as can be ascertained, however, the majority control rests in the hands of the Berliner Handelsgesellschaft which, according to one report, held in 1941 a very substantial participation in N. V. H. K. It was reported in

1943 that after the occupation of Holland the Berliner Handelsgesellschaft broaden its influence in N. V. H. K.

It is known also that N. V. H. K. has long been very close to I. G. Farbenindustrie and has handled a large part of this firm's business in Holland. It is possible that the participation in N. V. H. K., which is nominally held in the name of Berliner Handelsgesellschaft, actually belongs to I. G. Farbenindustrie. Berliner Handelsgesellschaft, known as the Bankers' Bank, has always had close association with I. G. Farbenindustrie.

D. MANAGEMENT PERSONNEL

1. Prior to occupation, 1939

Management:

Board of directors:

S. de Vries.	Ph. Mees.
G. M. Fritze.	H. A. van Nierop.
P. Hofstede de Groot.	Maur. Philipson.
H. Furstenberg.	Hans Weltzien (a German, ap-
H. F. van Leeuwen.	pointed an official of N. V. H. K.
W. M. Houwing.	during 1939).
Robert May.	

Manager:

H. F. van Meer.

Holders of procuration:

J. R. Asser.	A. E. Rahusen.
J. H. Druyff.	O. Rosenberg.
J. Eskens.	Chr. Schwencke.
P. Klokkemeyer.	K. V. Testa.

2. Subsequent to occupation, 1941

Between 1939 and 1941 the following changes were effected in N. V. H. K.'s management personnel: H. Furstenberg, Robert May, and H. A. van Nierop and S. de Vries were dismissed from the board of directors. S. de Vries remained with the bank as a holder of procuration and J. Eskens, a holder of procuration, was promoted to the office of assistant manager.

Holders of procuration:

J. R. Asser.	Chr. Schwencke.
J. H. Druyff.	K. V. Testa.
A. E. Rahusen.	S. de Vries.
O. Rosenberg.	

3. Biographies of some members of management group

G. M. Fritze

G. M. Fritze, an official of N. V. Hollandsche Koopmansbank, is a former German national who became a naturalized citizen of Holland at sometime prior to 1938. Fritze is well known in Dutch commercial and banking circles and has established and maintained important connections in Germany.

We have received reports that before the outbreak of World War II, Fritze became confidential agent in Europe of the I. G. Farbenindustrie, and it is believed that he is largely responsible for having formed the close ties which exist between that firm and Hollandsche Koopmansbank. Fritze and the Koopmansbank hold interests in enterprises on behalf of I. G. Farben. For example, one of the companies in which Fritze and the Koopmansbank hold 85 percent of the shares in Mapro (N. V. Maatschappij tot Bevordering van de Fabricatie van en den Handel in Producten der Chemische Industrie in Nederland en v Kolonien, Amsterdam), a Dutch company which assists in the distribution of the products of I. G. Farben. In March 1940 Fritze was present at a special meeting of the board of directors of Ozalid Corp., a General Aniline & Film subsidiary in the United States. At that meeting Ozalid decided to export its products to the licensees of the German company, Kalle & Co., which could no longer be supplied from Germany.

Fritze is also credited with having arranged for the Hollandsche Koopmansbank to act as the chief Dutch agent of the Deutsche Golddiskontbank of Berlin, subsidiary of the German central bank.

Following the German invasion of Holland, Fritze was appointed representative of Hollandsche Koopmansbank in New York, and remained in or around New York until 1944 when he left the United States and went to Madrid. It is reported that he recently returned to this country.

Fritze's financial connections were reported as follows in 1942:

Financial.—N. V. Hollandsche Koopmansbank (connected with Berliner Handelsgesellschaft)—director delegate.

Algemeene Societeit voor Administratie en Trustzaken N. V. (administration office and trust company)—director.

Gebroeders Wolff Hzn & Co. (securities brokers, connected with Hollandsche Koopmansbank and Algemeene Societeit voor Administratie en Trustzaken (see above) through interlocking directorates in the persons of G. M. Fritze and H. F. van Meer Meet)—manager.

Hans Furstenberg

Hans Furstenberg, a managing partner in the Berliner Handelsgesellschaft and a manager of N. V. Hollandsche Koopmansbank in June 1939, came to Holland sometime in the 1930's and was presumably connected with the Handels-Unie, Dutch subsidiary of the Berliner Handelsgesellschaft. He appears to have been active in arranging for the taking of a participation by the Berliner Handelsgesellschaft in Hollandsche Koopmansbank, and it was believed at one time that he himself might have a financial interest in the Dutch Bank.

Furstenberg as well as G. M. Fritze, confidential agent in Europe for I. G. Farbenindustrie and also an official of Hollandsche Koopmansbank, was believed to have been active in securing German business for the Dutch institution.

P. Hofstede de Groot

P. Hofstede de Groot, the general manager of the Amsterdamsche Bank N. V., has held this post for 8 or 9 years prior to 1939. He has been chairman of the managing committee since 1936 and when a merger of the Amsterdamsche Bank N. V. with the Rotterdamsche Bankvereeniging was contemplated in 1939 he was reported determined to remain the general manager of the Amsterdamsche Bank N. V. In December 1939 however, the post went to G. M. Verrijn Stuart, who took the place left vacant by the dismissal of H. A. van Nierop (see biography on van Nierop).

Hofstede de Groot had not only numerous banking connections but had also interests in the shipping and brewery industries. His connections as of 1941 were as follows:

Amsterdamsche Bank N. V.—Manager.

Valuta-Kas N. V. (bank)—Director.

Hollandsche Koopmansbank N. V. (in 1941 the large German bank Berliner Gesellschaft had a controlling participation).

Bank van Doijer & Kalff N. V. (private banking house)—Director.

Bank van Haffmans & Steegh N. V. (private banking house)—Director.

Noord Hollandsche Landbouwercredit N. V. (agricultural credit institution)—Director.

N. V. Financiële Maatschappij voor Nijverheids Ondernemingen (finance company for industrial enterprises)—Member of management committee.

Rijkspostspaarbank (State Postal Savings Bank)—Member of advisory committee.

N. V. Administratiekantoor van vijf percents Cumulatieve Preferente Aandeelen Serie B in the American Smelters Securities Co. (company for the administration of 5 percent cumulative preferred shares, series B, of the American Smelters Co.)—Member of management committee.

N. V. Nederlandsche-Amerikaansche Stoomvaart Maatschappij (shipping)—Vice chairman of the board.

Van Vollenhoven's Bierbrouwerij N. V. (brewery)—Director.

Wesselius Marcus Houwing

Wesselius Marcus Houwing, a manager of the Amsterdamsche Bank, N. V., began his career with this institution in 1919 and was appointed to his present post in 1932. Houwing is an important figure in the Dutch financial world and in 1929 was Amsterdamsche Bank's representative on the board of Amsterdamsche Trust Compagnie, which has connections with Bank für Handel und Industrie, Berlin. His business and financial connections as of 1941 were as follows:

Amsterdamsche Bank N. V.—Manager.

Amsterdamsche Bankiersvereeniging (bankers association)—Manager.

Vereeniging voor Deviezenbanken (association of banks holding "deviezen" accounts)—Manager.

Commissie voor Incassozaken (committee to handle cash accounts)—Amsterdamsche Bankiersvereniging's delegate on this committee.

Vereeniging voor den Wisselhandel (association dealing in drafts and acceptances)—Manager.

Hollandsche Koopmansbank N. V. (Berliner Handelgesellschaft acquired a controlling participation in this bank in 1941)—Director.

N. V. Financieele Maatschappij voor Nijverheids Ondernemingen (an industrial finance company)—Director.

N. V. Administratiskantoor van vijf Percents Preferente Aandeelen in de Missouri Pacific Railroad Co. (an administration office which manages 5 percent preferred shares of Missouri Pacific Railroad)—Director.

Waarborg en Trustmaatschappij N. V. (guaranty and trust company)—Director.

N. V. Magazyn "De Bijenkorf" (one of Holland's largest chain department stores)—Director.

Robert May

Robert May was a director of N. V. Hollandsche Koopmansbank in 1939, but ceased to hold this position after the occupation of Holland; he was also a manager of Lippmann, Rosenthal & Co. until this Dutch Jewish private banking firm was taken over by the German Civil Administration authorities, aryanized, placed in charge of the German A. Flesche (formerly of the notoriously Nazi collaborationist bank, Rhodius Koenigs Handelsmaatschappij, N. V.) and designated as the Holland Bank to act as the reception center for confiscated Jewish assets.

Although the name of Robert May appears on 1941 directorate listings for Lippmann, Rosenthal & Co. as well as for other Dutch financial institutions and enterprises, it has been reported that he was sent to a concentration camp at the time of the reorganization of Lippmann, Rosenthal & Co. and another member of his family. Paul May, who was also an official of the same bank as of 1939, killed his wife and himself.

Robert May, the son of an old and socially prominent Dutch family, was born in 1873 in Amsterdam. After attending trade school in that city he continued his education abroad and returned to become a manager of Lippmann, Rosenthal & Co.

His last known address is Huize Zandbergen, Huister Heide bij Zeist.

As of 1941 Robert May's listed connections were as follows:

Lippmann, Rosenthal & Co.—Director.

N. V. Rouppe van der Voort's Industrie en Metaalmaatschappij (articles of lead and tin and iron)—Director-president.

Amstelhotel—Director.

Levers' Zeep Maatschappij—Director.

Westersche Bank N. V.—Director.

N. V. Hollandsche Assurantie Societeit von 1841 (insurance)—Director.

N. V. Maatschappij "Het Nederlandsche Sportpark" (ball park)—Director.

Philipp Mees

Philipp Mees, a director of Hollandsche Koopmansbank in 1941, has held that position at least since 1938. Mees is a partner of R. Mees & Zonen, one of the oldest and most important of the Dutch private banks and one of the few institutions in this category which was favored by the German authorities by being authorized to act as a foreign exchange bank, a privilege otherwise reserved to the eight largest banking corporations.

Mees is prominent in Amsterdam banking circles; is connected with a number of industrial and financial enterprises, and a member of the Bankers Association of Amsterdam. His affiliations as of 1941 were as follows:

Hollandsche Koopmansbank—Director.

R. Mees & Zonen (private bankers)—Partner.

Rotterdamsche Hypotheekbank voor Nederland (mortgage bank)—Director.

Bankers Association of Amsterdam—Member.

N. V. Nederlandsche Gist-en Spiritusfabriek (yeast and alcohol factory)—Director.

N. V. Nederlandsche Scheepvaart-Unie (shipping association)—Director.

A. E. Rahusen

A. E. Rahusen, as of 1939, was a holder of procurator for the German-controlled bank, *Hollandsche Koopmansbank*, and continued to act in this capacity in 1941. Rahusen is also acting as liquidator of the private banking house, *N. V. Bankierskantoor Lisser en Rosenkranz*.

H. F. van Meer

H. F. van Meer was a director of the German-controlled *N. V. Hollandsche Koopmansbank* as of 1939 and continued to serve in this capacity as of 1941. Van Meer was officially connected as well with several securities companies, two of which were associated with *Hollandsche Koopmansbank* through interlocking directorates. His affiliations as of 1941 are listed below:

N. V. Hollandsche Koopmansbank (connected with *Berliner Handelgesellschaft*)—Manager.

Algemeene Societeit voor Administratie en Trustzaken N. V. (administration office and trust company, connected with the *N. V. Hollandsche Koopmansbank* through interlocking directorates in the persons of G. M. Fritze and H. F. van Meer)—Manager.

Amsterdamsche Standaard Administratie Compagnie N. V. (administration office)—Director.

Amsterdamsche Standaard Trust Compagnie N. V. (trust company)—Director.

Hendrik Abraham van Nierop

Hendrik van Nierop, a manager of *Amsterdamsche Bank* since 1916, was dismissed from the bank in 1939 because of the failure of the *Rotterdamsche-Amsterdamsche* merger plan. Van Nierop had been connected with the *Wresy-chinski* case which ended up in the Dutch courts, and certain high ranking officials of *Amsterdamsche Bank* felt that van Nierop's connections with the case contributed substantially to the failure of the merger plan. Van Nierop's successor on the board of *Amsterdamsche Bank* was G. M. Verrijn Stuart.

Formerly van Nierop had a long list of financial connections. As of 1939 he was a director of *N. V. Hollandsche Koopmansbank*, in which *Berliner Handelsgesellschaft, Berlin*, has a major financial control, and a director of *Amsterdamsche Standard Trust Compagnie*, which is connected with *Bank für Handel und Industrie, Berlin*.

In 1941, however, he is reported as affiliated only with the four enterprises shown below:

Prolongatie Vereeniging (association for long-term credits)—Chairman of the board.

N. V. Noordhollandsche Landbouwc rediet (agricultural credit institution)—Director.

N. V. Maatschappij tot Exploitatie van Limburgsche Steenkolen (coal mining enterprise)—Director.

N. V. Koninklijke Nederlandsche Hoogovens en Staalfabrieken (blast furnaces and steel foundries in which the German *Vereinigte Stahlwerke* reportedly has held a controlling interest since 1941)—Director.

Dr. Hans Weltzien

Dr. Hans Weltzien, a German, became a director of *Hollandsche Koopmansbank* in 1939. This Dutch bank, under the occupation, is controlled by the *Berliner Handelsgesellschaft*, in which Weltzien is a partner. This German bank is one of the smallest of the great Berlin commercial banks. Aside from his connection with *Hollandsche Koopmansbank N. V.*, Weltzien appears to have no other Dutch financial or industrial connections. In Germany, however, he has an extremely large number of important connections. He was formerly State Financial Councillor and in addition to his partnerships in *Berliner Handelsgesellschaft* he is also a director of the *Badische Bank, Karlsruhe*, which is connected with *Berliner Handelsgesellschaft*, and which, through the *Allgemeine Elsassische (Alsace) Bank-Gesellschaft*, controls the majority of Alsatian business.

Weltzien holds the important office of member of the advisory board of the *Deutsches Reichsbank*, the central bank of Germany, and is also a member of the money market committee of the *Deutsche Reichsbank* and of the credit committee of the *Deutsche Bank*.

In the industrial field, Dr. Weltzien is closely connected with several large German corporations operating in the electrical, iron and steel, mining, and chemical fields. He is deputy chairman of the advisory board of the *Allgemeine Elektrizitäts Gesellschaft*, one of the largest German electric enterprises, and of the *Metallgesellschaft A. G.* and of the *Rheinische Stahlwerke*, both subsidiaries

of the I. G. Farbenindustrie. The Metallgesellschaft A. G., has two large stockholders, viz, the Amalgamated Metal Corp., London, and the Schweizerische Gesellschaft für Metallwerk, a Swiss company, which has numerous affiliates in Paris and London.

Until 1943, Weltzien was a director of Berliner Kraft & Licht (Bewag) A. G. (Berlin Power & Light Corporation), but sometime during that year was removed from the board in accordance with the recommendation of the Reich Minister of Economy that the number of board members be reduced for the duration of the war.

Dr. Weltzien was born on October 11, 1899, in Berlin. His last known address is 32-33 Behrenstrasse, Berlin W 8. His semiofficial, financial, and industrial affiliations, as of 1942, were reported as follows:

Semiofficial.—Industrie und Handelskammer, Berlin (Chamber of Commerce and Industry)—Member of the advisory board.

Berliner Börse, Abt. Wertpapierbörse, Berlin (Berlin Stock Exchange, Securities Division)—Member of the management committee.

Reichsgruppe Banken (National organization of German banks)—Member of the advisory board.

Banking.—Berliner Handelsgesellschaft, Berlin (one of the largest German banking institutions)—Head or business partner.

Deutsche Reichsbank, Berlin—Member of the advisory board.

Kapitalmarktausschuss der Deutschen Reichsbank (money market committee of the Reichsbank)—Member of the committee.

Kreditausschuss der Deutschen Reichsbank (credit committee)—Member.

Deutsch-Asiatische Bank, Shanghai (6.2 percent held by the Schantung-Handels A. G., which is 70 percent held by Bankhaus Joh. Witzis & Co., Munich)—Member of the executive committee.

Badische Bank, Karlsruhe (State of Baden holds majority of shares (see first paragraph))—Director.

Allgemeine Transportmittel-Finanzierungs A. G., Berlin (finances transportation at home and abroad—the capital of RM 4,000,000 is in American, Belgian, and German hands)—Chairman of the board of directors.

Industrial.—Allgemeine Elektrizitäts-Gesellschaft, Berlin—Deputy chairman of the advisory board.

Gesellschaft für Elektrische Unternehmungen A. G., Berlin (has numerous affiliates, one in Switzerland, one in Portugal, one in Brussels, and one in Spain)—Director.

Rheinische A. G. für Braunkohlenbergbau und Brikettfabrikation, Köln (99 percent held by Rheinisch Westfälische Elektrizitäts Werke A. G.)—Director.

Rheinische Stahlwerke, Essen (44.9 percent held by I. G. Farbenindustrie)—Director.

Metallgesellschaft A. G., Frankfurt/Main (metal works; subsidiary of I. G. Farbenindustrie)—Director.

Mitteldeutsche Stahlwerke A. G., Riesa (steel corporation; 98 percent held by Siegener Eisenindustrie A. G. of the Flick family)—Director.

Felten & Guillaume Carlswerk A. G., Köln-Mulheim (iron and steel corporation; principal shareholder, Arbed-Konzern, Luxemburg)—Director.

Eisenbahn-Verkehrsmittel A. G., Berlin (manufacturer of transport machinery and parts, is a subsidiary of Oesterreichische Eisenbau-Verkehrs-Anstalt (Austria railway transport company of Vienna), which also has affiliations in Poland, Rumania, Hungary, and Switzerland. The chief shareholders are Ste. Generale de Belgique, Brussels, and Banque Belge pour l'Etranger, Brussels. In accordance with the new regulations of the Vienna Bank Verein the majority of the shares are transferred to a group of Belgian banks in combination with a Belgian industrial firm)—Deputy chairman of the advisory board.

Berliner Maschinenbau A. G., vormals L. Schwartzkopff, Berlin (machine builders; Bank für Industriewerke A. G., Berlin, holds all the preferred stock)—Chairman of the board of directors.

Westfälische Drahtindustrie, Hamm/Westf. (wire factory; Friedrich Krupp A. G. holds 56 percent of common stock and 100 percent of preferred shares)—Director.

Schering A. G., Berlin (mining and chemical products)—Director.

Kamerum-Eisenbahn-Gesellschaft, Berlin (railway company owns 100 percent interest in the Companhia Agricola e Fabril de Guine' (Agrifa), Lisbon, Portugal)—Deputy chairman of the advisory board.

Harpener Bergbau A. G., Dortmund (mining company—has 100 percent interest in a Swiss coal trading company; Eisenwerk Gesellschaft Maximilianshütte holds majority of shares)—Director.

Braunkohlen- und Brikett-Industrie A. G., Bubiag, Berlin (lignite and briquet company)—Director.

Christian Dierig A. G., Langenbielau (cotton manufacturer; Dierig family owns 75 percent interest)—Director.

Kontinentale Oel A. G., Berlin (oil-producing company)—Director.

Feldmühle, Papier- und Zellstoffwerke A. G., Stettin/Odermunde (paper, cellulose, etc.; has many affiliates throughout Germany)—Chairman of the board of directors.

A. G. für Glasindustrie vorm. Friedr. Siemens, Dresden (glass of all kinds; 38.39 percent held by Schultheiss-Patzenhofer Brauerei A. G., Berlin)—Chairman of the board of directors.

Allianz Lebensversicherungs A. G., Berlin (the most important German life insurance company)—Director.

AMSTERDAMSCH E CREDIET MAATSCHAPPIJ

A. LOCATION, UNITED STATES CORRESPONDENTS

Address: Amsterdam.

B. NATURE OF BUSINESS

The Amsterdamsche Crediet Maatschappij, hereinafter referred to as A. C. M., was originally established as a limited private banking business, to represent certain German interests, but was later reestablished under its present title. It carried on a commercial and investment banking business, and was active in foreign exchange transactions. The bank is now in process of liquidation.

C. SIZE AND IMPORTANCE

A. C. M. is a small bank, important only because of its connection with prominent German enterprises.

1. Relation to other banks or enterprises in Holland or the Dutch colonies

(a) N. V. Trustmaatschappij Rokin

Address: 92-96 Rokin, Amsterdam.

Capital: Authorized, Fl. 250,000; paid in, Fl. 50,000.

Interest: Subsequent to the German occupation of Holland, the management of A. C. M. was given over to N. V. Trustmaatschappij Rokin, which presumably was to act as liquidator.

2. Relation to other banks or enterprises outside of Holland or the Dutch colonies

(a) August Thyssen Bank

Address: Berlin.

Capital and reserves: RM. 17,500,000.

Business: This is the bank of the Thyssen steel interests which finances the activities of that group.

Interest: There appears to have been some connection at one time between the August Thyssen Bank and A. C. M., possibly through the von der Heydt family.

(b) Friedrich Krupp A. G.

Address: Essen, Germany.

Capital: RM. 160,000,000.

Business: Armaments, etc.

Interest: As of 1936, Friedrich Krupp A. G. was reported to hold nine-tenths of the capital of A. C. M.

3. Activities under the occupation—German connections

A. C. M. was established in 1920 as von der Heydt-Kersten's Bank, a private limited company, and presumably the Dutch affiliate of the German private banking firm von der Heydt Kerstein & Soehne, located in Wuppertal-Elberfeld, Germany, which was connected with the Commerz Bank of Berlin, and with a private banking firm known as von der Heydt's Bank, which was established both in Amsterdam and Berlin. Von der Heydt-Kersten's Bank in Amsterdam was connected with von der Heydt's Bank in the same city through an interlocking directorate in the persons of members of the von der Heydt family.

In 1924, von der Heydt-Kersten's Bank assumed its present name, Amsterdamsche Crediet Maatschappij (A. C. M.), and broadened its scope to include a greater number of commercial banking activities. There was presumably a close connection between the von der Heydt and Thyssen interests, and in 1930 the name of von der Heydt's Bank in Berlin was changed to the August Thyssen Bank, and it became the banking subsidiary for the Thyssen heavy industry group. Von der Heydt's Bank in Amsterdam, however, has continued to function under its original name, and it is not known whether the Thyssen group acquired any interest in it, or through it, in the former von der Heydt-Kersten's Bank, now A. C. M.

At various times several other important German interests have acquired and held for a time, at least, participations in the A. C. M. As of 1936 it was stated that the armament enterprise Friedrich Krupp A. G. held about nine-tenths of the capital of A. C. M. and that Simon Hirschland, a banking corporation of Essen, Germany, was also a stockholder.

This latter interest was sold in connection with the German Aryanization program, which even prior to the German occupation of Holland attempted in some instances to extend the purge into the Dutch banking structure at points where German banking institutions had interests.

It was stated that the German Government at that time demanded of A. Busemann, a Krupp representative, that two Jewish officials of A. C. M. be removed, but that no action was taken and these two individuals, Messrs. Kahn and Frankfurter, were still on the directorate of A. C. M. as of 1938. Krupp, it is reported, was able to ignore the order to Aryanize A. C. M. because of the usefulness of that institution in supplying the Nazi Government with foreign exchange.

At present A. C. M. is in process of liquidation, and has been put under the management of N. V. Trustmaatschappij Rokin, a trust company. It is reported that the liquidation was made necessary because of pressure brought to bear upon the bank by some shareholders, particularly certain shareholders residing in the United States.

D. MANAGEMENT PERSONNEL

1. Prior to occupation, 1939

Management:

Board of directors:

J. Limburg, chairman.
Dr. A. Busemann.
E. Fuld.

J. Woltman.
K. M. Hirschland.

Managers:

J. Kahn.

A. Frankfurter.

Assistant managers:

J. Winkler.

P. Reinisch.

Holders of procuration:

S. van Gelder.
W. van Hammersveld.
A. Harrer.

E. von Seeler.
E. Suppas.
M. Tuvy.

2. Subsequent to occupation, 1941

After the occupation the management of A. C. M. was placed in the hands of Trustmaatschappij Rokin, Amsterdam, a small trust company, the personnel of which is composed of four persons, no one of whom was an official of A. C. M.

Management:

N. V. Trustmaatschappij Rokin, Amsterdam.

Managers:

W. R. Nijkerk.
P. S. Frenkel.

H. G. Stibbe.

Holder of procuration:

K. Abraham.

3. Biographies of some members of management group

Dr. Alfred Busemann

Dr. Alfred Busemann, a German, was formerly a director of *Amsterdamsche Crediet Maatschappij*. This Dutch bank, which was nine-tenths owned by *Friedrich Krupp A. G.*, Essen, went into liquidation in October 1939.

At present Alfred Busemann is a manager of *Friedrich Krupp A. G.* and a member of the management committee of the holding company for Krupp participations in mining, iron, and steel enterprises. He is also director of the *Deutsche Ueberseeische Bank*, Berlin, Deutsche Bank subsidiary which controls the 21 branches of the Deutsche Bank in Latin America. His prominence in German industrial and economic life is signified by the fact that he is a director of *Industriefinanzierungs A. G. Ost*, Berlin, a joint enterprise of the six Berliner Grossbanken, established originally for financing German exports to Russia.

Busemann holds the degree of doctor of jurisprudence. His address is given as Friedrichstrasse 14, Essen, and his known connections are as follows:

Political.—*Rheinisch-Westfälische Börse zu Düsseldorf* (Düsseldorf Stock Exchange)—Member of management committee.

Banking.—*Deutsche Ueberseeische Bank*, Berlin (owned by Deutsche Bank, Berlin; supervises Latin American branches of Deutsche Bank; capitalization 1938, RM. 36,000,000)—Director.

Banco Aleman Transatlantico (one of the South American branches of Deutsche Ueberseeische Bank, Berlin)—Director.

Industriefinanzierungs-A. G. Ost, Berlin (joint enterprises of the German Grossbanken, established to finance exports to Russia; became outstanding acceptance institution)—Director.

Westfalenbank A. G., Bochum (only important regional bank in the Rhineland-Westphalia region not absorbed by the German Grossbanken; majority of shares held by the Wintershall A. G., German potash group)—Director.

Industrial.—*Fried. Krupp A. G.*, Essen (leading German armaments combine)—Manager.

A. G. für Unternehmungen der Eisen- und Stahlindustrie, Berlin (subsidiary of *Fried. Krupp A. G.*; holding company for Krupp participations in mining, iron, and steel enterprises; capitalization 1938, RM. 12,000,000)—Member of management committee.

National-Krupp-Registrier-Kassen G. m. b. H., Berlin (manufacture of cash registers; presumably affiliated with Krupp organization)—Member of executive committee.

P. S. Frenkel

P. S. Frenkel is an official of *N. V. Trust Maatschappij Rokin*, a small trust company of Amsterdam. This trust company was put in charge of *Amsterdamsche Crediet Maatschappij*, presumably for liquidation of the latter, after the German occupation of Holland.

K. M. Hirschland

K. M. Hirschland, who was a director of *Amsterdamsche Crediet Maatschappij* prior to the German invasion of Holland, and until that bank was put under the direction of the *N. V. Trustmaatschappij Rokin* by the German authorities, presumably for liquidation, is a leading partner of Simon Hirschland, an extremely wealthy German banking corporation located at Essen, Germany.

The Simon Hirschland firm held an interest in the *Amsterdamsche Crediet Maatschappij* but the Hirschland interests were aryanized and the firm was taken over by Burkhardt & Co. in October 1938. K. M. Hirschland, however, appears to have remained on the board of the Dutch bank after the aryanization of the Simon Hirschland corporation.

Julius Kahn

Kahn was born in 1878 at Darmstadt, Germany, and was educated at the Lyceum and at the Free University.

Kahn has had considerable banking experience. From 1906 to 1910 he was manager of a branch office of the *Disconto-gesellschaft* in Berlin; from 1910 to 1913 he was manager of the *Kredietbank* at Sofia, Bulgaria. In 1914 he became assistant manager of the *Discontogesellschaft*, Frankfurt, but left this position to serve as an officer in the German Army during World War I.

After the close of the war, Kahn served as assistant manager of *A. Schaffhausen'scher Bankverein* at Cologne until 1924 when he became a manager of the *Amsterdamsche Crediet Maatschappij* in Amsterdam. In addition to his connection

with the Amsterdamsche Crediet Maatschappij, Kahn was formerly associated with several small securities companies in Amsterdam.

According to latest information Kahn's residence is at 163 de Lairesestraat, and his office at 433 Heerengracht, Amsterdam.

W. R. Nijkerk

W. R. Nijkerk is one of the managers of N. V. Trustmaatschappij Rokin. This is the institution which was put in charge of the liquidation of Amsterdamsche Crediet Maatschappij after the German occupation of Holland.

Nijkerk is also a director of N. V. Meelfabrieken der Nederlandsche Bakkerij. This is a flour-milling enterprise which has interests in a number of the larger Dutch bakery companies and holds participations in enterprises allied with the grain trade such as grain elevator companies, central sales organizations, etc.

H. G. Stibbe

H. G. Stibbe is a manager of the trust company, N. V. Trustmaatschappij Rokin, which since the German occupation of Holland has been put in charge of the Amsterdamsche Crediet Maatschappij during the liquidation of the latter institution.

Stibbe is also manager of the investment company, N. V. Beleggingsmaatschappij (Ingela).

THE AERO BANK

Formerly Hollandsche Buitenland Bank N. V. (Holland Foreign Bank)

A. LOCATION, UNITED STATES CORRESPONDENTS

Address: 68 Javastraat, The Hague.

New York Correspondent: Guaranty Trust Co. of New York.

B. NATURE OF BUSINESS

This institution, as the Hollandsche Buitenland Bank (hereinafter referred to as H. B. B.) was engaged primarily in the financing of international trade. As the Aero Bank, subsidiary of the Bank der Deutsche Luftfahrt, the Bank of the German Air Ministry, its nominal function is to finance contracts let in Holland for equipment, supplies, etc., for the German air force.

C. SIZE AND IMPORTANCE

Hollandsche Buitenland Bank was one of the smaller Dutch commercial banks.

1. Relation to other banks or enterprises in Holland or the Dutch colonies

(a) Hollandsche Bank Unie

Address: Amsterdam (transferred to Willemstad, Curacao after June 22, 1940).

Capital: Fl. 6,000,000.

Business: Foreign trade bank operating principally in South America.

Interest: H. B. B. was connected with Hollandsche Bank Unie through interlocking directors in the persons of J. P. van Tienhoven and G. H. de Marez Oyens.

2. Activities under the occupation—German connections

Even before the German invasion of Holland, H. B. B. had close connections with Germany, through its directors; and it is believed also to have had close business relations with German banks and enterprises. In 1940 the bank openly became a Nazi institution when the Bank der Deutschen Luftfahrt, the Bank of the German Air Ministry, took a major participation in it. As a subsidiary of the Bank der Deutsche Luftfahrt, H. B. B. in May 1942 was renamed the Aero Bank. Its nominal function was to finance purchases made for the German air force. It has been reported, however, that branches of the Aero Bank in occupied countries concerned themselves also with acquiring participations in enterprises engaged in manufacturing aircraft, machinery, machinery parts, etc.

In 1942 the management of H. B. B., now the Aero Bank, was completely turned over to German officials, with the exception of one Hollander, the Dutch-Nazi F. W. A. DeKock van Leeuwen, who remained on the board.

D. MANAGEMENT PERSONNEL

1. *Prior to occupation, 1939**Management*

Board of directors:

G. H. de Marez Oyens, chairman.	Dr. J. P. van Tienhoven.
F. W. Koenigs.	Prof. Dr. G. M. Verrijn Stuart.
H. R. van Maasidjk.	

Manager:

Dr. H. Brunck.

Holders of procuration:

H. M. de Vries.
H. J. von Eicke.

2. *Subsequent to occupation, 1941*

Between 1939 and 1941 two changes took place in the management personnel of H. B. B. F. W. Koenigs and Prof. G. M. Verrijn Stuart left the board of directors and no new appointments were made to replace these two men.

Management

Board of directors:

G. H. de Marez Oyens, chairman.
H. R. van Maasidjk (delegate).
Dr. J. P. van Tienhoven.

Manager:

Dr. H. Brunck.

Holders of procuration:

H. M. de Vries.
H. J. von Eicke.

3. *Changes as of May 1942*

At the annual meeting of H. B. B. held at The Hague, May 1942, H. B. B. became Aero Bank and only one Hollander, F. W. A. De Kock van Leeuwen was kept on the board. All other officials of Aero Bank are now Germans.

4. *Biographies of some members of the management group***F. W. A. De Kock van Leeuwen**

F. W. A. De Kock van Leeuwen was appointed an official of Hollandsche Buitenland Bank N. V. at the meeting held at The Hague in May 1942, at which time this bank's name was changed to Aero Bank; all Dutch officials were removed from the management personnel with the exception of De Kock van Leeuwen; and the bank became officially a subsidiary of the German Bank der Deutschen Luftfahrt with the nature of its functions redefined, so that from that date they have been directed to the financing of production contracts in Holland for the German Air Ministry.

That De Kock van Leeuwen should have retained his place on the Dutch Aero Bank when all other Hollanders were dismissed is due to his political affiliations. Until January 1944, when he made known his resignation from the Dutch Nazi Party in an open letter printed in a Dutch daily newspaper, De Kock van Leeuwen was considered a bona fide member of the Dutch National Socialist Party and in addition held the title of "adviser" to Anton Mussert, the leader of the Dutch Nazi Party. In this latter capacity under the sponsorship of the German Nazi Party De Kock van Leeuwen made a tour in 1942 of the areas east of Germany proper, which at that time were under German domination (these areas visited were most probably the section of Poland known as the Warthegau and the Ostgebiete).

In presenting his resignation De Kock van Leeuwen did not disavow in toto his allegiance to his party. In his open letter he reaffirmed his adherence and belief in National Socialist principles and restated his long-standing feelings of loyalty toward Mussert, and he gave as his reasons for leaving the party his opinion that

in Holland national socialism had failed to bring under its aegis the most able of Holland's leading industrial personages, and that the National Socialist Party had placed in key positions only members of the party and in this way had sacrificed the will of the Netherlands people as a whole to a demonstration of power just to prove that the party's will could be imposed upon the Netherlands people.

Gerard Hendrik de Marez Oyens

Gerard Hendrik de Marez Oyens, a director of Hollandsche Bank Unie, the principal Dutch bank operating in South America, is also senior manager of H. Oyens & Sons, of Amsterdam. This was an old private banking firm, converted into a corporation in 1932, and said to have suffered serious losses in recent years. The enterprise is apparently connected with Hollandsche Bank Unie, as in addition to the interlocking tie through de Marez Oyens, there is another through N. E. Rost Onnes, a director of H. Oyens & Sons, who is a general manager of Hollandsche Bank Unie.

De Marez Oyens was, in 1941, the chairman of the board of the Hollandsche Buitenland Bank, which was later taken over by the German Bank der Deutschen Luftfahrt and under the title Aero Bank was presumably to finance purchases in Holland for the German air force. De Marez Oyens is reported to have become entangled with pro-Nazi elements in Holland but it cannot be ascertained whether or not this reputation was gained through his possible connections with the above-mentioned transaction.

De Marez Oyens was formerly affiliated with Nederlandsch Indische Handelsbank and with N. V. Philips Gloeilampenfabriek.

De Marez Oyens was born on July 31, 1873, in Amsterdam. His affiliations as of 1941 were reported as follows:

N. V. Hollandsche Buitenland Bank (connected with the Bank der Deutschen Luftfahrt)—Chairman of the board.

N. V. Oyens & Zonen (banking corporation)—Senior manager.

N. V. Maatschappij voor Hypotheek Crediet in Nederland (company for mortgage credit)—Director and member of the advisory board.

N. V. Maatschappij tot Beheer van het Administratiekantoor van Amerikaanse Fondsen (company for the administration of the administration office of American securities)—Manager.

H. M. de Vries

H. M. de Vries, in 1939, was the holder of procuration for the Hollandsche Buitenland Bank N. V. and continued to serve in this capacity until 1941. It is not known, however, whether de Vries' connection with this bank was continued after it was reorganized as the Aero Bank, subsidiary of the Bank der Deutschen Luftfahrt, the bank of the German Air Ministry.

De Vries' connections as of 1941 are shown below:

Banks.—Hollandsche Buitenland Bank N. V.—Holder of procuration.

N. V. Bank voor Nederlandsche Gemeenten (Bank for Netherlands Municipalities)—Director.

N. V. Handel en Credietmaatschappij (Hancred) (trade and credit company)—Manager.

Henri Robert van Maasdijk

H. R. van Maasdijk is a deputy director of Hollandsche Buitenland Bank N. V., a Dutch bank which since 1942 has been known as Aero Bank, and as a subsidiary of Bank der Deutschen Luftfahrt.

As of 1942 van Maasdijk as an official of the Nazi Chamber of Commerce in Holland (Handelskammer) under the sponsorship of the German Government visited the territories east of Germany (presumably the Warthegau and Ostgebiete).

A number of van Maasdijk's business connections, which appear to be primarily in the field of banking and insurance, as of 1941 were as follows:

Hollandsche Buitenland Bank N. V.—Director.

N. V. Nederlandsche Bankinstelling voor Waarden Belast Met Wruchtgebruik en Periodieke Uitkeeringen (an institution for administration of interest and time loans)—Manager.

N. V. Orange-Nassau-Hypotheekbank (a mortgage bank)—Director.

N. V. Zuider Hypotheekbank (a mortgage bank)—Director.

N. V. Zee en Brandassurantie Maatschappij (De Oosterling) 1865 (a company handling all kinds of insurance, excepting life insurance)—Director.

N. V. Binnenlandsche Vaart Risico Societeit (a company handling transportation insurance primarily)—Director.

Ongevallen Verzekering Maatschappij van "De Nederlanden" van 1845 (a company handling various kinds of insurance, excepting life insurance)—Director.

N. V. Haagsche Assurantie Compagnie voor Brand enz van 1805 (a company handling various kinds of insurance, excepting life insurance)—Director.

N.V. Labor Bedrijfsverzekering Maatschappij van "de Nederlanden" van 1845 (an enterprise and credit insurance corporation)—Director.

N.V. Levensverzekering Maatschappij van "de Nederlanden" van 1845 (a life insurance company)—Director.

N.V. Nederlandsche Hervverzekerij Maatschappij (a fire insurance company)—Director.

N.V. Nederlandsche Maatschappij voor Levens-Hervverzekerij (a life insurance company)—Director.

Nederlandsch Indische Zee en Brand Assurantie Maatschappij (a fire and transportation insurance company)—Director.

N.V. Tweede Koloniale Zee en Brand Assurantie Maatschappij (a fire and transportation insurance company)—Director.

N.V. Zee en Brand Assurantie Maatschappij de Oosterling (a fire and transportation insurance company)—Director.

Johannes Pieter van Tienhoven

Johannes Pieter van Tienhoven, for the past 9 years, at least, has been a director of the Hollandsche Bank Unie, a Dutch overseas bank operating principally in South America. In 1941 van Tienhoven was also on the board of the Hollandsche Buitenland Bank, which institution has since been taken over by the German Bank der Deutschen Luftfahrt and has been renamed the Aero Bank. Presumably it was intended to function as a means for financing contracts made in Holland for the German air force.

Van Tienhoven is also connected with a marine and casualty insurance company, and with a building supply enterprise.

He was born on December 31, 1876, and had his elementary education in Amsterdam and received his doctor's degree in law and political science in 1904 from the University of Utrecht. He has been an outstanding figure in various cultural and scientific societies. Before the Anschluss he represented Austria as consul general at Amsterdam.

Van Tienhoven's last known address is 5 Emmaplein, Amsterdam.

His affiliations, as of 1941, were as follows:

Hollandsche Bank Unie N.V. (a Dutch bank dealing principally with South American business)—Director.

N.V. Hollandsche Buitenlandbank (controlled by the Bank der Deutschen Luftfahrt)—Director.

N.V. Standaardverzekering Maatschappij, Amsterdam (marine transportation, accident, and reinsurance company)—Director.

N. V. Hollandsche Beton Maatschappij (reinforced concrete company)—Director.

Dr. Gerard Marius Verrijn Stuart

Gerard Marius Verrijn Stuart, general manager of the Amsterdamsche Bank N.V., came into this position in December 1939. He was formerly connected with the Nederlandsche Bank N.V., the central bank; with the Rotterdamsche Bankvereniging N.V.; and with the Hollandsche Buitenland Bank, which in 1942 was taken over by the Bank der Deutschen Luftfahrt and its name changed to Aero Bank.

Verrijn Stuart held various positions with the Rotterdamsche Bankvereniging N.V. and was sent by that institution to the Netherlands Indies to explore the possibilities of setting up a branch, with the result that he became general manager of the Bank voor Indie at Batavia. He returned to Holland in 1925 and since his return has been a professor of money, credit, and banking, first at the Netherlands Trade University, and later at the University of Utrecht. He has written and published many articles and books on the banking system in Netherlands East Indies, on colonial banking problems, money and credit, etc.

His business and financial connections as of 1941 were as follows:

Amsterdamsche Bank N.V.—General manager.

N.V. Bank voor Nederlandsche Gemeenten (Bank for municipal credit)—Director.

N.V. Waarborg en Trustmaatschappij (guaranty and trust company)—Director.

N.V. Gebroeders Gerzon's Nodemagazijnen (department stores)—Director.

RHODIUS KOENIGS HANDEL-MAATSCHAPPIJ N. V.

A. LOCATION, UNITED STATES CORRESPONDENT

Address: Kreizergracht 121, Amsterdam.

New York correspondent: J. Henry Schroeder Banking Corp.

B. NATURE OF BUSINESS

Rhodium Koenigs Handel-Maatschappij N. V. (hereinafter referred to as RKHM) established in 1920 by Delbrueck Schickler & Co., Berlin, is one of the smaller of the Dutch general "mixed" banks which were set up in Holland as subsidiaries of German banking institutions during the inflationary period in Germany after the close of World War I.

In its capacity as a general "mixed" bank, RKHM has been active in the field of Dutch industrial investments having bought heavily into the stock of N. V. Werktuigbouw, an operational plant closely connected with one of Holland's largest and most important wartime ship and airplane construction industries.

As a subsidiary of a German banking house, RKHM has played hand in glove through its management personnel with the Nazis in their undertakings to aryanize Dutch banks and to sequester the liquid as well as other assets of non-aryan Dutch nationals.

C. SIZE AND IMPORTANCE

RKHM, although a small bank, is important because of its German origin and connections, and because of the collaborationist role it has played through its manager during the occupation of Holland by the Nazis.

1. *Relation to other banks or enterprises in Holland or the Dutch colonies*(a) *N. V. Werktuigbouw*

Address: Amsterdam.

Capital: Fl. 40,000.

Business: A machinery construction plant, established in 1938, and most probably engaged in production of parts for ships and airplanes.

Interest: RKHM, as of 1938, held 75 percent of the capital stock of this plant and N. V. Koninklijke Maatschappij (De Schelde) (see below) held 10 percent.

(b) *N. V. Koninklijke Maatschappij (De Schelde)*

Address: Glacisstraat 165, Vlissingen.

Capital: Fl. 5,000,000 authorized; Fl. 2,000,000 paid in.

Business: De Schelde is one of the largest and most important shipbuilding concerns in Holland and through its holding company, N. V. Nationaal Bezit van Aandeelen Koninklijke Maatschappij (De Schelde) (organized to insure the national character of the operational plant De Schelde) De Schelde has been subsidized by the State. Under the present wartime economy De Schelde plays a major part in Dutch naval production as well as in the construction of refrigeration machinery vital to the production of ice, ammonia, and methylchloride.

In addition De Schelde also controls a significant part of Holland's airplane output through its ownership of the airplane division of H. Pander & Zonen and its one-fourth ownership control of N. V. Nederlandsche Vereenigde Scheepsbouw Bureaux, The Hague, a company which prior to the 1940 invasion was responsible for the production of a large percentage of all planes used by the Dutch Navy.

Interest: RKHM is tied up with N. V. Koninklijke Maatschappij (De Schelde) because of the respective interests each of these concerns holds in N. V. Werktuigbouw (see above).

(c) *Lippman Rosenthal & Co.*

Address: Spiegelstraat and/or Sarphatistraat, Amsterdam.

Business: A private Jewish banking firm; taken over by the Nazis, aryanized and used by the occupation authorities as the reception center whereby Nazi decree Jewish funds, cash, bank deposits, securities, etc., had to be delivered and forfeited.

Interest: A. Flesche, until late 1941, the German manager of RKHM was appointed as the new Nazi partner of Lippman, Rosenthal & Co. after this bank was confiscated by the Germans. Also, RKHM, through a transaction engineered by a member of A. Flesche's family, A. Rhodius, who is still top official of RKHM, acquired on the market the "stolen" shares of the old Lippman Rosenthal & Co., after all non-Aryans had been forced to liquidate their interests in this bank. (See biography on A. Flesche.)

(d) Metafina

Business: A holding company established in Holland after World War I to protect the personal holdings of Friedrich Flick. Friedrich Flick is a member of the Deutsche Reichsbank and the person who individually controls a large part of the steel production of the Reich, possibly including the vast Thyssen industrial holdings in the Rhine-Ruhr area. During the inflationary period in Germany in the 1920's Flick transferred a considerable amount of his assets to Holland and Switzerland.

Interest: Until 1941, when Franz Koenigs ceased to be a manager of RKHM, there was a tie-up between Metafina and RKHM because of Koenigs' personal and business relations with Friedrich Flick. These two men are intimate friends and working together they succeeded in gaining control of a great number of the old Rheinische Westfaelische Werke.

2. Relation to other enterprises or banking institutions in countries other than Holland or the Dutch colonies

(a) Delbrueck Schickler & Co.

Address: 32 Französische, Berlin.

Business: A private banking house established in 1857.

Interest: RKHM is a subsidiary of this German banking firm; also Franz Koenigs, a manager of RKHM until 1941, is a member of Delbrueck Schickler & Co.

(b) Dutch/German interlocking directorate connections

Through A. Rhodius, A. Flesche, and F. W. Koenigs, RKHM had (and in the case of A. Rhodius still has) German financial and industrial affiliations. (For the specific tie-ups see personnel notes on these persons.)

3. Activities under the occupation—German connections

RKHM has been closely associated with Delbrueck Schickler & Co. ever since its establishment in 1920 by this German firm. After the occupation of Holland the German control of RKHM was strengthened when at that time Delbrueck Schickler & Co. increased its participation to a substantial amount.

RKHM's involvements with Lippman Rosenthal & Co. (discussed above and in the personnel notes on certain of its officials) were begun after the occupation, when the officials of this bank gave their full support to carrying out the Nazi methods and procedures for purging and gaining control of the Dutch banking system.

D. MANAGEMENT PERSONNEL

1. Prior to occupation, 1939

*Management***Board of directors:**

A. Rhodius.	H. Delss.
A. Delbrück.	Dr. Imre von Palm.
F. Rhodius.	C. Heinrich.
Dr. A. Frese.	

Managers:

A. Flesche.
F. W. Koenigs (reported killed in railway accident, 1941).

Holders of procuration:

W. Boelen.	H. Paetz.
K. Froehlich.	J. J. Schiltkamp.
Th. Delbrück.	P. Sorgdrager.

2. Subsequent to occupation, 1941

Between 1939 and late 1941 significant changes took place in RKHM. All members of the board of directors excepting A. Rhodius resigned or were dismissed. The managers were changed, A. Flesche, the German Nazi, going over to the Aryanized Lippman Rosenthal & Co., and the holders of procuration, K. Froehlich and J. J. Schiltkamp, were replaced by H. Bourgonje and A. H. Knauff.

Management

Chairman of the board of directors: A. Rhodius.

Managers:

R. E. Duin.
L. Steinenböhmer.

Holders of procuration:

W. Boelen.	P. Sorgdrager.
Th. Delbrück.	H. Bourgonje.
H. Paetz.	A. H. Knauff.

3. *Biographies of some members of managerial group*

Adelbert Delbrueck

Adelbert Delbrueck, a German, was a director of Rhodius Koenigs Handel Maatschappij in 1939 but was released from this position between the years 1939 and 1941, presumably in connection with the drastic personnel changes which took place between these years in this bank for the reported twofold purpose of concealing the extent of German domination of the bank, on the one hand, and of "organizing" it, on the other, to meet the demands of the Nazi aryanization policy which was being enforced in those financial and business enterprises in which German interests were large enough to warrant the attempt.

Adelbert Delbrueck is a partner of the Bankhaus Delbrueck, Schickler & Co., Berlin, which established Rhodius Koenigs Handel Maatschappij in 1920 and by 1941 had acquired a participation amounting to a controlling interest in this Dutch bank.

A possible family relationship between Adelbert Delbrueck and one Th. Delbrueck, who is still an official of Rhodius Koenigs Handel Maatschappij, is discussed in the biography on the latter person.

In addition to the partnership he holds in Bankhaus Delbrueck Schickler & Co., Berlin, Adelbert Delbrueck is connected with other German financial, insurance, railroad, coal mining, grain mill, and trading enterprises.

Delbrueck's last known address is Berlin, Germany.

His financial and business connections as of 1942 were:

Banking.—Bankhaus Delbrueck Schickler & Co., Berlin (banking house)—Partner. This bank's financial participation in Rhodius Koenigs Handel Maatschappij is larger than this Dutch bank's paid-in capital of Fl. 6,000,000.

Delbrueck von der Heydt & Co., Koeln (banking house)—Partner.

Bank des Berliner Kassen Vereins, Berlin (banking association)—Director.

Internationale Bank in Luxemburg (international Luxemburg bank)—Director.

Insurance.—Tela Versicherungs A. G., Berlin (insurance)—Chairman of board of directors.

Railroad.—Deutsche Eisenbahns Betriebs Gesellschaft A. C. (railroad company)—Director.

Waggonfabrik L. Steinfurt A. G. Koenigsberg, Prussia (railroad rolling stock company)—Director.

Coal mining.—Schlesische Bergwerke und Huetten A. G., Beuthen (Silesian mining company)—Director.

Grain mill.—Magdeburger Muehlenwerke A. G. Magdeburg (Magdeburg grain works)—Director.

Trading.—Deutsch Ostafrikanische Gesellschaft, Berlin (East African trading company)—Director.

Th. Delbrueck

Th. Delbrueck has been a holder of procuration of Rhodius Koenigs Handel Maatschappij since at least 1939. Prior to 1941, one Albert Delbrueck, a German and a partner of the famous German banking house of Delbrueck, Schickler & Co., Berlin, which had a controlling participation in Rhodius Koenigs Handel Maatschappij, was a director of Rhodius Koenigs Handel Maatschappij. There is no information available to substantiate the fact of a family relationship between Th. Delbrueck and A. Delbrueck or that Th. Delbrueck is connected with the banking house of Delbrueck Schickler & Co., Berlin; but that such relations exist is quite possible. If this is the case then Rhodius Koenigs Handel Maatschappij has not only financial ties but also personal ties through its directorate with that German banking house.

Th. Delbrueck in addition to his position with Rhodius Koenigs Handel Maatschappij is also a director of Tuchfabrik, formerly Fischer & Schnabl, A. G. Sommerfeld, Germany, a cloth manufactory.

His last known address is Amsterdam, Holland.

R. E. Duin

R. E. Duin, as of 1941, was one of the managers of the banking firm, Rhodius Koenigs Handel Maatschappij N. V., a private bank under German control which played an active part in carrying out the Aryanization measures in Holland. Duin was not connected with this firm as of 1939.

His financial connections are shown below:

Rhodius Koenigs Handel Maatschappij (private bank under German control)—Manager.

N. V. Handel en Trust Maatschappij (Amsterdam) (trust company)—Holder of procuration.

N. V. Administratiekantoor (Ergo), Amsterdam (administration office; custodian appointed by occupation authorities, H. Fruitema)—Manager.

N. V. Maatschappij tot Beheer van Financieele Waarden (Lepta), Amsterdam (company for the administration of securities; custodian appointed by occupation authorities, J. D. Knab)—Manager.

N. V. Nederlandsche Administratie en Financierings Kantoor (Nedafi) (administration office and finance company)—Manager.

Bankierskantoor Eduard Vis. N. V. (securities company)—Manager.

A. Flesche

Alfred Flesche, president of the German Chamber of Commerce for Holland, played a prominent part in furthering the spread of Nazi control and is known as the financier of the fifth column movement in Holland. He served as chairman of the banking and insurance committee set up in Holland to coordinate Dutch banking along lines which would conform with the Reich banking system.

Flesche is the new German Nazi partner who was installed in the private banking house, Lippman, Rosenthal & Co., after the Jewish partners had been removed under the aryanization measures and the firm was permitted to continue whatever remained of its ordinary business. Flesche was made commissar of a department of the firm from which even the non-Jewish partners of the old firm were excluded, and which was used by the occupation authorities as the reception center for all Jewish liquid funds—cash, bank deposits, securities, etc. In 1943, when practically all Netherlands Jews had been killed or deported, all insurance companies were compelled to pay to the firm of Lippman, Rosenthal & Co., the insurance sums or cash values of life policies held by Jews. The occupation authorities stipulated that payment had to be made even if no legal document could be presented showing either the death or the survival of the insured. The firm worked in close connection with Auswanderstelle, the emigration office, for the purpose of swindling refugees and in particular Jewish refugees in Holland.

Flesche was, until 1941, also a manager of the banking firm Rhodius Koenigs Handel-Maatschappij, and father-in-law of A. Rhodius, a partner in that firm. When Jewish interests had been purged from the firm of Lippman, Rosenthal & Co. and Jewish interests liquidated, the German controlled bank, Rhodius Koenigs Handel-Maatschappij, bought up the "stolen shares" on the market. A. Rhodius who appears to have handled this transaction, received, in return for his activities in buying up the shares of Lippman, Rosenthal & Co., a silver cup from Reich Commissioner Seyss-Inquart "for services rendered."

Flesche's last-known address is 4 Florapark, Haarlem/Holland. His financial affiliations, as of 1942, were reported as follows:

Semipolitical—German Chamber of Commerce, Amsterdam—President.

Committee on Banking and Insurance—Chairman.

Banking—Lippman, Rosenthal & Co., Amsterdam (banking firm)—Partner.

Administratiekantoor van Lippman, Rosenthal & Co. (administration office handling securities of Lippman, Rosenthal & Co.)—Custodian appointed by the German authorities.

Rhodius Koenigs Handel-Maatschappij, Amsterdam (Dutch banking firm with close German connections)—Manager.

N. V. Engelsch-Hollandsche Trust Maatschappij (Anglo-Dutch Trust Co., managed by the Engelsch-Hollandsche Bank en Handel-Maatschappij, reportedly a pro-Nazi concern)—Custodian appointed by the German authorities.

Bank für Westeuropäische Wirtschaft, N. V., Amsterdam (Bank for West European Trade)—Manager for Holland.

Commercial and industrial—Golf-Hotel und Hotel Kurhaus A. G., Oberhof, Thuringen, Germany (hotel and restaurant operating company)—Deputy chairman of the board.

Internationaler Maratti Maschinenverkauf, A. G., Berlin (selling agency for Maratti knitting machines, an organization with international affiliations; Rhodius Koenigs Handel-Maatschappij is one of the principal stockholders)—Director.

Mechanische Baumwollspinnerei und Weberei, Kaufbeuren, Germany (cotton mills)—Director.

J. D. Riedel-E. de Haën A. G., Berlin (chemicals and pharmaceuticals)—Director.

A. Rhodius

A. Rhodius is a partner and director of the German-controlled Rhodius Koenigs Handel-Maatschappij. By marriage he is related to the German, A. Flesche, who is the new German Nazi partner of the private banking house of Lippman, Rosenthal & Co. which was aryanized by the Nazis and subsequently used as a reception center for the Nazi schemes to divest Dutch-Jewish refugees of their assets by employing the refugee visas swindle. (See biography on A. Flesche.)

After the old Lippman, Rosenthal & Co. was purged of its Jewish partners and its Jewish interests had been liquidated, Rhodius Koenigs Handel-Maatschappij bought up the stolen shares on the market. It is reported that A. Rhodius handled this transaction for his own firm and for his efforts was rewarded by the Reichscommissar, Arthur Seyss-Inquart with a silver cup "for services rendered."

As of 1940 he also had connections with the following German concern and maintained an address at 119 Keizersgracht, Amsterdam.

Woll-Waescherei und Kaemmerei at Hannover/Doehren—Director. This wool-washing and carding company has a 27.5 percent participation in Wilhelmsburger Wollkaemmerei A. G., Harburg, Wilhelmsburg, and has on its board of directors such German persons of interest as Paul Narges (Commerz & Privat Bank) and Dr. Rasche (Berlin).

L. Steinenböhmer

L. Steinenböhmer, as of 1941, was one of the managers of the German-controlled bank, N. V. Rhodius Koenigs Handel-Maatschappij of Amsterdam, but does not appear to have been connected with that institution prior to the German invasion of Holland.

Steinenböhmer was also a member of the banking and insurance committee which was formed under the German occupation to organize Dutch banking in such a way that it could more easily cooperate in financing the German war effort and in facilitating German control of Dutch commercial and financial institutions.

BANK VOOR HANDEL EN SCHEEPVAART, N. V.

A. LOCATION, UNITED STATES CORRESPONDENTS

Address: Zuidblaak 18, Rotterdam.

New York correspondents: Guaranty Trust Co. of New York, Union Bank Corp.

B. NATURE OF BUSINESS

Bank voor Handel en Scheepvaart, hereinafter referred to as BHS, is a general commercial bank which was formed in 1918 as an affiliate of the August Thyssen Bank, Berlin, which in turn is a subsidiary of the German Thyssen group, the large German steel industry. Its activities are highly specialized, being restricted to financing the trade and shipping of the Ruhr-Rhine heavy industry in which the Thyssen firm is prominent.

C. SIZE AND IMPORTANCE

BHS is one of the largest of the Dutch general commercial banks which are controlled by German financial or industrial interests.

In addition to the powerful position it holds as the bank for the August Thyssen group in Holland, BHS also holds an important place in the field of international investments because of its control of the Hollandsche-Amerikaansche Beleggings Maatschappij-American Investment Corp., an important investment corporation for Dutch and American securities.

1. Relation to other enterprises or banking institutions in Holland or Dutch colonies

(a) *Den Bandt and Gouds*

Address: Damrak 95/96, Amsterdam.

Business: Securities brokers.

Interest: Has an interlocking directorate with BHS through A. den Bandt.

(b) *Rotterdamsch Trustee Kantoor N. V.*

Address: van Vollenhovenstraat 36, Amsterdam.

Capital: Fl. 100,000 (paid in, Fl. 10,000).

Business: A Dutch administration and trust office which has a financial participation in the Cedar Swamp Road Realty Corp., United States of America.

Interest: This firm has an interlocking directorate with BHS through J. Groeninger, H. J. Kouwenhoven, M. van Rossen.

(c) *N. V. Handels en Transport Maatschappij (Vulcaan)*

Address: Rotterdam.

Business: A trade and transport company with German connections.

Interest: BHS held 50 percent of the shares of the Deposito Bank, Holland, for the account of Vulcaan.

(d) *Hollandsche-Amerikaansche Beleggings Maatschappij*

Address: Veerkade 5, Rotterdam.

Capital: Fl. 2,000,000 authorized (Fl. 1,000,000 paid in).

Business: An investment corporation for Dutch and American securities.

Interest: BHS holds financial control of this corporation and certain members of its own board hold offices in this corporation; they are: H. J. Kouwenhoven, M. van Rossen, D. C. Schutte.

(e) *Nederlandsche Handelsmaatschappij*

Address: Amsterdam.

Capital: Fl. 400,030,000 paid in as of December 31, 1939.

Business: Largest Dutch colonial bank.

Interest: BHS, together with Mendelssohn & Co., Amsterdam (failed, 1939), bought a large block of the new capital amounting to Fl. 15,000,000 which was issued by this Dutch commercial colonial bank in 1935. Whether or not BHS still retains this financial interest is not known.

2. Relation to other banks or enterprises outside of Holland or the Dutch colonies(a) *August Thyssen Bank, A. G., Berlin (Until 1930 known as von der Heydt's Bank, A. G.)*

Address: Berlin.

Capital: R.M. 16,000,000 (total assets, R.M. 60,700,000) as of 1941.

Business: German bank for the August Thyssen Rhine-Ruhr heavy industry group (steel).

Interest: BHS was created by and is a subsidiary of this German bank and is represented on its board by H. J. Kouwenhoven.

(b) *Union Banking Corp.*

Address: New York City.

Capital: \$3,000,000 as of the year ending December 31, 1940.

Business: An investment company which transacts business primarily with BHS.

Interest: BHS holds approximately \$2,285,959 in bonds and in accounts receivable in this New York bank, and is also connected with it by way of an interlocking directorate in the person of H. J. Kouwenhoven, who in turn personally owns securities in this New York City corporation.

(c) *Holland American Trading Co.*

Address: New York City.

Interest: BHS has an interest in this company by way of an interlocking directorate in the person of H. J. Kouwenhoven.

(d) *Press und Walzwerke*

Address: Reisholz, Dusseldorf, Germany.

Capital: R.M. 5,690,000 as of 1936.

Business: Rolling mills.

Interest: BHS is the custodian of the stock held by these rolling mills in the Seamless Steel Equipment Corp. which amounted to 50 percent of all shares issued. As of 1935 the entire stock of Press und Walzwerke was owned by members of the Thyssen family.

(e) Seamless Steel Equipment Corp.

Address: New York City.

Interest: BHS is connected with this corporation through its financial relations with Press und Walzwerke (see above) and also by way of an interlocking directorate in the person of H. J. Kouwenhoven.

(f) Vereinigte Stahlwerke, A. G.

Address: Germany.

Capital: R.M. 460,000,000 as of 1939.

Business: One of the largest and most important German steel works.

Interest: The Thyssen group which BHS represents is affiliated with this German steel corporation; also, H. J. Kouwenhoven of BHS was a member of Vereinigte Stahlwerke A. G.'s executive council.

(g) Bremer Vulkan Schiffbau und Maschinenfabrik

Address: Bremen-Vegesack.

Capital: R.M. 10,000,000 as of 1938.

Business: A shipbuilding company.

Interest: The Thyssen group, of which BHS is a subsidiary, is the principal holder in this German shipbuilding industry. J. Groeninger, a German director of BHS, is an official of Bremer Vulkan Schiffbau und Maschinenfabrik.

(h) Flensburger Schiffbau Gesellschaft

Address: Flensburg, Germany.

Capital: R.M. 2,650,000 as of 1938.

Business: A shipbuilding company.

Interest: The Thyssen group, of which BHS is a subsidiary, holds a 60 percent interest in this German shipbuilding concern. BHS is also connected with this concern by way of an interlocking directorate in the person of the German, J. Groeninger.

(i) August Thyssen-Hütte, A. G.

Address: Duisberg-Hamborn, Germany.

Capital: R.M. 100,000 as of 1938.

Business: One of the largest German foundries.

Interest: Through J. Groeninger BHS has official ties with this German concern which is 100 percent owned by Vereinigte Stahlwerke, A. G.

3. Activities under occupation

On the basis of financial statements indications are that there has been no appreciable step-up in BHS's business under the occupation. It may be assumed that the lack of increase in volume of business is due to the fact that the Rhine-Ruhr Thyssen steel industry, being geared to fill the needs of production for the German war machine, was not in a position, even if it were so inclined, to trade with Holland.

In regard to any business negotiations which BHS might wish to carry on with German financial and industrial concerns it has in the person of its German director, J. Groeninger, a convenient channel for establishing contacts and concluding negotiations.

D. MANAGEMENT PERSONNEL

1. Prior to occupation, 1939

Management

Board of directors:

A. den Bandt.

Johann Groninger.

Managers:

D. C. Schutte.

H. J. Kouwenhoven.

Holders of procurator:

J. J. Kortmulder.

H. F. Grimeyer.

M. van Rossen.

G. J. Maly.

2. Subsequent to occupation, 1941

There have been no changes in management personnel of BHS between 1939 and 1941.

Management

Board of directors:

A. den Bandt.

Johann Groninger.

Managers:

D. C. Schutte.

H. J. Kouwenhoven.

Holders of procuration:

J. F. Kortmulder.

H. F. Grimeyer.

M. van Rossen.

G. J. Maly.

3. Biographies of some members of the management group

A. den Bandt

A. den Bandt was a director of the Bank voor Handel en Scheepvaart N. V., the bank for trade and shipping, in 1939 and continued to hold this position in 1941. Den Bandt is also a partner in the firm of A. den Bandt en Gouda, securities brokers.

Johann Groninger

Johann Groninger, a German, has numerous industrial and financial affiliations all of which are directly or indirectly with the August Thyssen Group. In Holland he is associated with Bank voor Handel en Scheepvaart, the subsidiary of August Thyssen Bank, Berlin (formerly known as von der Heydt's Bank A. G., Berlin). Most of Groninger's connections, however, are with Thyssen concerns in Germany which in turn are affiliated with the steel trust, Vereinigte Stahlwerke. Perhaps his most important connection is his directorship of August Thyssen-Hütte, A. G., Duisburg-Hamborn, which is the second most important firm in the combine.

Groninger's last known address is 5 Veerkade, Rotterdam.

His known connection are the following:

Financial.—Bank voor Handel en Scheepvaart N. V., Rotterdam (principal function was financing the export of the products of the Rhine-Ruhr industry. Subsidiary of the Thyssen group. Controls the Holland-American Investment Corp., Rotterdam, and participates in the Rotterdamsch Trustees Kantoor)—Director.

Industrial.—Shipbuilding: Bremer Vulkan Schiffbau und Maschinenfabrik, Bremen-Vegesack (principal shareholder is the Thyssen group; capital in 1938 was R.M. 10,000,000)—Deputy chairman of board of directors.

Flensburger Schiffbau-Gesellschaft, Flensburg (60 percent interest held by Thyssen-Konzern; 25 percent interest held by the city of Flensburg; capital in 1938 was R.M. 2,650,000)—Deputy chairman of board of directors.

Foundry: August Thyssen-Hütte, A. G., Duisburg-Hamborn (completely owned by Vereinigte Stahlwerke; second most important unit in the steel trust; capital in 1938 was R.M. 100,000,000)—Director.

J. F. Kortmulder

J. F. Kortmulder was a holder of procuration for the Bank voor Handel & Scheepvaart in 1939 and continued in this capacity in 1941 after the German occupation of Holland.

Hendrik Jozef Kouwenhoven

Hendrik Jozef Kouwenhoven, managing director of Bank voor Handel & Scheepvaart N. V., of Rotterdam, a subsidiary of the August Thyssen Bank of Berlin, is officially connected through this association with the Union Banking Corp. and the Holland-American Trading Co., both of New York City. As of 1938, Kouwenhoven was a member of the board of directors of Vereinigte Stahlwerke A. G., a large German steel combine. His last known address is given as 102 Oostende Voorburg, Holland.

His affiliations as of 1941 are listed below:

Bank voor Handel en Scheepvaart N. V. (created by August Thyssen Bank)—Manager.

N. V. Hollandsch Amerikaansche Beleggings Maatschappij (Holland-American Investment Corp., connected with the Bank voor Handel en Scheepvaart through interlocking directorates in the persons of N. J. Kouwenhoven, M. van Rossen, and D. C. Schutte)—Manager.

N. V. Rotterdamsch Trustee's Kantoor N. V. (trust company, connected with Bank voor Handel en Scheepvaart through interlocking directorates in the persons of J. Groninger, H. J. Kouwenhoven, M. van Rossen)—Manager.

Union Banking Corp., New York—Director.

D. C. Schutte

D. C. Schutte in 1939 was one of the managers of the Bank voor Handel en Scheepvaart N. V., and continued to hold this position as of 1941. Schutte is also the director of an investment corporation, N. V. Hollandsch Amerikaansche Beleggings Maatschappij, which is closely connected with the Bank voor Handel en Scheepvaart N. V. through interlocking directorates.

BANK VOOR NEDERLANDSCHEN ARBEID (BANK FOR NETHERLANDS LABOR)

A. LOCATION, BRANCH OFFICES

Address: Amsterdam.

Branches: Rotterdam, Utrecht.

B. NATURE OF BUSINESS—GERMAN CONNECTIONS

The Bank voor Nederlandschen Arbeid, created since the occupation of Holland, is the Dutch subsidiary of the German Bank der Deutschen Arbeit, which is the bank of the German Labor Front, the official organization of the Nazi Party, formed in 1933 when German labor unions were dissolved, following the Nazi Party's rise to power. Only political personalities are represented on the board of the German bank, which is patronized by public and party organizations, and has many semipublic functions.

C. SIZE AND IMPORTANCE

The Bank voor Nederlandschen Arbeid was, as indicated above, of importance largely as a political factor in financing the dissemination of the Nazi ideology in Holland, and strengthening the Nazi Party in that country.

D. MANAGEMENT PERSONNEL

1. Directors and officers

Board of directors:

Rud. Lencer.

H. Reitbauer.

H. Garbrecht.

F. Hohrmann.

Johs. Koch.

Manager:

J. F. Kutzleb.

Holders of procuration:

U. Bruns.

W. C. D. Müller.

2. Biographies of some members of management personnel

Johannes Koch

Johannes Koch, a German, is a director of the Bank voor Nederlandschen Arbeid N. V. (labor bank), the Dutch subsidiary of the Bank der Deutschen Arbeit (owned by the German Labor Front organization headed by the Nazi, Robert Ley). Aside from his connection with Bank voor Nederlandschen Arbeid, Koch's affiliations are with German financial and industrial enterprises.

Koch was born on June 1, 1857, in Frankfurt/Oder. His last known address is 40 Obere Renschgasse (Schonhohe), Guben.

His known connections are the following:

Financial.—Bank voor Nederlandschen Arbeid N. V.—Director.

Niederlausitzer Bank A. G., Cottbus (affiliate of the Deutsche Bank; capital in 1938 was RM. 2,220,000)—Director.

Industrial.—Berlin-Gubener Hutfabrik A. G., Guben (manufacture and sale of hats; 75 percent interest held by a group headed by the Baron de Telepnef, London; capital in 1938 was RM. 6,300,000)—Director.

W. Quade, G. m. b. H., Maschinenfabrik und Eisengiesserei, Guben (production of machines for the hat and cloth industry; 77 percent interest held by the Berlin-Gubener Hutfabrik A. G., Guben, above; capital in 1938 was RM. 240,000)—Chairman of board of directors.

J. F. Kutzleb

Kutzleb is reported to be a member of the Nazi Party. He is also the custodian appointed by the occupation authorities for the Dutch finance company, N. V. Financiële Maatschappij (Egoro).

Rudolf Lencer

Rudolf Lencer, a German Nazi, is a director of Bank voor Nederlandschen Arbeid N. V. (labor bank) with offices at Amsterdam and Utrecht. This bank was created in 1941 as the Dutch subsidiary of the Bank der Deutschen Arbeit, Germany (owned by the German Labor Front organization headed by the Nazi, Robert Ley) for which Lencer acts as general manager. Aside from the directorship he holds in Bank voor Nederlandschen Arbeid, Lencer's political, financial, and business affiliations are with German organizations. Rudolf Lencer is one of the Nazis who has benefited greatly since his party's rise to power.

Before 1933 he was a leader and an extremist in the National Socialist Trade Union of Bank Employees which had been developed in competition with the already established Social Democratic Unions. In this position Lencer is reported to have been unusually sharp and aggressive and to have made frequent attacks upon the banking administrations.

At the time, his paid position was only that of a subordinate employee of the Deutsche Bank. Following Hitler's rise to power in 1933 Lencer's situation changed abruptly. He became head of the Nazi bank employees and manager in the German Labor Front which had expropriated all the "free" trade unions. In this position he was strategically placed to deal with the banks and bankers which he had formerly criticized.

Subsequently, his party zeal was further rewarded when he was transferred to the post of manager of the Bank der Deutschen Arbeit which formerly had been an instrumentality of the free German labor unions, and a comparatively small bank. Under the Nazis, it experienced tremendous expansion, so that by 1936 it had become the third largest bank in Germany and one of the so-called Berliner Grossbanken. In spite of its ostensibly private character it is to all intents and purposes a Government bank, a fact which is indicated by its origin and by its having three-fourths of its total assets invested in Reich securities. Bank der Deutschen Arbeit is also reported to be one of the institutions which provides good and well-paid jobs for long-time "party hacks." In respect to this latter statement it should be noted that there are reports that a law was passed in Germany in 1944 forbidding party functionaries to have paid or unpaid jobs in private industry. Whether this decree affects this institution is not known.

Lencer is also a member of the advisory board of the Deutsche Reichsbank, the German central bank, the Kreditausschuss Reichsbank, or the credit division of the Reichsbank.

Lencer is prominent in the Reich's official organization of the insurance field, holding the position of chief of the division of bank and insurance in the German Labor Front. He is also a director of several small insurance companies, control of which is held by the Labor Front through the Bank der Deutschen Arbeit.

Background.—Lencer was born on August 10, 1901 in Germany. After a relatively limited education, he became an apprentice in a branch of what is now the Commerz Bank.

After serving his apprenticeship he held various jobs with banks and business firms but soon became actively interested in the Nazi Socialist movement and eventually became a speaker in Berlin. In the party he rose quickly and by March 12, 1933, was elected a State and district representative from Berlin as well as the State councilor of the Trechlow district. By April 11, 1933, he was appointed chairman of the German Bank Employees' Union and was charged with bringing all bank employees under the jurisdiction of the party unions.

Shortly afterward he was made the Reich leader for banks and insurance.

Up to this time, Rudolf Lencer's affiliations with the party had been in strictly organizational posts, but between 1933 and 1936 he received a more substantial appointment, namely, general manager of the aforementioned Bank der Deutschen Arbeit. By 1938 Hitler personally proposed him as a member of the Reichstag, and in 1942 he was made an official of conquered Latvia.

Rudolf Lencer is reported to reside at 5, Lindenalle, Berlin-Westend. His known connections were as follows in 1942:

Banking.—Bank voor Nederlandschen Arbeid—Director.

Bank der Deutschen Arbeit A. G., Berlin—Member of the management committee.

Ostdeutsche Privatbank A. G., Danzig—Member of board of directors.

Deutsche Reichsbank, Berlin—Member of the advisory board.

Kreditausschuss Reichsbank, Berlin (member of the credit division of the Reichsbank)—Member of the advisory board.

Insurance.—Deutsche Sachversicherung A. G., Hamburg (casualty insurance in the life field; capitalized at RM. 1,000,000; owned jointly by Bank der Deutschen Arbeit and the Treuhandgesellschaft für Wirtschaft Unternehmungen m. b. H.)—Director.

Beamtenversicherungsverein der Deutschen Bank und Bankiergewerbes A. G., Berlin (bank employees' insurance)—Director.

Deutscher Ring Transport und Fahrzeug-Versicherungs A. G., Hamburg (life insurance company; capitalized at RM. 2,500,000, entirely owned by the German Labor Front, member of the Ring Konzern)—Director.

Deutscher Ring Lebensversicherungs A. G., Hamburg (another ring member, which has a small interest in Deutscher Ring Transport-und Fahrzeug Versicherungen A. G. (see above); capitalized at RM. 3,000,000)—Director.

Industrial.—Vereinigte Textilwerke A. G., Hanover (textiles)—Member of board of directors.

Wilhelmshütte Eisen- u. Emaillewerke A. G., Sprottau (small processed iron and enamel products factory, owned jointly by the Deutsche Bank and city of Sprottau)—Director.

Semipolitical.—Fachamt Banken und Versicherungen der Deutschen Arbeitsfront—Chief, division of banking and insurance, in the German Labor Front.

Akademie für Deutsches Recht, Berlin; Ausschuss für Versicherungsrecht Ausschuss für Genossenschaftsrecht (Academy of German Law, Berlin, Division of Insurance Law and Division of Citizens' Rights)—Member.

Reichsversicherungsausschuss, Berlin (Reich Insurance Division, Berlin)—Member.

HANDELSTRUST WEST N. V.

A. ADDRESS, BRANCH OFFICE

Address: 569-571 Keizersgracht, Amsterdam.
Branch office: The Hague.

B. NATURE OF BUSINESS

This is a subsidiary of the Dresdner Bank of Berlin, established by that bank in October 1939. Its functions include the administration of estates, banking and commission business, and trustee activities. It is believed that Handelstrust West may have taken over the business of the banking firm Hamburger & Co. in which the Dresdner Bank formerly had an interest, but which was liquidated because of its Jewish connections.

C. SIZE AND IMPORTANCE

The capital of Handelstrust West N. V. was reported as Fl. 1,000,000 in 1941.

D. MANAGEMENT PERSONNEL

Management personnel of Handelstrust West N. V. was reported as follows in 1941:

Managers:

C. Brandes.

F. Dellschow.

Dr. H. Knobloch.

Holders of procuration:

D. Blom.

H. F. Lensen.

2. Biographies of some members of the management group

F. Dellschow

In addition to his position with Handelstrust West, F. Dellschow is also a member of the advisory committee for banking and insurance formed during the occupation of Holland by the German Chamber of Commerce for the Netherlands. This committee had as its object the promotion of German economic interests in the Netherlands in the branches of banking and insurance. The duty of this

advisory committee was to advise the German Chamber of Commerce in the Netherlands and to give its full support to German firms located and operating in the Netherlands.

BANK VOOR WESTEUROPAEISCHE HANDEL (BANK FOR WESTERN EUROPEAN TRADE)

A. LOCATION

Address: Amsterdam.

B. NATURE OF BUSINESS

The large German banks, under the leadership of the Deutsche Bank and Dresdner Bank, founded the Bank voor Westeuropaeische Handel. It was presumably intended to finance international trade but no information is available concerning its operations.

BANK VOOR NORD NEDERLAND

A. LOCATION

Address: Groningen.

B. NATURE OF BUSINESS

The Bank voor Nord Nederland is a purely local institution, organized by the Dresdner Bank after the German occupation of Holland. The Oldenburger Landesbank, a subsidiary of the Dresdner Bank, contributed 40 percent of the capital. It is believed that the establishment of the Bank voor Nord Nederland may have had a political motive. The Germans had at one time made a determined attempt to win over to the Nazi ideology the northern provinces of Holland, which were nearest to Germany, not only geographically, but also in traditions and customs.

C. SIZE AND IMPORTANCE

The capital of the Bank voor Nord Nederland was reported as Fl. 100,000 in 1941.

EXHIBIT No. 6

SOME EXAMPLES OF GERMAN PENETRATION IN EUROPE, EXCLUSIVE OF NEUTRALS

AUSTRIA

Creditanstalt-Bankverein, Vienna.—Following the occupation of Austria, the majority of the capital acquired by VIAG, the Reich holding company, which turned it over to the Deutsche Bank.

Länderbank Wien A. G., Vienna.—Created by the Dresdner Bank out of the Mercurbank, its Austrian affiliate, and the Austrian branches of several foreign banks, including the Banque des Pays de l'Europe Centrale.

Reichswerke A. G. für Alpine-Montanbetriebe "Hermann Göring".—Controlling interest acquired by the Göring combine in 1939. This company formerly known as the Oesterreichische Alpine-Montangesellschaft and formerly partly owned by the Vereinigte Stahlwerke.

Steir-Daimler-Puch A. G.—Majority of shares acquired by the Göring combine in 1938.

Erste Donau Dampfschiffahrts-Gesellschaft.—Affiliated with the Göring combine since 1938.

Donau Chemie A. G.—Controlling interest acquired by the I. G. Farbenindustrie in 1938. This company was formerly known as the Pulverfabrik Skodawerke Wetzler A. G.

BELGIUM

Continental Bank S. A., Brussels.—Established by the Dresdner in 1941.

Banque Hanseatique, Brussels.—Established by the Commerzbank in 1941.

Banque de l'Ouest, Brussels.—Established by the Bank der Deutschen Arbeit in 1941.

Krupp-Brussels S. A.—Formed to represent the interests of Fried. Krupp A. G. in Belgium.

S. A. d'Ougree-Marihaye.—During the German occupation, brought into the sphere of influence of the Otto Wolff concern.

BULGARIA

Deutsch-Bulgarische Kreditbank, Sofia.—Controlled by German interests since its establishment in 1905. Became affiliated with the Deutsche Bank in 1929. In 1942-43 absorbed the Sofia branch of the Anglo-Prager Kreditbank.

Bulgarische Handelsbank, Sofia.—Concluded a working agreement with the Dresdner Bank and its Austrian affiliate, the Länderbank Wien A. G., Vienna.

Steyr-Skoda Bulgarische A. G. für Automobilehandel, Sofia.—Joint-enterprise of the Steyr-Daimler-Puch, Vienna, and the Skodawerke, Pilsen, Czechoslovakia, both affiliates of the Göring combine.

Thrazische Bergwerks A. G.—Founded in 1941 by the Afrika Berbau Dr. Friedrich Zöller & Co., Berlin, to exploit mining concessions received from the Bulgarian state.

CZECHOSLOVAKIA

Böhmische Union-Bank, Prague.—Controlling interest acquired by the Deutsche Bank in 1939 from an international group under the leadership of the Banque de la Societe Generale de Belgique.

Böhmische Escompte-Bank, Prague.—Controlling interest acquired by the Dresdner Bank in 1939.

Union-Bank Pressburg A. G., Bratislava.—Created in 1940 out of the Slovakian branches of several other Czechoslovak banks, including the Böhmische Union-Bank. Controlling interest held by the Deutsche Bank through the Creditanstalt-Bankverein, Vienna.

Deutsche Handels- und Kreditbank, Bratislava.—Reorganized in 1939 out of the Bratislavaer Handels- und Kreditbank A. G. and several smaller institutions. Affiliated with the Dresdner Bank and its subsidiary, the Länderbank Wien A. G., Vienna.

A. G. vorm. Skoda-Werke, Pilsen.—Acquired by the Göring combine in 1938 from the French Schneider steel interests.

Verein für Chemische und Metallurgische Produktion.—Affiliated with I. G. Farbenindustrie.

Prager Eisen-Industrie Gesellschaft.—Participation held by the Mannesmann Röhrenwerke.

FRANCE

Aero-Bank S. A., Paris.—Established in 1941 by the Bank der Deutschen Luftfahrt.

Societe de Credits et d'Investissements, Paris.—Apparently affiliated with a German state financial institution.

Societe Anonyme de Matieres Colorantes et Produits Chimiques Francolor.—Founded in 1941 with I. G. Farbenindustrie taking the majority of the capital.

Societe France Rayonne.—Established during the occupation; the Deutsche Zellwolle- und Zunstseide Ring G. m. b. H. obtained an important participation in this company.

Les Petits Fils de Francois de Wendel.—The Göring combine acted as trustee of this important steel enterprise during the occupation of France.

Union des Consommateurs de Produits Metallurgiques et Industriels.—Placed under the trusteeship of the Göring combine during the occupation of France.

GREECE

Banque Nationale de Grece, Athens.—Concluded a working agreement with the Deutsche Bank in 1941.

Banque Commerciale de Grece, Athens.—Concluded a working agreement with the Commerzbank in 1941.

Banque d'Athenes, Athens.—Concluded a working agreement with the Dresdner Bank in 1941.

Griechisch-Deutsche Finanzierungs-Gesellschaft A. G.—Established in 1941 with the Dresdner Bank and the Banque d'Athenese each taking 50 percent of the capital.

Societe des Poudreries et Cartoucheries Helleniques.—Control seized by the German occupying authorities in Greece and most of the heavy machinery in its factories removed to Germany.

Handels- und Schiffahrtsgesellschaft "Heos-Poseiden" A. G.—Founded during the occupation under German impetus to take over steamship and machine construction companies.

Sudostropa Deutsch-Italienische A. G. für Seide.—Established by German and Italian interests to exploit the Greek silk industry. The German share of the capital was taken up by Heinrich Schneider, a German businessman not further identified.

HUNGARY

Ungarische Allgemeine Kreditbank, Budapest.—Minority interest acquired by the Dresdner Bank in 1941.

Wechselstuben A. G. "Mercur," Budapest.—Controlled by the Länderbank Wien A. G., Vienna, an affiliate of the Dresdner Bank.

"Hungaria," Chemische und Hütten Werke A. G.—Affiliated with I. G. Farben through the Verein für Chemische und Metallurgische Produktion, Prague.

Deutsche-Ungarische Mineralöl-Industrie G. m. b. H.—Founded by a German group with the Wintershall A. G., Berlin, at the head.

"Metallochemia" Hüttenwerk, Chemische Industrie und Metallhandels A. G.—Interest acquired by the Otto Wolff combine.

LATVIA

Handels- und Kreditbank A. G., Riga.—Controlling interest held by the Dresdner Bank.

Hansabank, Riga.—Majority of stock in the possession of the Commerz Bank.

LUXEMBOURG

Banque Generale du Luxembourg, Luxembourg.—Deutsche Bank acquired an important minority interest in 1940.

Banque Internationale a Luxembourg, Luxembourg.—Dresdner Bank, which held a minority participation before the war, acquired the controlling interest in 1940. Pferdenges & Co., Cologne, and Delbrück, Schickler & Co., Berlin, also hold participations.

Acieries Reunies de Burbach-Eich-Dudelange (ARBED).—The Deutsche Bank is said to have acquired a small participation in this company.

Hauts-Fourneaux Acieries Differdange Saint-Ingbert Rumelange (HADIR).—Vereinigte Stahlwerke was made trustee of this steel company.

THE NETHERLANDS

Handel-Maatschappij H. Albert de Bary & Co., N. V., Amsterdam.—Controlled even before the war by the Deutsche Bank, which in 1940 substantially increased its interest.

Hollandsche Koopmansbank, Amsterdam.—In 1940 the Berliner Handels-Gesellschaft increased its prewar minority interest to a controlling one.

Rijnsche Handelsbank N. V., Amsterdam.—Controlled by Commerz Bank.

Bank voor Nederlandschen Arbeid, Amsterdam and Rotterdam.—Established in 1941 with the Bank der Deutschen Arbeit taking one-half of the capital.

Handelstrust West N. V., Amsterdam.—Established in 1940 with the majority interest in the possession of the Dresdner Bank.

Bank voor Noord Nederland, Groningen.—Established in 1942 with a substantial minority interest taken by the Dresdner Bank through the Oldenburgische Landesbank.

Aero-Bank N. V., Amsterdam.—Majority interest taken by the Bank der Deutschen Luftfahrt A. G.

Bank voor Handel en Scheepvaart N. V., Rotterdam.—Prewar affiliate of the Thyssen interests.

Bank voor West-Europese Handel, Amsterdam.—Founded in 1940 under the leadership of the Deutsche Bank and the Dresdner Bank.

Nederlandsche Hoogovens en Staalfabrieken N. V.—Participation acquired by Vereinigte Stahlwerke.

Algemeene Kunstzijde Unie N. V. (AKU).—Sizable participation in this textile concern acquired by the Deutsche Bank. The Phrix combine also holds an interest in this company.

Siderius A. G.—Controlled jointly after 1940 by Fried. Krupp A. G. and Dutch collaborationist interests.

NORWAY

A. S. Sydvaranger.—The Norddeutsche Bank, Hamburg, acting as the representative of the large German steel concerns, has obtained an influence in this iron ore mining company.

Nordag.—Founded in 1941 for the production and manufacture of aluminum and other light metals. Capital supplied by the Bank der Deutschen Luftfahrt and Hansa-Leichtmetall A. G., Berlin, although there is a suspicion that the company really belongs to the German Reich.

Norvegienne de l'Azote et de Forces Hydro-Electriques (Norsk-Hydro).—Controlling interest acquired during the occupation by I. G. Farbenindustrie and its affiliates, which already held a minority share in the company.

POLAND

Kommerzialbank, Cracow.—Controlled since 1940 by the Dresdner Bank, which acquired this interest from its affiliate, the Länderbank Wien A. G.

Creditanstalt A. G., Cracow.—Formed in 1944 out of the Cracow and Lowow branches of the Creditanstalt-Bankverein, Vienna, and controlled by that bank and its parent institution, the Deutsche Bank.

Ostbank A. G., Posen.—Majority acquired by the Dresdner Bank in 1940.

Bank der Danzig-Westpreussischen Landschaft, Danzig.—Established in 1940. Majority interest held by the Reich.

Landschaftliche Bank für das Wartheland, Poznan.—Established in 1940. Controlling interest taken over by the Reich.

Haupttreuhandstelle-Ost G. m. b. H.—Formed by the Nazis to facilitate the transfer to German owners of industrial properties in Polish territories annexed to Germany.

Werke der Generalgouvernements.—Newly established organization managed by the occupying authorities to control the most important industrial facilities of German-occupied Poland.

Ost-Energie A. G.—Established by the Germans to exploit the electric power station at Roznow.

Wspolnota Intersow S. A.—Acquired after the German occupation of Poland by Fried. Krupp A. G. and the Röchling'sche Eisen- und Stahlwerke G. m. b. H.

RUMANIA

Banca Comerciala Romana, Bucharest.—Control acquired by the Deutsche Bank in 1940-41 from former French and Belgina owners.

Societatea Bancara Romana, Bucharest.—Established in 1929, when the Dresdner Bank transformed its Bucharest branch into a separate company. Majority of the capital owned by the Dresdner Bank with the Commerz Bank and J. H. Stein, the Cologne private banking house, holding minority participations.

Banca de Credit Roman, Bucharest.—Prior to the war the German banking house of Mendelssohn & Co. held a minority interest in this bank. Following the liquidation of Mendelssohn in 1938, this interest passed to the Deutsche Bank and in 1941 to the Reichskreditgesellschaft.

Banca Chrissoveloni, Bucharest.—Minority interest acquired by the Berliner Handels-Gesellschaft in 1940.

Bukarester Handelsbank, Bucharest.—Minority interest acquired by the Bank der Deutschen Arbeit in 1940, when the name of the bank was changed from the Banca Anglo-Romana to the present title.

Resitaer Eisenwerke und Domanen A. G.—Participation acquired by the Göring combine.

Prima Societate Romana de Explosivi.—I. G. Farbenindustrie holds an interest through the Dynamit Nobel A. G. and its affiliates.

YUGOSLAVIA

Bankverein A. G., Belgrade.—Reorganization of the Servian branches of the Opšte Jugoslavensko Bankarsko Drustvo a. D. Controlling interest held by the Deutsche Bank and its affiliates with small participations in the hands of the Commerz Bank and the Reichskreditgesellschaft.

Bankverein für Kroatien A. G., Zagreb.—Reorganization of the Croatian branches of the Opšte Jugoslavensko Bankarsko Drustvo a. D. Controlling interest held by the Deutsche Bank and its affiliates with small participations in the hands of the Commerz Bank and the Reichskreditgesellschaft.

Kroatische Landesbank, Zagreb.—Controlling interest held by the Dresdner Bank since 1941.

Landesbank für Bosnien und Herzegovina, Sarajevo.—Majority interest acquired in 1942 by the Creditanstalt-Bankverein, Vienna, a subsidiary of the Deutsche Bank.

Mitteleuropäische Bergwerks A. G.—Controlled by the Bleiberger-Bergwerks-Union, Klagenfurt, Austria, which is in turn owned by the Preussische Bergwerks- und Hütten A. G., Berlin.

Energieversorgung Sudsteirmark.—This new company, formed by the Reich, took over, among others, the following electrical enterprises in Yugoslav territory incorporated into the Reich: Elektrizitäts A. G. Fall, the Trifailer Kohlenwerksgesellschaft, and the Krainische Landes-Elektrizitätswerke.

Bosnische Elektrizitäts A. G.—Control obtained by the Dynamit Nobel A. G., which is affiliated with the I. G. Farbenindustrie.

Stickstoffwerke A. G. Ruse.—Brought into the sphere of influence of the I. G. Farbenindustrie.

Compagnie Française des Mines de Bor.—Copper mine, in which controlling interest was bought from French owners by a German group represented by the Preussische Staatsbank.

Yugochrom A. G.—Formed jointly in 1940 by the Göring combine and Fried. Krupp A. G., Essen.

EXHIBIT No. 7

PRELIMINARY STUDY OF THREE GERMAN BANKS

BANK DER DEUTSCHEN ARBEIT A. G.

A. LOCATION, BRANCH OFFICES, ETC.

Corporate address: Berlin C 2, Germany.

Branches in Germany.—At the end of 1940 the Bank der Deutschen Arbeit had 26 branches and 68 agencies in Germany. Later figures are not available but it is virtually certain that its branch system remains much smaller than that of the other three big branch banks. Because of this fact, and by virtue of the privileged political position of the institution, it has apparently been little affected by the rationalization movement in German banking which resulted in the closing of many branch banks.

Branches outside Germany.—At the end of 1940 the Bank der Deutschen Arbeit had 17 branches in annexed areas, as follows:

Number of branches		Number of branches	
Austria.....	2	Poland (annexed territory).....	7
Sudentenland.....	1	Ostland.....	2
Protectorate.....	1	Alsace-Lorraine.....	2
Danzig.....	1	Luxemburg.....	1

Except for the fact that 5 additional branches in Polish territory were added in 1942, later information is not available.

Outside of annexed territory the bank's foreign participations, all developed during the war period, consist mainly of subsidiaries in Belgium and Holland and a minority interest in a small Rumanian bank.

B. DESCRIPTION OF BANK AND ITS BUSINESS

1. Origin and ownership

The Bank der Deutschen Arbeit was founded in 1924 under the name "Bank der Arbeiter, Angestellten und Beamten, A. G." as an institution of the Freie Gewerkschaften (Free Labor Unions), Germany's most powerful labor organization. In the spring of 1933, when the Nazis came to power, the German labor unions were dissolved and replaced by an official organization of the Nazi party, the Deutsche Arbeitsfront (German Labor Front). The bank's name was changed at that time to Bank der Deutschen Arbeit A. G. and, since 1933, it has been completely owned by the German Labor Front. In contrast to the situation prevailing in the other large Berlin banks, the directors of the Bank der Deutscher Arbeit enjoy political rather than industrial prominence.

2. Growth from 1933 to 1943

Under the auspicious sponsorship of the German Labor Front, the Bank der Deutschen Arbeit has enjoyed a phenomenal growth under the Nazi regime. At the end of 1932 its total assets were only RM. 126,000,000. By 1939, however, its total assets exceeded those of the Berliner Handels-Gesellschaft and of the Reichs-Kredit-Gesellschaft and, in 1942, it moved ahead of the Commerzbank, thereby attaining its present position as the third ranking Berlin bank. Its total resources at the end of 1942 were RM. 3,700,000,000 and its capital was RM. 50,000,000.

The bank participated until 1938 in the Nationalbank A. G., Essen, which, under the name "Deutsche Volksbank A. G.," was the credit institution of the Christian labor unions. In 1938 it acquired a minority interest in Georg Fromberg & Co., A. G., a former interest of the Deutsche Bank.

An example of the favorable treatment accorded the bank is found in a press report dated November 13, 1944. Therein it is stated that leading directors in both the Dresdner Bank and the Deutsche Bank were arrested because of the fact that these banks refused to support the Bank der Deutschen Arbeit, banking enterprise of Robert Ley, Minister of Labor, which had gotten into difficulties.

3. Nature of activities

Since 1940 the Bank der Deutschen Arbeit has been classified in official German banking statistics as a Berliner Grosbank. While there is ample justification for such a classification from the standpoint of total resources, the bank has never enjoyed an international reputation.

The character of the bank's business differs considerably from that of the other Grossbanken. Its deposits are drawn largely from public or semipublic sources, and it has not developed commercial credits, security transactions, or industrial connections to the conventional extent. Its balance sheets for the war years show an even greater concentration of investment in Reich securities than those of the other Grossbanken (69 percent of total resources invested in Treasury bills as against 52 percent for the Grossbanken as a whole).

Being patronized by public and party organizations, the Bank der Deutschen Arbeit has many semipublic functions. The German Labor Front holds with the bank the large liquid funds which it receives from membership fees and other semi-compulsory contributions. The bank is also the depository for the advance payments which the public has been induced to make for the "Volkswagen," a cheap car intended for the lower income groups, production of which has never materialized. The bank is used to finance the economic enterprises of the German Labor Front, most of which were appropriated from the earlier German labor unions.

The German Labor Front controls (in some instances through the Bank der Deutschen Arbeit) several insurance companies, building and settlement corporations, printing and publishing houses, and other enterprises, as well as the People's Car Works and People's Tractor Works, which were developed under the Nazi regime and presumably are devoted to armaments manufacture.

4. Foreign affiliations

Unlike the Deutsche Bank and the Dresdner Bank, the Bank der Deutschen Arbeit has accomplished little expansion outside of Germany. A brief statement of its activities in annexed and formerly occupied territory is as follows:

Austria and Czechoslovakia.—Branches were opened in Austria (Vienna and Graz), in the Sudetenland (Reichenberg), and in the Protectorate (Prague). In 1944 the bank stated its intention of converting its Prague branch into a subsidiary.

Danzig.—In 1939 the bank acquired the private banking firm, R. Damme Danzig, which became the nucleus of the branch which it opened in Danzig later in the year. In 1940 the bank took over the Danziger Privat-Actien-Bank and, in 1942, absorbed it in the branch organization.

Poland.—In the territories annexed from Poland the bank maintained six branches. In the Government General, a branch was maintained in Cracow and a representative's office in Warsaw.

Baltic States.—Branches were maintained at Riga and Kaunas. In 1944 the bank stated its intention to convert these branches into subsidiaries.

Alsace-Lorraine.—A branch was established in Alsace (Strasbourg) and in Lorraine (Metz).

Luxemburg.—The bank took over the Luxemburg branch of Credit Lyonnais, S. A., transforming it into its own branch.

France.—The bank's penetration of France has been reported to be limited to the establishment of a representative's office in Paris.

Belgium.—The bank established Banque de l'Ouest, Brussels (also known as the Westbank) as a subsidiary in 1941, with a branch at Antwerp. Total assets increased from 59,500,000 Belgian francs in 1942 to 415,700,000 Belgian francs in 1943. In the latter year the capital was increased from 10,000,000 to 25,000,000 Belgian francs.

Netherlands.—Bank voor Nederlandsche Arbeid, with headquarters in Amsterdam and branches in Rotterdam and Utrecht was established by the bank as a subsidiary in 1941. The bank subscribed 1,000,000 guilders capital and another 1,000,000 guilders was contributed in 1942 by the Dutch Labor Front, allegedly in order to emphasize the harmony between Dutch and German interests. Total assets in 1943 were 36,700,000 guilders.

Rumania.—In 1940 the bank acquired out of former minority holdings a minority interest in the Banca Anglo-Romana and changed its name to Bukarester Handelsbank. This relatively small bank was capitalized at 100,000,000 lei and had assets of 800,000,000 lei in 1941.

C. RELATION TO POLITICAL ORGANIZATIONS, BANKING INSTITUTIONS, AND INDUSTRIAL ENTERPRISES IN GERMANY

1. Political organizations

(a) *Rechtsamt der Deutschen Arbeitsfront:*

Address: Berlin.

Description: Legal division of the German Workers' Front.

Interest: Gustav Bähren, a director of the bank, is chief.

(b) *Ferein Heime für Handel und Industrie:*

Address: Weisbaden.

Description: Vacation homes for employees in commerce and industry.

Interest: Gustav Bähren, a director of the bank, is president.

(c) *"Bauhilfe" der Deutschen Arbeitsfront für den Sozialem Wohnungsbau Gemeinnützige G. m. b. H.:*

Address: Berlin.

Description: Public housing.

Interest: August Christoffel, a member of the bank's management committee, is a director.

(d) *"Gehag" Gemeinnützige Heimstatte A. G. der Deutschen Arbeitsfront*

Address: Berlin.

Description: Public dwellings.

Interest: August Christoffel, a member of the bank's management committee, is a director.

(e) *"Heima" Gemeinnützige Wohnungs und Siedlungsgesellschaft der Deutschen Arbeitsfront, A. G.*

Address: Berlin.

Description: Public housing.

Interest: August Christoffel, a member of the bank's management committee, is a director.

(f) *Miscellaneous organizations allied with the German Labor Front*

Address: Various addresses in Germany.

Description: Numerous organizations engaged in insurance, building, housing, printing, publishing, etc., operated as a part of or in conjunction with the German Labor Front. A complete listing of such organizations is contained under the biographies of directors and management personnel.

Interest: Bruno Raueiser, a director of the bank, is a director or officer in 22 organizations falling in this category. Hans Strauch, a director of the bank, is a director or officer in 17 organizations falling in this category.

2. Banks and financial institutions

No instances were noted in which more than one member of the board of directors or management committee of the Bank der Deutschen Arbeit serves as an officer or director of another German bank. No other information which tends to indicate an important interest in other German banks was found.

3. Insurance companies

Members of the board of directors and/or the management committee of the Bank der Deutschen Arbeit are directors or officers of numerous insurance companies which appear to be operated either by or in conjunction with the German Labor Front or allied labor organizations. A list of such insurance companies, with the name of the bank's representative parenthetically inserted, is as follows:

- (a) Deutsche Sachversicherung A. G., Hamburg (Bähren, Lencer, Strauch).
- (b) Deutsche Ring Krankenversicherung A. G., Hamburg (Bähren, Lencer).
- (c) Deutsche Ring Lebensversicherung A. G. Hamburg (Bähren, Bierlein).
- (d) Deutsche Ring Transport- und Fahrzeug-Versicherungs A. G., Hamburg (Bähren, Lencer).
- (e) Volksfürsorge Lebensversicherung A. G. der Deutschen Arbeitsfront, Hamburg (Bähren).
- (f) Hamburg-Bremer Rückversicherungs, A. G., Hamburg (Halder).
- (g) Beamtenversicherungsverein der Deutschen Bank und Bankiergewerbes, A. G., Berlin (Lencer).
- (h) Deutscher Ring Versicherungsgesellschaft der DAF, Hamburg (Strauch).
- (i) "Gisela" Deutschen Lebens- und Aussteuer-Versicherungs, A. G., Munich (Strauch).
- (j) Volksfürsorge Lebensversicherungs A. G. der DAF, Hamburg (Strauch).
- (k) Reichsversicherungsausschuss (Strauch, Lencer).
- (l) Fachamt Banken und Versicherungen der Deutschen Arbeitsfront (Lencer).

4. Industrial and commercial enterprises

With the exception of the following, the Bank der Deutschen Arbeit does not have more than one representative on the board of directors of any German industrial or commercial enterprise, and there is no other indication of ownership or control of such enterprises by the bank.

- (a) *Volkswagenwerk G. m. b. H.*:
Address: Berlin.
Description: Manufacturers of "people's" motorcar.
Interest: Interlocking directorates. Four representatives of the bank are directors.
- (b) *Hanseatische Verlagsanstalt A. G.*:
Address: Hamburg.
Description: Publications and books.
Interest: Interlocking directorates. Three representatives of the bank are directors.
- (c) *Albert Langen/ Georg Müller Verlag G. m. b. H.*:
Address: Munich.
Description: Publications and printing.
Interest: Interlocking directorates. Two representatives of the bank are directors.

D. RELATION TO BANKING INSTITUTIONS AND OTHER ENTERPRISES OUTSIDE OF GERMANY

1. Banking institutions

- (a) *Banque de l'Ouest*:
Address: Brussels, Belgium.
Capital: 25,000,000 Belgian francs.
Interest: Established as a subsidiary of Bank der Deutschen Arbeit in 1941. Heinz Reitbauer, of the management committee of Bank der Deutschen Arbeit, is vice chairman.
- (b) *Bank voor Nederlandsche Arbeid*:
Address: Amsterdam, Holland.
Capital: 2,000,000 guilders (paid in).

Interest: 50 percent participation in paid-in capital, the remaining 50 percent being held by the Dutch Labor Front. Heinz Reitbauer, of the management committee of Bank der Deutschen Arbeit, is deputy chairman.

(c) *Bukarester Handelsbank:*

Address: Bucharest, Rumania.

Capital: 100,000,000 lei.

Interest: The Bank der Deutschen Arbeit holds a minority interest which was acquired in 1940.

(d) *Ostdeutsche Privatbank A. G.:*

Address: Danzig.

Capital: Not stated.

Interest: August Christoffel and Rudolf Lencer, of the Bank der Deutschen Arbeit, are directors.

2. Insurance

(a) *Deutsche Ring Oesterreichische Lebensversicherungs A. G.:*

Address: Vienna, Austria.

Description: Insurance.

Interest: Bank is represented on the board of directors by Gustav Bähren.

(b) *Deutscher Ring Oesterreichische Versicherungsgesellschaften der DAF:*

Address: Vienna, Austria.

Description: Association of Austrian Insurance Companies of the DAF.

Interest: Hans Strauch, a director of the bank, is chairman of the board of directors.

(c) *Deutscher Ring Oesterreichische Krankenversicherungs-Anstalt auf Gegenseitigkeit vormals "Krankenkasse-Collegialität":*

Address: Vienna, Austria.

Business: Life insurance.

Interest: Ludwig Bierlein, a director of the bank, is a director.

E. MANAGEMENT PERSONNEL, NAMES OF DIRECTORS, ETC. 1944

Management Committee:

Rudolf Lencer,¹ chairman.
August Christoffel.
Adolf Geyrhalter.

Heinz Reitbauer.
Hanns Slanina.

Board of directors:

Hans Strauch.
Ludwig Bierlein.
Gustav Bähren.

Alexander Halder.
Adolf Müller.
Bruno Raueiser.

Dr. Gustav Bähren

Dr. Bähren, a director of the Bank der Deutschen Arbeit, is an attorney and notary who is especially active in the field of insurance and workers' welfare. His personal political service to the party is contributed in his capacity as head of the legal division of the German Workers Front.

His commercial and financial affiliations were reported as follows in 1942:

Political.—Rechtsamt der Deutschen Arbeitsfront, Berlin (Legal Division of the German Workers Front)—Chief.

Ferein Heime für Handel und Industrie, Wiesbaden (Vocation Homes for Employees in Commerce and Industry)—President.

Banking.—Bank der Deutschen Arbeit A. G., Berlin—Director.

Insurance.—Deutsche Sechversicherung A. G., Hamburg—Director.

Deutsche Ring Krankenversicherung, v. a. G., Hamburg—Director.

Deutsche Ring Lebensversicherung A. G., Hamburg—Director.

Deutsche Ring Oesterreichische Lebensversicherungs A. G., Vienna—Director.

Deutsche Ring Transport- und Fahrzeug-Versicherungs A. G., Hamburg (transport and marine insurance)—Director.

Volksfürsorge Lebensversicherung A. G. der Deutschen Arbeitsfront, Hamburg—Director.

Miscellaneous.—Deutsche Crosseinkaufs G. m. b. H., Hamburg (wholesale purchasing)—Director.

¹ Succeeded Carl Rosenhauer, who died in 1943.

Hanseatische Verlagsanstalt A. G., Hamburg-Wandsbek (publishers)—Director.

Volkswagenwerk G. m. b. H., Berlin (motorcars)—Director.

Ludwig Bierlein

Ludwig Bierlein may be described as a prominent political figure and industrialist. He has numerous connections with holding and industrial companies of the German Labor Front, and as head of the Trustee Company for Economic Undertakings of the German Labor Front.

The companies with which Bierlein is associated are engaged in such diversified activities as building construction, production and sale of building materials, insurance, real estate, and a trust company for economic enterprises.

In the financial field he serves on the board of directors of the Bank der Deutschen Arbeit, large Berlin bank which has been completely owned by the German Labor Front since 1933.

Outstanding among his industrial connections is "Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Deutschen Arbeitsfront (New Homestead Public Housing and Settlement Company of the German Labor Front), which has branches in as many as 35 German cities.

Ludwig Bierlein's residence, as reported in 1942, was 80 Machnower Busch, Berlin-Zehlendorf. His political, financial, and industrial connections as of 1942 were reported as follows:

Political.—Trustee Company for Economic Undertakings of the German Labor Front—Head.

Banking and financial.—Bank der Deutsche Arbeit—Director.

Treuhandgesellschaft für die wirtschaftlichen Unternehmungen der DAF, G. m. b. H., Berlin (Trust Company for the Economic Enterprises of the German Labor Front) (holding company; capital, 1942, R.M. 500,000)—Manager.

Insurance.—Deutscher Ring Oesterreichische Krankenversicherungs-Anstalt auf Gegenseitigkeit vormals "Krankenhilfe-Collegialität", Vienna (direct and indirect life insurance; capital, 1942, R.M. 9,400,000; after the Anschluss the controlling interest was acquired by the German Labor Front)—Director.

Deutscher Ring Krankenversicherungsverein A. G., Hamburg (health insurance; concern member of the Deutsche Ring Versicherungsgesellschaft, which belongs to the German Labor Front)—Director.

Deutscher Ring Lebensversicherungs A. G., der DAF, Amburg (Life insurance; concern member of the Deutscher Ring Versicherungsgesellschaft; capital, 1937, R.M. 3,000,000)—Director.

Housing, real estate, construction.—Deutsches Nationaltheater A. G., Berlin (administration and utilization of theater real property and other real estate; capital, 1937, R.M. 100,000; the Treuhandgesellschaft für die wirtschaftlichen Unternehmungen der DAF, G. m. b. H., Berlin, is its principal shareholder)—Director.

Hanseatische Verlageanstalt A. G., Hamburg (editing books and periodicals, and production of printed matters; capital, 1937, R.M. 4,000,000)—Director.

Deutsche Bau A. G., Berlin (construction work and production and sale of building material; capital, 1937, R.M. 5,000,000; wholly owned by the Bank der Deutschen Arbeit, which in turn is owned by the German Labor Front)—Deputy chairman of the board of directors.

Bauhilfe der Deutschen Arbeitsfront für der sozialen Wohnungsbau G. m. b. H., Berlin (building subsidy of the German Labor Front for Public Housing)—Director.

Bau- und Betreuungsgesellschaft der DAF m. b. H., Berlin (building and controlling company of the German Front Ltd.)—Director.

"Gehag" Gemeinnützige Wohnungs- und Siedlungsgesellschaft der DAF, Berlin, or "Gehag" Gemeinnützige Heimstätten- Spar- und Bau-Aktiengesellschaft, Berlin (construction and control of small dwellings; capital, 1937, R.M. 2,000,000; 96 percent controlled by the German Labor Front)—Director.

"Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft Ziegelwerke Volkermarkt, G. m. b. H., Klagenfurt (public housing company)—Director.

"Neuland" Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Deutschen Arbeitsfront in der Stadt des K d F Wagens, G. m. b. H., Stadt des K d F Wagens (Public Housing and Settlement Company of the German Labor Front)—Director.

Sonderbau, G. m. b. H., der DAF., Berlin (Special Constructions, Ltd., of the German Labor Front)—Director.

"Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft der Deutschen Arbeitsfront (New Homestead Public Housing and Settlement Company of the German Labor Front in the regional section of:

- Gau Swabia G. m. b. H., Augsburg—Director.
- Gau Danzig-West Prussia G. m. b. H., Danzig—Director.
- Gau Düsseldorf G. m. b. H., Düsseldorf—Director.
- Gau Essen A. G., Essen—Director.
- Gau Franken G. m. b. H., Nürnberg—Director.
- Gau Halle-Merseburg, G. m. b. H., Halle—Director.
- Gau Bayerische Ostmark, Bayreuth—Director.
- Gau Hamburg, G. m. b. H., Hamburg—Director.
- Gau Hessen-Nassau A. G., Frankfurt/Main—Director.
- Gau Kärnten G. m. b. H., Klagenfurt—Director.
- Gau Moselland, G. m. b. H., Koblenz—Director.
- Gau Köln-Aschen G. m. b. H., Cologne—Director.
- Gau Kurhessen, G. m. b. H., Kassel—Director.
- Gau Magdeburg-Anhalt, G. m. b. H., Magdeburg—Director.
- Gau Mark Brandenburg A. G., Berlin—Director.
- Gau Mecklenburg, G. m. b. H., Schwerin—Director.
- Gau München-Oberbayern, A. G., Munich—Director.
- Gau Oberdonau, G. m. b. H., Linz/Ostmark—Director.
- Gau Oberschlesien, G. m. b. H., Kattowitz—Director.
- Gau Ost-Hannover, G. m. b. H., Wesermünde-Mitte—Director.
- Gau Ostpreussen, A. G., Königsberg/Pr.—Director.
- Gau Sachsen, G. m. b. H., Dresden—Director.
- Gau Salzburg, G. m. b. H., Salzburg—Director.
- Gau Schlesien, G. m. b. H., Breslau—Director.
- Gau Schleswig-Holstein, G. m. b. H., Kiel—Director.
- Gau Steiermark, G. m. b. H., Graz—Director.
- Gau Süd-Hannover-Braunschweig, G. m. b. H., Hannover—Director.
- Gau Sudetenland, G. m. b. H., Reichenberg—Director.
- Gau Tirol-Vorarlberg, G. m. b. H., Innsbruck—Director.
- Wartheland, G. m. b. H., Posen (Poland)—Director.
- Gau Weser-Ems, G. m. b. H., Oldenburg—Director.
- Gau Westfalen-Nord., Münster—Director.
- Gau Westmark, G. m. b. H., Saarbrücken—Director.
- Gau Württemberg-Hohenzollern, G. m. b. H., Stuttgart—Director.

August Christoffel

August Christoffel is a member of the management committee of the board of directors of the Bank der Deutschen Arbeit. He is reported to be a staunch Nazi Party member and is active in the fields of banking and public housing. He was born in Neu-Ulm/Donau in 1894. His present position in the bank is presumably a reward for his strong party support, since it has been reported that only a short time ago he was merely one of the bank's many employees.

His political and commercial affiliations were as follows in 1942:

Political.—"Bauhilfe" der Deutschen Arbeitsfront für den sozialen Wohnungsbau Gemeinnützige G. m. b. H., Berlin (public housing)—Director.

"Gehag" Gemeinnützige Heimstätte A. G. der Deutschen Arbeitsfronts, Berlin (public dwellings)—Director.

"Heima" Gemeinnützige Wohnungs und Siedlungsgesellschaft der Deutschen Arbeitsfront A. G., Berlin (public housing)—Director.

Banking.—Bank der Deutschen Arbeit A. G., Berlin—Management committee of the board of directors (also 1943).

Ostdeutsche Privatbank A. G., Danzig—Deputy chairman of the board of directors.

Diskont und Kredit A. G., Berlin—Director.

Commercial.—Neue ABC Waren-Kredit A. G., Berlin (merchandise financing)—Director.

Miscellaneous.—Deutsches National Theater A. G., Berlin—Director.

Adolf Geyrhaller

Adolf Geyrhaller is a member of the management committee of the Bank der Deutschen Arbeit A. G., Berlin. This bank, which is the third largest in Germany, differs from other big Berlin banks in that only political personalities are represented on its board of directors. In addition this bank is the depository for advance payments which the public made for the Volkswagen, a cheap car, the production of which never materialized. Geyrhaller also is a director of Volkswagenwerk, Berlin-Fallersleben.

Adolf Geyrhalter was born on November 12, 1899, in Steltin, and resides at Grass-Gliencke bei Kladow, Akazienalle 35.

His banking and industrial connections are as follows:

Banking.—Bank der Deutschen Arbeit A. G., Berlin—Member of management committee.

Industrial.—Volkswagenwerk, Berlin, Fallersleben (cars)—Director.

Alexander Halder

Alexander Halder is a general manager of Vermögensverwaltung der DAF Forschungs- und Verwertungs G. m. b. H., apparently a capital management and trust enterprise connected with the German Labor Front.

Halder is also prominent in the general affairs of the Nazi Party and he was, in 1938, proposed by Hitler to be a member of the German Reichstag. Additionally, he is a Reich Auditor and what is referred to as a Reichsamleiter of the party.

Halder also holds directorships with a number of institutions directly or indirectly connected with the Government. Among these should be mentioned the one with Bank der Deutschen Arbeit AG., an institution owned completely by the Nazi-sponsored German Labor Front. This bank was originally founded as a comparatively small enterprise by the free German Labor Union. Under the Nazis, however, it experienced tremendous expansion so that by 1942 it had become the third largest bank in Germany and one of the Berliner Grossbanken. In spite of its ostensibly private character it is to all intents and purposes a Government bank, a fact which is indicated by its having three-fourths of its total assets invested in Reich securities.

Halder's directorships outside those affiliated with the Government are not particularly important. He was born on May 16, 1906, and is reported to reside at Zehlendorf Wilskestrasse 58a, Amtsleiter, Berlin.

His known financial and industrial connections are as follows:

Financial.—Vermögensverwaltung der DAF Forschungs- und Verwertungs G. m. b. H., Berlin (capital and trust management company affiliated with and possibly owned by the German Labor Front)—Manager.

Bank der Deutschen Arbeit, A. G., Berlin (fully owned by the German Labor Front)—Director.

Hamburg-Bremer Rückversicherungs A. G., Hamburg (reinsurance company; capital RM. 3,000,000)—Director.

Industrial.—Deutscher Veranstaltungsdienst G. m. b. H., Berlin—Director.

A. Langen-G. Müller Verlag, München (publishing)—Director.

Volkswagenwerk G. m. b. H., Berlin (automobiles)—The company charged with the production of the so-called people's car.—Director.

Miscellaneous.—Präsidium der Ferienheime für Handel und Industrie, Wiesbaden (Presiding Council of the Vacation Home for Commerce and Industry)—Member.

Rudolf Lencer

Rudolf Lencer, a general manager of Bank der Deutschen Arbeit, is one of the Nazis who has benefited from that party's coming into power.

Before 1933 he was a leader and an extremist in the National Socialist Trade Union of Bank Employees which had been developed in competition with the already established Social Democratic Unions. In this position Lencer is reported to have been unusually sharp and aggressive and to have made frequent attacks upon the banking administrations.

At the time, his paid position was only that of a subordinate employee of the Deutsche Bank. This condition, however, changed abruptly in 1933 when Hitler became Chancellor of the Reich. Following Hitler's rise to power, Lencer became head of the Nazi bank employees and manager in the German Labor Front which had "expropriated" all the "free" trade unions. In this position he was strategically placed to deal with the banks and bankers which he had formerly criticized.

Subsequently, his party zeal was further rewarded when he was transferred to the post of manager of the Bank der Deutschen Arbeit which formerly had been an instrumentality of the "free" German labor unions, and a comparatively small bank. Under the Nazis, it experienced tremendous expansion so that by 1936 it had become the third largest bank in Germany and one of the so-called Berliner Grossbanken. In spite of its ostensibly private character it is to all intents and purposes a Government bank, a fact which is indicated by its origin and by its having three-fourths of its total assets invested in Reich securities. Bank der Deutschen Arbeit is also reported to be one of the institutions which provides

good and well-paid jobs for long time "party hacks." In respect to this latter statement it should be noted that there are reports that a law was passed in Germany in 1944 forbidding party functionaries to have paid or unpaid jobs in private industry. Whether this decree affects this institution is not known.

Lencer is also a member of the advisory board of the Deutsche Reichsbank, the German central bank, the Kreditausschuss Reichsbank, or the credit division of the Reichsbank.

Insurance affiliations.—Lencer is prominent in the Reich's official organization of the insurance field, holding the position of chief of the division of banking and insurance in the German Labor Front. He is also a director of several small insurance companies, control of which is held by the Labor Front through the Bank der Deutschen Arbeit.

Background.—Lencer was born on August 10, 1901, in Germany. After a relatively limited education, he became an apprentice in a branch of what is now the Commerz Bank.

After serving his apprenticeship he held various jobs with banks and business firms but soon became actively interested in the Nazi Socialist movement and eventually became a speaker in Berlin. In the party he rose quickly and by March 12, 1933, was elected a State and district Representative from Berlin as well as the State Councillor of the Trechow district. By April 11, 1933 he was appointed chairman of the German Bank Employees' Union and was charged with bringing all bank employees under the jurisdiction of the Party unions.

Shortly afterwards he was made the Reich Leader for Banks and Insurance.

Up to this time Rudolf Lencer's affiliations with the party had been in strictly organizational posts, but between 1933 and 1936 he received a more substantial appointment, namely, general manager of the aforementioned Bank der Deutschen Arbeit. By 1938 Hitler personally proposed him as a member of the Reichstag and in 1942 he was made an official of conquered Latvia.

Rudolf Lencer is reported to reside at 5 Lindenalle, Berlin-Westend. His known connections were as follows in 1942:

Financial.—Banking: Bank der Deutschen Arbeit A. G., Berlin—Member of the management committee.

Osdeutsche Privatbank A. G., Danzig—Member of board of directors.

Deutsche Reichsbank, Berlin—Member of the advisory board.

Kreditausschuss Reichsbank, Berlin—(member of the credit division of the Reichsbank)—Member of the advisory board.

Insurance: Deutsche Sachversicherung A. G., Hamburg (casualty insurance and reinsurance in the life field; capitalized at RM. 1,000,000; owned jointly by Bank der Deutschen Arbeit and the Treuhandgesellschaft für Wirtsch Unternehmungen, m. b. H.—Director.

Beamtenversicherungsverein der Deutschen Bank und Bankiergewerbes A. G., Berlin (bank employees' insurance)—Director.

Deutscher Ring Transport- und der Fahrzeug-Versicherungs A. G., Hamburg (life insurance company; capitalized at RM. 2,500,000; entirely owned by the German Labor Front; member of the Ring Konzern)—Director.

Deutscher Ring Lebensversicherungs A. G., Hamburg (Another "Ring" member, which has a small interest in Deutscher Ring Transport- und Fahrzeug-Versicherungs A. G. (see above) capitalized at RM. 3,000,000—Director.

Industrial.—Vereinigte Textilwerke A. G., Hanover (textiles)—Member of board of directors.

Wilhelmshütte Eisen- u. Emaillewerke A. G., Sprottau (small processed iron and enamel products factory, owned jointly by the Deutsche Bank and the city of Sprottau)—Director.

Semipolitical.—Fachamt Banken und Versicherung der Deutschen Arbeitsfront—(chief, division of banking and insurance, in the German Labor Front).

Akademie für Deutsches Recht, Berlin: Ausschuss für Versicherungsrecht Ausschuss für Genossenschaftsrecht (Academy of German Law, Berlin, Division of Insurance Law and Division of Citizens Rights)—Member.

Reichsversicherungsausschuss, Berlin (Reich Insurance Division, Berlin)—Member.

Adolf Müller

Adolf Müller, a director in the Bank der Deutschen Arbeit, is also an individual who has been prominent in the affairs of the National Socialist Party since 1921, when he first associated with Adolf Hitler.

His whole development shows a very nationalistic line, and at the outbreak of the First World War he volunteered in the German Army. Later he joined various nationalistic movements and eventually joined the Nazi Party.

His business career started after he had gone to the School of Mechanical Drawing in Munich, the birthplace of nazism. His early technical training he received with the Allgemeine Electrizitäts Gesellschaft. By 1915 he was discharged from the German Army due to difficulty in hearing. Nevertheless, he was able to utilize his technical skill by perfecting the efficiency of German submarines, an effort for which he was awarded an honorary degree from the University of Hannover.

After the armistice was declared he was sent as German Minister to Switzerland. He soon returned to Munich, however, and started his future career as a publisher and editor by founding the printing house, M. Müller & Sohn, which became the printer of the well-known Nazi newspaper, the Munchner Beobachter, the forerunner of the now notorious Volkischer Beobachter.

His association with the Nazis paid good dividends, and after having founded a storm troop division he was made the head of the central publishing house of the party. As such he specialized in printing technical publications and publicity for the German economy and he became also a member of the governing board of the Deutsche Reichspost.

Having rendered such service to the Nazi Party it is not difficult to understand his position with the Bank der Deutschen Arbeit, an institution owned completely by the Nazi-sponsored German Labor Front. This bank was originally founded as a comparatively small enterprise by the free German labor unions. Under the Nazis, however, it experienced tremendous expansion so that by 1942 it had become the third largest bank in Germany and one of the Berliner Grossbanken. In spite of its ostensibly private character it is to all intents and purposes a Government bank, a fact which is indicated by its having three-fourths of its total assets invested in Reich securities. Bank der Deutschen Arbeit is also reported to be one of the institutions which provides good and well-paid jobs for long-time and trusted "party hacks." In respect to this statement it should be noted that there are reports that a law was passed in Germany in 1944 forbidding party functionaries to have paid or unpaid jobs in private industry. Whether this law has affected Adolf Müller's directorship is not known.

Of Müller's other directorships should be mentioned Ala Anzeigen A. G., a real-estate enterprise started as an affiliate of a large public publishing house. It is significant that another board member is Max Amann, the head of the Hitler-owned Eher Publishing House, which in turn is the publisher of Mein Kampf. Amann is also one of the original and most trusted followers of Adolf Hitler.

Schnollpressenfabrik König & Bauer A. G., is a medium-sized Austrian printing enterprise which in 1938 was capitalized at 1,500,000 Austrian schillings, or, at that time, approximately \$300,000. As Müller is a director in this institution today, but held no position before the Anschluss in 1938, it may be possible that this is another instance where he has been awarded a directorship for trusted party service. Adolf Müller is also the Chief Forester for Upper Bavaria, a post which links him to Hermann Göring, who holds the post as Supreme Forester for the Reich.

Adolf Müller was born on May 4, 1884, in Munich, and according to reliable information, a German national of the same name maintained, on September 5, 1943, assets in the United States amounting to \$8,200 invested in seven \$1,000 International Telephone & Telegraph Corp. shares. The coowners of these securities are five other individuals, all bearing the name of Müller, three of them being Swiss citizens and two German.

Adolf Müller is reported to reside at Schellingstrasse 41, Munich, and his known financial and business affiliations are as follows:

Banking.—Bank der Deutschen Arbeit, Berlin—Member of board of directors.

Industrial.—Buchgewerbehaus M. Müller & Sohn A. G., Munchen (printing house).

Schnellpressenfabrik König & Bauer A. G., Wurzburg und Moldling bei Wein—Member of board of directors.

Political.—Gaujägermeister von Oberbayern—Chief Forester in Province of Upper Bavaria.

Miscellaneous.—Ala Anzeigen A. G., Berlin (real estate)—Member of board of directors.

Deutsche Reichspost, Berlin (newspaper)—Member of the advisory board.

Werberat der Deutschen Wirtschaft, Berlin (economic chamber)—Member.

Bruno Raueiser

Bruno Raueiser is an official leader of the Labor Front and has numerous connections with companies within that organization both in Germany and Austria. These companies cover such fields of endeavor as banking, insurance, publishing, building construction, etc. Among these are such important corporations as the Bank der Deutschen Arbeit A. G., of Berlin, which is the third in size of the six Berliner Grossbanken. In addition he has several other industrial connections outside the German Labor Front which are in similar fields of endeavor.

Bruno Raueiser was born on January 3, 1909, in Cologne, and his last known address was 174/177 Hohenzollerndamm, Berlin-Wilmersdorf. His connections, as of 1942, were reported as follows:

Labor front organizations.—Bank der Deutschen Arbeit A. G., Berlin—Director. Zentralstelle für die Finanzwirtschaft der Deutschen Arbeitsfront, Berlin (Central Office for Budget of the German Labor Front)—Area chief.

Deutscher Ring Lebensversicherungs A. G. der Deutschen Arbeitsfront, Hamburg (German Ring Life Insurance of the German Labor Front; capital, 1938, R.M. 3,000,000; insurance in force 1939, R.M. 1,127,000,000)—Director.

Deutscher Ring Transport- und Fahrzeug-Versicherungs A. G., Hamburg (German Ring Transportation and Motor Vehicle Insurance; capital, 1938, R.M. 1,000,000; premium receipts, 1939, R.M. 1,057,000)—Director.

Deutscher Ring Oesterr. Lebensversicherungs A. G. der Deutschen Arbeitsfront, Vienna (German Ring Austrian Life Insurance; capital 1938, R.M. 9,400,000, of which the majority is owned by the German Labor Front)—Director.

Ostmärkische Volksfürsorge Lebensversicherungs A. G. der Deutschen Arbeitsfront, Vienna (Austrian Popular Welfare Life Insurance; capital, 1942, R.M. 1,200,000)—Director.

Volksfürsorge Lebensversicherungs A. G. der Deutschen Arbeitsfront, Hamburg (life insurance; insurance in force, 1942, R.M. 3,500,000,000)—Director.

Sudetendeutsche Volksfürsorge Lebensversicherungs A. G. der Deutschen Arbeitsfront, Vienna (Sudeten German Popular Welfare Life Insurance)—Director.

Volkswagenwerk G. m. b. H., Berlin (peoples car)—Director.

Bauhilfe der Deutsche Arbeitsfront Für den sozialen Wohnungsbau Gemeinnützige G. m. b. H., Berlin (building aid for public housing)—Chairman of the board of directors.

Sonderbau G. m. b. H., der Deutschen Arbeitsfront, Berlin (special constructions)—Deputy chairman of the advisory board.

Gemeinschaftswerk der Deutschen Arbeitsfront, G. m. b. H., Hamburg (co-operative works)—Director.

Stettiner Vulkan-Werft A. G., Stettin (shipbuilding yard)—Director.

Verlag der Deutschen Arbeitsfront, G. m. b. H., Berlin (publishing house)—Deputy chairman of the advisory board.

"Neue Heimat" Gemeinn. Wohnungs- u. Siedlungsgesellschaft der DAF, in der Ostmark G. m. b. H., Vienna (public housing and settlements)—Director.

Wiener Weltmoden-Verlag A. G., Berlin (publication of a fashion magazine; capital, 1942, R.M. 133,333, which is wholly owned by the Verlag der DAF G. m. b. H.)—Director.

Deutsche Bau A. G., Berlin (building construction and building material; capital, 1938, R.M. 5,000,000; principal shareholders, Bank der Deutschen Arbeit, 50 percent; and Treuhand Gesellschaft für die Wirtschaftlichen Unternehmungen der Deutschen Arbeitsfront, 50 percent)—Director.

Other affiliations.—Deutsche Sachversicherungs A. G., Hamburg (fire and general insurance; capital, 1938, R.M. 7,000,000; principal shareholders, Bank der Deutschen Arbeit and Treuhandgesellschaft für Wirtschaftliche Unternehmungen m. b. H.)—Director.

"Gisela" Deutsche Lebens- und Aussteuerer-Versicherungs A. G., München (life insurance; capital, 1938, R.M. 1,000,000; belongs to the Konzern of the Münchener Rückversicherungsgesellschaft)—Director.

Deutsche Wirtschaftsprüfungs- und Treuhand-gesellschaft, m. b. H., Berlin (German accounting and trust company)—Deputy chairman of the advisory board.

Hanseatische Verlagsanstalt A. G., Hamburg (publishing house; capital, 1938, R.M. 4,000,000)—Director.

Albert Langen Georg Müller Verlag G. m. b. H., München (publishing house)—Director.

Dianabad A. G., Vienna (Bath and Swedish treatment establishment; capital, 1938, RM. 1,800,000; Treuhandgesellschaft für wirtschaftliche Unternehmungen m. b. H. is principal shareholder)—Deputy chairman of the advisory board.

Heinz Reitbauer

Heinz Reitbauer, 45 years old, is a member of the management committee of the Bank der Deutschen Arbeit A. G., Berlin. He is reported to be a staunch member of the Nazi Party. This is evidenced by his banking connections, both in Germany and Holland. In the latter country he is deputy chairman of the Bank voor Nederlandschen Arbeid N. V., which is the Dutch counterpart of the German Nazi Labor Bank.

Heinz Reitbauer's address is given as 34a Haderslebener Strasse, Berlin-Dalhem. His known connections are as follows:

Banking.—Bank der Deutschen Arbeit A. G.—Member of management committee.

Bank voor Nederlandschen Arbeid N. V.—Deputy chairman.

Westbank N. V. (Banque de l'Ouest S. A.), Brussels—Vice chairman.

Industry.—Düsseldorfer Eisenhüttengesellschaft Ratingen b. Düsseldorf (iron works)—Director.

Hans Strauch

Hans Strauch is head of the office for economic enterprises of the German Labor Front. He is one of Robert Ley's assistants, an expert in the building of laborer's dwellings, and a leader in many foreign and domestic enterprises of the Labor Front. Most of Strauch's connections, which are very numerous, are of a political nature. Even those connections which might be considered to be in the fields of banking, insurance, and industry are more or less political in their nature inasmuch as they are directly or indirectly tied up with the German Labor Front and its enterprises. Such are, for instance, the Bank der Deutschen Arbeit, the Deutsche Bau- und Bodenbank A. G., Berlin, which is almost wholly owned by the Reich, a number of insurance organizations owned and controlled by the Labor Front, the Deutsche Bau A. G., Berlin, a building company owned jointly by the Bank der Deutschen Arbeit and Treuhandgesellschaft für die wirtschaftlichen Unternehmungen der DAF G. m. b. H., Berlin.

Hans Strauch was born in Bavaria in 1891; his last-known address was given as 174/177 Hohenzollerndamm, Berlin, and his known connections are as follows:

Political.—Amtsleiter für die wirtschaftlichen Unternehmungen der DAF, Berlin—Head of Office for Economic Enterprises of the German Labor Front.

Allgemeine Hausbau- und Grundstücksgesellschaft der DAF, in der Stadt des KdF-Wagens G. m. b. H., Stadt des KdF-Wagens bei Fallersleben (General Building and Real Estate Company of the German Labor Front in the City of KdF-Wagens—City of Strength-through-Joy Vehicles)—Chairman.

Arbeitswissenschaftlicher Verlag G. m. b. H., Berlin (Labor publishing firm)—Chairman.

"Gehag" Gemeinnützige Heimstätten A. G., der DAF, Berlin (Community Homestead Corporation of DAF)—Chairman.

"Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft der DAF in Gau Steiermark G. m. b. H., Graz ("New Home" Settlement Company of DAF in Steiermark District)—Chairman.

"Neue Heimat" Gemeinnützige Wohnungs und Siedlungsgesellschaft im Gau Kärnten G. m. b. H., Linz ("New Home" Settlement in District of Kärnten)—Chairman.

"Neue Heimat" Gemeinnützige Wohnungs und Siedlungsgesellschaft im Gau München-Oberbayern A. G., München ("New Home" Community Dwelling and Settlement Company in Munich)—Chairman.

"Neue Heimat" Gemeinnützige Wohnungs und Siedlungsgesellschaft im Reichsgau Wartheland G. m. b. H., Posen ("New Home" Settlement and Dwelling Company in Wartheland)—Chairman.

"Neue Heimat" Gemeinnützige Wohnungs und Siedlungsgesellschaft im Gau Salzburg G. m. b. H., Salzburg ("New Home" Settlement and Dwelling Company in Salzburg)—Chairman.

"Neue Heimat" Gemeinnützige Wohnungs und Siedlungsgesellschaft der DAF im Gau Schwaben G. m. b. H., Augsburg ("New Home" Settlement and Dwelling Company in Swabia)—Chairman.

"Neue Heimat" Gemeinnützige Wohnungs und Siedlungsgesellschaft der DAF in den Gauen Wien und Niederdonau G. m. b. H., Wien ("New Home" Settlement and Dwelling Company in Vienna and on lower Danube)—Chairman.

"Neuland" Gemeinnützige Wohnungs und Siedlungsgesellschaft der DAF in der Stadt des KdF-Wagens G. m. b. H., Stadt des KdF-Wagens bei Fallersleben ("Neuland" Community Dwelling and Settlement Fund in City of Strength Through Joy)—Chairman.

Verlag der Deutschen Arbeitsfront G. m. b. H., Berlin (Press of the German Labor Front)—Chairman.

Gemeinschaftswerk der DAF G. m. b. H., Hamburg (Community Work of the DAF)—Deputy chairman of the board.

"Neue Heimat" Gemeinnützige Wohnungs und Siedlungsgesellschaft der DAF in Gau Tirol-Vorarlberg G. m. b. H., Innsbruck (Community Dwelling and Settlement in Tirol District)—Deputy chairman of the board.

Reichsverband des Deutschen Gemeinnützigen Wohnungswesens, Berlin (Union of Community Dwelling Developments)—Chairman of management board.

Treuhandgesellschaft für die wirtschaftlichen Unternehmungen der DAF G. m. b. H., Berlin (Auditing Company for Economic Undertakings of the DAF)—Manager.

Banking.—Bank der Deutschen Arbeit A. G., Berlin (Bank of the Labor Front)—Deputy chairman of the board.

Deutsche Bau und Bodenbank A. G., Berlin (building and real estate bank, almost wholly owned by the Reich)—Director.

Insurance.—Deutsche Sachversicherung A. G., Hamburg (general insurance; 50 percent owned by Bank der Deutschen Arbeit, 50 percent owned by Treuhandgesellschaft für die wirtschaftlichen Unternehmungen der DAF G. m. b. H., Berlin)—Chairman.

Deutscher Ring Versicherungsgesellschaft der DAF, Hamburg (Association of Insurance Companies of the DAF)—Chairman.

Deutscher Ring Oesterreichische Versicherungsgesellschaften der DAF, Wien (Association of Austrian Insurance Companies of the DAF)—Chairman.

"Gisela" Deutschen Lebens und Aussteuer-Versicherungs A. G., München (German Life and Endowment Insurance Corporation)—Chairman.

Ostmarkische Volksfürsorge Lebensversicherungs A. G. der DAF, Wien (Austrian Life Insurance of DAF)—Chairman.

Sudetendeutsche Volksfürsorge Lebensversicherungs A. G., Aussig (Sudetenland Life Insurance)—Chairman.

Volksfürsorge Lebensversicherungs A. G. der DAF, Hamburg (Life Insurance of DAF; 100 percent owned by Labor Front)—Chairman.

Reichsversicherungsausschuss (Reich Insurance Union)—Member.

Industrial.—Bau- und Betreungsgesellschaft der DAF, Berlin (building construction company of DAF)—Chairman.

Baustoffwerke Teupitz G. m. b. H., Berlin (building material factories)—Chairman.

Deutsche Bau A. G., Berlin (building corporation; 50 percent owned by Bank der Deutschen Arbeit; 50 percent owned by Treuhandgesellschaft für die wirtschaftlichen Unternehmungen der DAF G. m. n. H., Berlin)—Chairman.

Dianabad A. G., Wien (baths)—Chairman.

Hanseatische Verlagsanstalt A. G., Hamburg (publications, books)—Chairman.

Albert Langen/Georg Müller Verlag G. m. b. H., München (printing, publications)—Chairman.

August Pries, G. m. b. H., Leipzig—Chairman.

Sonderbau G. m. b. H. der DAF, Berlin (Special Building Company, Ltd., of the DAF)—Chairman.

Wiener, Weltmoden-Verlag A. G., Wien (publications)—Chairman.

Stettiner Vulkan-Werft A. G., Stotten (shipyards company)—Deputy chairman of the board.

Volkswagenwerk G. m. b. H., Berlin (manufacture of people's car)—Deputy chairman of the board.

Vorarlberger Gemeinnützige Wohnungs-bau und Siedlungsgesellschaft G. m. b. H., Dornbun/Ostmark (community dwellings and settlements)—Deputy chairman of the board.

DEUTSCHE BANK

A. LOCATION, BRANCH OFFICE, ETC.

Corporate address: 35-42 Mauerstrasse, Berlin W 3 (building reported demolished by recent bombings).

Branches in Germany: At the end of 1940 the Deutsche Bank had 489 branches and agencies, including 43 main regional branches, 230 local branches, and 216 agencies, of which 183 were neighborhood offices in cities where a more important office of the bank was located. It was reported in the early part of 1944 that rationalization schemes, planned to effect war economies, had resulted in the closing of nearly a third of these branches. More recently, however, the movement has been toward decentralization as a defense against air raids.

Branches outside Germany: As of 1942 the Deutsche Bank had the following branches in foreign, annexed, and occupied territory: Turkey, Istanbul; Austria, represented by its subsidiary, the Creditanstalt Bankverein, with 32 agencies in Vienna and branches throughout Austria; Sudetenland, 20 branches; Danzig, 3 branches; Poland, 7 branches; Alsace-Lorraine, 4 branches.

B. DESCRIPTION OF BANK AND ITS BUSINESS

1. *Character and importance*

The Deutsche Bank is the largest of the six great Berlin banks, the Berliner Grossbanken. In common with the other banks of this class it normally combines in its operations commercial and investment banking, meeting practically all the short- and long-term credit and capital demands of its customers.

The strength and prestige of the Deutsche Bank is indicated by the fact that it is the only one of the present list of Berliner Grossbanken which was able to weather the banking crisis of 1931 without governmental assistance. It was, consequently, able to keep itself relatively free of public ownership.

2. *Stock-market activities*

Before the war the Deutsche Bank, like other great commercial German banks, operated actively in the stock market, trading for its own account and for that of its customers. Because of the bank's large clientele it was often possible to match buying and selling orders of customers without passing the transaction through the stock exchange. Recent legislation, however, has restricted this and other speculative activities.

3. *Industrial connections*

As the largest of the great commercial banks, the Deutsche Bank has close relations with a number of the largest and most important industrial organizations. These close ties with industry were fostered not alone by the fact that the bank normally finances these enterprises and frequently holds participations in them, but also by the custom by which clients frequently deposit their security holdings with the bank and authorize it to exercise the voting rights.

Ties with industry are further strengthened through interlocking directorates, but the extent to which the bank's directorate now interlocks with directorates of other enterprises is far less than formerly. Reform legislation initiated after the banking crisis of 1931, and finally crystallized in the corporation law of January 1937, reduced the number of directorships which any one person might hold and limited the size of boards of directors.

The Deutsche Bank has in the past maintained close relationships with institutions in the field of mortgage banking. At one time it was closely associated with a number of private banking firms, but in the middle thirties withdrew from the majority of these participations. It appears to be closely connected with several of the large German insurance groups, notably the Gerling and Allianz Konzerns.

4. Foreign affiliations

Although it has always played an important part in financing Germany's foreign trade, and before the war, had numerous connections and correspondents in international financial centers, up to 1937 the Deutsche Bank held but a very limited number of participations in foreign banking institutions. Since 1939, however, it has competed with the Dresdner Bank in taking the lead in Germany penetration into the banking structures of controlled or annexed countries. In this movement the Deutsche Bank has to a great extent worked through the great Austrian commercial bank, Creditanstalt Bankverein, now a subsidiary of the Deutsche Bank. The general policy pursued by the Deutsche Bank in acquiring these foreign participations was to cede minority interests to certain dominated institutions, notably the Creditanstalt Bankverein, and to a lesser extent the Böhmisché Union Bank of Prague, while retaining for itself "small majorities," in other words, an interest of between 50 and 60 percent.

According to such information as is presently available the penetration movement discussed above was confined to tanking institutions, and the Deutsche Bank does not appear to have acquired a direct control in industrial enterprises native to German-controlled areas. Stock ownership and control of many of the larger concerns in occupied territory was permitted to pass into the hands of large German industrial combines, notably the Göring group, while some participations were acquired by VIAG, the Reich holding company. It is probable, however, that with the acquisition of control over a number of key banking institutions, particularly in central Europe, the Deutsche Bank gained, through these banks, an indirect interest in a large number of industries in those areas. This does not hold true as regards the Creditanstalt Bankverein of Vienna, since before the Deutsche Bank acquired control of this institution it had been obliged to relinquish its major transportation, public utility and heavy-industry interests to Reich-controlled corporations.

5. Recent activities

According to press reports of November 1944 a run on large Berlin banks was precipitated by the arrest of Oswald Roesler and Karl Goetz, managing directors respectively of the Deutsche and Dresdner Banks. The cause of the arrests was reportedly the refusal of the two bank officials to come to the support of the Bank der Deutschen Arbeit, Bank of the Ministry of Labor, which was in difficulties.

There is reason to believe that the branch of the Deutsche Bank, Istanbul, Turkey, took active part in assisting the concealment of German funds outside of Germany in anticipation of the German defeat. The Istanbul branch was the principal depository of German diplomatic agents, cover firms, and individuals closely associated with German operations of all kinds in Turkey. Immediately before and following the severance of commercial and diplomatic relations between Turkey and Germany, numerous and sizable withdrawals of funds were made from the Istanbul branch of the Deutsche Bank. There is no evidence of the final disposition of these funds after withdrawal. Some of them undoubtedly represented genuine commercial operations, but many of them, judging by the character of the person or firm involved, were made for transfer or concealment purposes.

C. RELATION TO ENTERPRISES OR OTHER BANKING INSTITUTIONS IN GERMANY

1. Banks and financial companies

(a) Deutsche Reichsbank

Address: Berlin.

Business: Central bank of Germany.

Interest: Nine officials of the Deutsche Bank serve on advisory committees or supervisory boards of the Deutsche Reichsbank.

(b) Industrie—Werte G. m. b. H.

Address: Berlin.

Capital and reserves: RM. 2,400,000.

Business: Established to engage in stock-market operations. Developed into a holding company for industrial preferred shares endowed with special voting rights.

Interest: Controlled by the Deutsche Bank together with the Berliner Handels Gesellschaft and the Dresdner Bank.

(c) *Deutsche Überseeische Bank*

Address: Berlin.

Capital: RM. 36,000,000.

Business: Largest and most influential German bank for South America. As of 1938 it has 21 branches distributed throughout Spain, Argentina, Chile, Peru, Uruguay, and Brazil. Those in Brazil and Peru were liquidated in 1942.

Interest: The Deutsche Bank holds a 50-percent interest in the Deutsche Überseeische Bank.

(d) *Deutsche Bank für Ostasien.*

Address: Berlin.

Capital: RM. 10,000,000.

Business: To finance trade with the Far East. Established a branch in Tokyo June 1943.

Interest: The Deutsche Bank, together with the Dresdner Bank and the Reichskredit Gesellschaft, are the most important stockholders while the Commerz Bank and the Bank der Deutschen Arbeit hold smaller participations.

(e) *Industrie-Finanzierungs A. G. Ost. (IFAGO)*

Address: Behrenstrasse 14-16, Berlin W-8.

Capital and reserves: RM. 625,000 (1938).

Business: Established to aid in financing German exports to Russia and has assumed considerable importance as an acceptance institution. - Its acceptances, usually guaranteed by banking syndicates, the so-called IFAGO Konsortien, led by the Deutsche and the Dresdner Banks, outstanding to the amount of RM. 176,000,000 at the end of 1939.

Interest: This is a joint enterprise of the Deutsche Bank, the other Berliner Grossbanken, and other credit institutions.

(f) *Diskont-Compagnie*

Address: Jägerstrasse 54/55, Berlin W-8.

Capital: RM. 50,000,000 (one-quarter paid in).

Business: To discount bankers' acceptances and increase marketability of such paper of adding a third signature.

Interest: A bare majority of the capital held by the Deutsche Gold Diskontbank (Reichsbank subsidiary) and the remainder by the Deutsche Bank, the other big Berlin banks, and the Deutsche Verkehrs-Kredit-Bank, the Deutsche Industrie Bank, and others.

(g) *Gemeinschaftsgruppe Deutscher Hypotheken Bank*

Business: This is an organization of the following six mortgage institutions in Northern and Central Germany: Deutsche Centralbodenkredit A. G., Berlin; Deutsche Hypothekenbank in Weimar; Sächsische Bodencreditanstalt, Dresden; Frankfurter Hypothekenbank, Frankfurt a/M; Westdeutsche Bodenreditanstalt, Cologne; Mecklenburgische Hypotheken- and Wechselbank, Schwerin.

Interest: The Deutsche Bank was instrumental in the establishment in 1930, of the Gemeinschaftsgruppe Deutscher Hypotheken Bank and has close relations with it.

(h) *Deutsche Centralbodenkredit A. G.*

Address: Berlin.

Capital: RM. 43,000,000.

Business: This is the leading institution of the Gemeinschaftsgruppe Deutscher Hypotheken Banken. In 1942 it had total mortgage loans outstanding to the value of RM. 1,275,500,000.

Interest: The Deutsche Bank maintains close relationship with this mortgage institution. A representative of the Deutsche Bank is chairman of the board of directors of the mortgage bank.

(i) *Sächsische Bodenkreditanstalt.*

Address: Dresden.

Capital: RM. 11,000,000.

Business: Mortgage institution.

Interest: The Deutsche Bank appears to have a close connection with the Sächsische Bodenkreditanstalt. The latter institution is a member of the mortgage banking group, Gemeinschaftsgruppe Deutscher Hypotheken Bank (see above) with which the Deutsche Bank is closely associated. Ernst Schoen van Wildenegg, honorary chairman of the Deutsche Bank, is deputy chairman of the board of Sächsische Bodenkreditanstalt, and the two institutions have a common director in Franz Urbig.

(j) *Deutsche Hypothekenbank*

Address: Weimar.

Capital: RM. 14,000,000.

Business: An important mortgage bank, prominent in the field of agricultural credit. Mortgage loans outstanding at the end of 1942 totaled RM. 539,000,000. It is the second largest of the six mortgage banks which are members of the Gemeinschaftsgruppe Deutscher Hypotheken Bank (see above).

Interest: The Deutsche Bank is closely connected with the Deutsche Hypothekenbank through interlocking directorates; is frequently associated with it in financial operations; and is also connected with it through the Gemeinschaftsgruppe Deutscher Hypotheken Bank.

(k) *Rheinisch-Westfälische Boden-Credit-Bank*

Address: Cologne.

Capital: RM. 10,800,000.

Business: Specializes in second mortgages.

Interest: The Deutsche Bank is represented on the board of this mortgage institution by two directors, Herman J. Abs and Hugo Henkel.

(l) *Allgemeine Deutsche Creditanstalt (ADCA)*

Address: Leipzig.

Capital and reserves: RM. 26,200,000.

Business: This institution ranks third in importance and size among Germany's regional banks. It is mainly supported by the large Saxon textile industry. It has numerous branches in the state and provinces of Saxony and Thuringia and, after the annexation of the Sudetenland, opened 16 branches there, bringing the total number of branches up to 115. In the course of the Aryanization program, ADCA took over a series of private banking firms in Central Germany.

Interest: ADCA is traditionally close to the Deutsche Bank and is connected with it through interlocking directorates.

(m) *Niederlausitzer Bank A. G.*

Address: 7 Kaiser-Friedrich-Strasse Cottbus.

Capital: RM. 2,200,000 (1938).

Business: Engaged in banking transactions of all kinds.

Interest: The Deutsche Bank holds an interest in this institution.

(n) *Deutsche Beamten-Zentralbank G. m. b. H.*

Address: Schützenstrasse 63, Berlin SW-68.

Capital: RM. 500,000 (1938).

Business: Extends credit at low interest rates to officials and organizations of officials. Accepts deposits and savings.

Interest: The Deutsche Bank was instrumental in the reorganization of this bank in 1930 and guarantees its deposits.

(o) *Deutsche Industriebank A. G.*

Address: Berlin.

Capital: RM. 200,000,000.

Business: This has been since 1938 the chief long-term credit institution of the German manufacturing industries. Since 1939 has had the special task of financing the expansion of armament industries and the conversion of industry to war production. Although classified as a private corporation, its stock being held by industries liable for assessment originating with the Dawes plan, it is for all practical purposes a public institution, with a Reichs Commissioner attached to the staff, and its funds mainly derived from public sources. One of the purposes for which the Industriebank was used was to supply capital for the reorganization of private banking firms under the Aryanization program.

Interest: The Deutsche Bank is connected with the Deutsche Industriebank through two common officials, Hermann Schmitz, chairman of the board of the I. G. Farbenindustrie, who is a director of the Deutsche Bank and deputy chairman of the Industriebank; and through Rudolph Stahl, a director of the Deutsche Bank and a member of the board of managers of the Deutsche Industriebank. The Deutsche Bank is also associated, with the Industriebank and the National-Bank A. G. of Essen, in which the Industriebank has an interest, in the private banking firm Burkhart and Co., formed by the Aryanization of Simon Hirschland, of Essen.

(p) National-Bank A. G.

Address: Essen.

Capital: RM. 5,000,000.

Business: Commercial and investment banking. The Deutsche Industriebank (see above) has a participation of RM. 500,000, and has used the National-Bank A. G. in Aryanization financing.

Interest: The Deutsche Bank has been associated with the National-Bank A. G. in financing the private banking firm, Burkhardt und Co., formed from the Aryanized company, Simon Hirschland, of Essen.

(q) Mendelssohn und Co.

Address: Berlin.

Business: This was one of the outstanding private banking firms of Germany and its disappearance in 1938 from the list of private banks had far-reaching effects. It was considered Aryan and ranked first in capital strength and prestige among German private banks and was important in investment, banking, and international finance.

Interest: In 1938 it was put into liquidation by the Deutsche Bank following heavy losses incurred by its Amsterdam affiliate. The Deutsche Bank took over its clientele.

(r) Jacquier und Securius

Address: Berlin.

Business: Old private banking firm.

Interest: The Deutsche Bank, in 1938, gave support to this house in the form of a long-term deposit.

(s) Burkhardt und Co.

Address: Essen.

Business: Private banking firm. In 1940 it took over the business of the Jewish banking firm, Simon Hirschland, Essen-Hamburg, which was Aryanized.

Interest: The Deutsche Bank, together with Merck Finck und Co., the Essener Nationalbank, the Deutsche Industriebank, and several industrial firms, participated in the organization of Burkhardt und Co.

(t) Philipp Elimeyer

Address: Dresden.

Business: Private banking firm.

Interest: In 1940, the Deutsche Bank absorbed this firm in which it already held a controlling interest.

(u) J. Wichelhaus & Sohn A. G.

Address: Wuppertal, Elberfeld.

Capital: RM. 1,500,000 (1938).

Business: Private banking firm.

Interest: The Deutsche Bank holds a participation in this company.

2. Insurance companies

(a) Berlinische Feuer-Versicherungs-Anstalt

Address: Berlin.

Business: Berlin Fire Insurance Company.

Interest: Interlocking directorates in the persons of Franz Urbig, Karl Ernst Sippell, and Max H. Schmid, indicate that the Deutsche Bank is closely associated with this company. Franz Urbig is chairman of the insurance company's board.

(b) Gerling-Konzern Lebensversicherungs A. G.

Address: Cologne.

Business: Life insurance. Member of the important Gerling Konzern.

Interest: Four interlocking directors indicate that the Deutsche Bank has a close connection with this company.

(c) Allianz Lebensversicherungs A. G.

Address: Berlin.

Business: Life insurance company of the large Allianz group. In 1939 had insurance in force to a total of RM. 5,023,000,000.

Interest: The Deutsche Bank is connected with this company through two interlocking directors.

(d) *Allianz Versicherungs A. G.*

Address: Berlin.

Capital: RM. 60,000,000.

Business: Insurance. A leading company of the important Allianz group.

Interest: The Deutsche Bank is connected with this company through interlocking directors in the persons of Hermann Schmitz, Wilhelm Zangen, and Karl Kimmich.

(e) *Alle Leipziger Lebensversicherungsgesellschaft A. G.*

Address: Leipzig.

Business: A leading life insurance company.

Interest: Ernst Schoen von Wildenegg, a director of the Deutsche Bank is chairman of this company. The bank and the insurance company have another common director in Oswald Rösler.

(f) *Leipziger Feuerversicherungs-Anstalt*

Address: Leipzig.

Business: Fire insurance.

Interest: The Deutsche Bank is connected with this company through two interlocking directors, Oswald Rösler and Ernst Schoen von Wildenegg. The latter is chairman of the insurance company's board.

(g) *Nord-Deutsche Lebensversicherung A. G.*

Address: Hamburg.

Capital: RM. 10,000,000.

Business: All types of insurance.

Interest: The Deutsche Bank is connected with this company through two interlocking directors, Erich Bechtolf and Hermann Münchmeyer. The latter heads the insurance company's board.

(h) *Nord-Deutsche Versicherungs-Gesellschaft*

Address: Hamburg.

Business: Life insurance.

Interest: The Deutsche Bank is connected with this company through two interlocking directors, Erich Bechtolf and Hermann Münchmeyer. The latter is chairman of the insurance company's board.

(i) *Union und Rhein Versicherungs A. G.*

Address: Berlin.

Business: Union and Rhine Insurance Corp.

Interest: The Deutsche Bank is connected with this company through two interlocking directors in the persons of Franz Urbig and Karl Ernst Sippell.

3. *Industrial and commercial enterprises*(a) *Electric power, utilities, equipment, installations, etc.*(i) *Allgemeine Elektrizitäts-Gesellschaft (AEG):*

Address: Berlin.

Capital: RM. 264,000,000 (1942).

Business: Large electrical equipment and power combine with participations in public utility companies and foreign power developments.

Interests: The Deutsche Bank is represented on the board of AEG by Wilhelm Zangen, Gunther Quandt, and Karl Kimmich. The latter is deputy chairman of the advisory board of AEG.

(ii) *Siemens & Halske A. G.:*

Address: Berlin.

Capital: RM. 400,000,000.

Business: Large electrical equipment combine, ranking in size and importance with General Electric.

Interest: The Deutsche Bank is connected with Siemens & Halske through interlocking directors in the persons of Hermann von Siemens and Hermann Münchmeyer.

(iii) *Siemens-Schuckert-Werke A. G.:*

Address: Berlin.

Capital: RM. 240,000,000.

Business: Electro-chemical installations. Subsidiary of Siemens-Halske.

Interest: The Deutsche Bank is connected with Siemens-Schuckert-Werke through interlocking directors in the persons of Hermann von Siemens and Albert Pietzsch.

- (iv) *Accumulatoren-Fabrik A. G.*
Address: Berlin.
Capital: RM. 21,250,000.
Business: Storage batteries.
Interest: Hermann J. Abs, member of the management committee of the Deutsche Bank, is chairman of the board of this company; Gunther Quandt, a Deutsche Bank director, is chairman of the company's management committee. The latter is reported to own 75 percent of the company's capital.
- (v) *Rheinisch-Westfälisches Elektrizitäts-Werk A.G.:*
Address: Essen.
Capital: RM. 246,000,000 (1939).
Business: Powerful public utility holding company possessing about 20 electric power works, 10 gas works, besides its Ruhrgas A. G. connections, waterworks, and large participations in electric power and coal companies. A large proportion of its stock is controlled by states and communities and VIAG, large Reich holding company, has a small interest.
Interest: The Deutsche Bank is connected with this public utility company through interlocking directorships in the persons of Herman J. Abs, and Arthur Koepchen.
- (vi) *Elektrizitäts-Lieferungs-Gesellschaft:*
Address: Berlin.
Business: Public utilities holding company.
Interest: The Deutsche Bank is connected with this company through two interlocking directorships.
- (b) *Iron, steel, metals*
- (i) *Vereinigte Stahlwerke:*
Address: Düsseldorf.
Capital: RM. 460,000,000.
Business: Steel cartel.
Interest: The Deutsche Bank is connected with Vereinigte Stahlwerke through two interlocking directors, as well as through representation on the boards of several of the steel combine's subsidiaries.
- (ii) *Rheinische Stahlwerke:*
Address: Essen.
Capital: RM. 150,000,000.
Business: Steel works. Part of the Vereinigte Stahlwerke group.
Interest: The Deutsche Bank is connected with this company through two interlocking directors. One of these, Hermann Schmitz, is chairman of the Vereinigte Stahlwerke board.
- (iii) *Klöckner Werke A. G.:*
Address: Duisberg.
Capital: RM. 105,000,000.
Business: Iron and steel. Owns five large steel mills; together with Wintershall A. G., the largest potash organization, it owns a nitrogen and benzine plant; has an interest in the important Humboldt-Deutz automobile and machinery concern.
Interest: Florain Klöckner, chairman of the board of Klöckner werke, is a director of the Deutsche Bank. Karl Kimmich, member of the management committee of the Deutsche Bank, heads the advisory board of Klockner werke.
- (iv) *Mannesmannrohren Werke:*
Address: Düsseldorf.
Capital: R. M. 180,000,000 (1943).
Business: Leading tube, pipe, and sheet metal concern with important coal interests, blast furnaces, rolling mills, etc. Has 21 domestic and 17 foreign trading companies. Has numerous diversified interests, many of which were gained through the Aryanization of Jewish firms.
Interest: Since the death of five Mannesmann brothers controlling stock interest has apparently come to the Deutsche Bank, steel trust, and Siemens interest. Oswald Röser, of the Deutsche Bank, is chairman of the Mannesmannrohren board, and the bank is further represented by Rudolph Stahl and Wilhelm Zangen. The latter heads Mannesmannrohren's management committee.

- (v) Mannesmannrohren Werke Komotau A. G.:
 Address: Komotau.
 Capital: R.M. 60,000,000.
 Business: Tube and pipe works. Subsidiary of Mannesmannrohren Werke.
 Interest: Wilhelm Zangen and Oswald Rösler of the Deutsche Bank are respectively chairman and deputy chairman of Mannesmannrohren Werke Komotau A. G.
- (vi) Mannesman Stahlblechbau A. G.:
 Address: Berlin.
 Capital: R.M. 5,000,000.
 Business: Steel plate construction. Owned by Mannesmannrohren Werke.
 Interest: The Deutsche Bank is closely connected with this company. Wilhelm Zangen, a director of the Deutsche Bank, and Oswald Rösler, of the bank's management committee, are respectively chairman and deputy chairman of Mannesman Stahlblechbau.
- (vii) Felten & Guilleame Carlswerk A. G.:
 Address: Cologne.
 Capital: R.M. 64,000,000.
 Business: Manufacture of wire and cable products, light metal work equipment, and so forth. Has substantial interest in other cable companies, telephone and electrical equipments, foreign utilities and so forth. Its principal stockholder is the Arbed Konzern of Luxembourg.
 Interest: The Deutsche Bank, which has an interest in Arbed is connected with this company through two interlocking directorships.
- (viii) Metallgesellschaft A. G.:
 Address: Frankfurt am Main.
 Capital: R.M. 42,000,000 (1939).
 Business: Organized for trade in nonferrous metals and development of mining fields. Has developed considerable chemical interests in related fields and even in artificial rubber. Has participations in the banking firms Delbrück Schickler & Co., and Delbrück von der Heydt & Co. Among the principal stockholders of Metallgesellschaft is I. G. Farben, directly and through the Gold und Silber Scheidenanstalt.
 Interest: The Deutsche Bank is connected with Metallgesellschaft through two interlocking directorates in the persons of Hermann Schmitz and Hermann J. Abs.
- (ix) Vereinigte Aluminum Werke A. G.:
 Address: Berlin.
 Capital: R.M. 40,000,000.
 Business: Largest aluminum company in Germany, more than 90 percent controlled by VIAG, the Reich holding company.
 Interest: The Deutsche Bank is connected with this company through interlocking directors in the persons of Granz Urbig, Karl Schirner, and Arthur Koepchen.
- (x) Mansfeld A. G. für Bergbau u. Hüttenbetrieb:
 Address: Berlin.
 Business: Copper, brass, etc.
 Interest: The Deutsche Bank is connected with Mansfeld A. G. through two interlocking directorships in the persons of Ernst Schoen von Wildenegg and Rudolf Stahl. The former is chairman of Mansfeld, the latter, general manager.
- (c) *Machinery, equipment, installations, etc.*
- (i) Schiess A. G.:
 Address: Dusseldorf.
 Business: Machine factory.
 Interest: Schiess A. G. is reportedly controlled by the Deutsche Bank which is represented on the company's board by two directors.
- (ii) Heinrich Lanz A. G.:
 Address: Mannheim.
 Business: Machines.
 Interest: The Deutsche Bank is connected with Heinrich Lanz A. G. through interlocking directorships in the persons of Karl Ernst Sippel and Max H. Schmidt, who respectively hold the positions of chairman and deputy chairman of Heinrich Lanz.

- (iii) Vereinigte Kugellagerfabriken A. G.:
 Address: Schweinfurt.
 Business: Ball bearings.
 Interest: Hans Rummel, of the management committee of the Deutsche Bank, is chairman of the board of this company, and the two organizations are connected through a second interlocking director, Gunther Quandt.
- (iv) Demag A. G.:
 Address: Duisburg.
 Capital: R.M. 26,500,000 (1939).
 Business: Important machine company producing especially heavy machinery, mill and mining equipment, and equipment for chemical plants, bridges, and railways. It has numerous important subsidiaries.
 Interest: The Deutsche Bank is closely connected with this company through three interlocking directorships.
- (v) Minimax A. G.:
 Address: Berlin.
 Business: Fire fighting apparatus.
 Interest: The Deutsche Bank is connected with this company through interlocking directors in the persons of Max H. Schmidt and Joachim Kessler. The former is chairman of Minimax.
- (vi) Maschinenfabrik Buckau R. Wolf A. G.:
 Address: Magdeburg.
 Business: Factory installations.
 Interest: The Deutsche Bank is connected with this company through two interlocking directorships in the persons of Oswald Rösler and Gustav Brecht. The former is chairman of the Maschinenfabrik board.
- (vii) Vomag Maschinenfabrik A. G.:
 Address: Plauen.
 Business: Machinery.
 Interest: This enterprise is jointly owned by Allgemeine Deutsche Credit-Anstalt, Sachsische Bank, Dresdner Bank, and the Deutsche Bank. Ernst Schoen von Wildenegg, a director of the Deutsche Bank, is chairman of the board of the machinery company. The Deutsche Bank and the machinery company have another common director in Joachim Kessler.
- (viii) Vögtländische Metallwerke G. m. b. H.:
 Address: Plauen.
 Business: Metals. Affiliated with Vomag Maschinenfabrik A. G.
 Interest: The Deutsche Bank is connected with this enterprise through two interlocking directors. One of these, Ernst Schoen von Wildenegg, is a member of the advisory committee of the metal company.
- (d) *Chemicals, munitions, nitrogen*
- (i) I. G. Farbenindustrie:
 Address: Frankfurt am Main.
 Capital: R.M. 730,000,000.
 Business: Dye and chemical combine.
 Interest: The Deutsche Bank is connected with the parent company of I. G. Farben through two interlocking directorships in the persons of Herman Schmitz, chairman of the Farben company, and Hermann J. Abs.
- (ii) Deutsche Gold-und Silberscheidenanstalt vorm. Roessler:
 Address: Frankfurt am Main.
 Capital: R.M. 35,600,000.
 Business: Leading concern in the field of precious metals. Has built up, chiefly for its own use, certain chemical branches, particularly in cyanides and sodium. Has close connections with Henkel & Co. and with I. G. Farben. Shares with the latter an interest in Metallgesellschaft A. G.
 Interest: The Deutsche Bank appears to have close relations with this enterprise as the two are connected through three interlocking directorships.
- (iii) Henkel & Cie. A. G.:
 Address: Dusseldorf.
 Capital: R.M. 200,000,000.
 Business: A chemical and soap flakes manufacturing company which has expanded rapidly during the war. Is said to have a close connection with I. G. Farben and the Deutsche Gold- u. Silberscheidenanstalt.
 Interest: Hugo Henkel, who directs Henkel & Cie. A.G., is a director of the Deutsche Bank. Karl Kimmich, member of the management committee of the Deutsche Bank, is on the Henkel advisory board.

- (iv) Wintershall A. G.:
 Address: Kassel.
 Capital: RM. 150,000,000.
 Business: The largest German potash concern and the largest factor in the German Potash Syndicate. After I. G. Farben the largest chemical concern.
 Interest: The Deutsche Bank is connected with Wintershall through three interlocking directors. One of these Gunther Quandt, is deputy chairman of Wintershall.
- (v) Salzdettfurth A. G.:
 Address: Berlin.
 Capital: RM. 44,175,000.
 Business: Large potash concern, second in importance only to Wintershall.
 Interest: The company is mainly owned by Solvay, Delbruck, Shickler & Co., banking partner of Metallgesellschaft A. G. and a group of large commercial banks, including the Deutsche Bank. I. G. Farben has an indirect interest in Salzdettfurth through Metallgesellschaft A. G.
- (vi) Gewerkschaft Victor Stickstoffwerke:
 Address: Castrop-Rauxel.
 Business: Synthetic nitrogen.
 Interest: The Deutsche Bank is represented on the board of this company by Florian Klöckner, who was chairman of the company's mining management committee, and by Günther Quandt, who is a member of the mining committee.
- (vii) Deutsche Waffen- und Munitions-fabriken A. G.:
 Address: Berlin.
 Business: Ammunition works.
 Interest: The Deutsche Bank appears to be represented on the board of this company by Hermann J. Abs and Günther Quandt. The latter is chairman of the management committee of the munition company.
- (viii) Westfälisch-Anhaltische Sprengstoff A. G. Chemische Fabriken:
 Address: Berlin.
 Business: Explosives and munitions.
 Interest: The Deutsche Bank is connected with this enterprise through two interlocking directors in the persons of Wilhelm Zangen and Rudolf Stahl.
- (ix) J. D. Riedel-E. de Haën A. G.:
 Address: Berlin.
 Business: Chemicals and drugs.
 Interest: The Deutsche Bank is connected with this company through two interlocking directors.
- (e) *Motor manufacturing*
 - (i) Daimler-Benz A. G.:
 Address: Stuttgart.
 Capital: RM. 90,200,000 (1942).
 Business: Second largest German automobile and airplane motor manufacturing enterprise. Has several large plants in Germany and numerous foreign subsidiaries and agencies.
 Interest: The Deutsche Bank appears to control Daimler-Benz and has three representatives on the company's board.
 - (ii) Bayerische Motoren-Werke A. G.:
 Address: Munich.
 Business: Motor manufacturing enterprise. May have an indirect connection with VIAG, the Reich holding company.
 Interest: Hans Rummel, member of the management committee of the Deutsche Bank, is deputy chairman of the advisory board of the above-mentioned company. The bank is also represented on the board of the company by one of its directors, Max H. Schmid.
- (f) *Oil, coal, mining*
 - (i) Deutsche Erdöl A. G.:
 Address: Berlin.
 Capital: RM. 100,000,000 (1939).
 Business: Petroleum company with drilling plants in Alsace and Hanover. Has extensive interests in Rumanian oil fields and in Austrian and Rumanian refineries. Has important lignite holdings and interests in chemical industries associated with brown coal or petroleum.
 Interest: The Deutsche Bank appears to be the controlling interest in this company and is represented in its organization by three officials in high positions.

(ii) Kontinental Oel A. G.:

Address: Berlin.

Capital: RM. 80,000,000 (authorized, RM. 120,000,000).

Business: Founded in 1941 to develop oil fields in eastern Europe from Poland to the Caucasus, which Germany expected to obtain and hold. The company was called a model of a future enterprise. At the end of its first year of operation had almost doubled its total assets. Was to function as a holding company for subsidiaries in Rumania, Poland and Russia siphoning off profits to German banks and oil interests.

Interest: Controlling stockholders are four large banks and German oil interests, Wintershall A. G., a large potash concern, and the state-owned Preussische Bergwerks u. Hutten A. G. The Deutsche Bank, which is apparently one of the banks in the group of founders, is represented on the board of the oil company by Karl Schirner and Hermann J. Abs.

(iii) Rheinische A. G. für Braunkohlenbergbau u. Brikett-fabrikation:

Address: Cologne.

Capital: RM. 72,900,000.

Business: Lignite mining and briquette manufacture. Has substantial holdings in other lignite concerns, notably Roddergrube, its parent company, which in turn is a subsidiary of Rheinsche-Westfälisches Elektrizitätswerk A. G.

Interest: The Deutsche Bank is closely connected with this company through three interlocking directorships.

(iv) Eisen-und Hüttenwerke A. G.:

Address: Cologne.

Business: Iron and coal mining and steel production. Belongs to the Otto Wolff group, which has been prominent in the German trade penetration of South America and the Far East.

Interest: Karl Kimmich, member of the management committee of the Deutsche Bank, is deputy chairman of the advisory board of this company and Ernst Schoen von Wildenegg, a director of the bank, is also on the board of the steel company.

(v) Harpener Bergbau A. G.:

Address: Dortmund.

Capital: RM. 60,000,000 (1939).

Business: Described as the largest independent coal undertaking in Germany but closely connected with the Vereinigte Stahlwerke and the Flick interest.

Interest: The Deutsche Bank is connected with this company through interlocking directorates in the persons of Gustav Brecht, Werner Carp, and Karl Kimmich.

(vi) Erft-Bergbau A. G.:

Address: Brüggen/Erft.

Business: Mining contractors.

Interest: The Deutsche Bank is connected with this company through two interlocking directorships in the persons of Hermann J. Abs and Gustav Brecht.

(vii) Essener Steinkohlenbergwerke A. G.:

Address: Essen.

Capital: RM. 75,000,000 (1942).

Business: Collieries. Subsidiary of Harpener Bergbau described as the largest independent coal undertaking in Germany.

Interest: The Deutsche Bank is represented on the board of this company by two officials, Werner Carp and Karl Kimmich. The latter is chairman of the coal company's advisory board.

(viii) Otavi Minen- und Eisenbahn-Gesellschaft:

Address: Berlin.

Business: Mining and railway company.

Interest: The Deutsche Bank is closely connected with this company through interlocking directorships in the persons of Franz Urbig, Karl Ernst Sippell, and Karl Schirner, all three of whom hold leading official positions in the organization of the mining and railway company.

(g) *Communications*

(i) Deutsche-Atlantische Telegraphengesellschaft:

Address: Berlin.

Business: Wire and telegraph service.

Interest: The Deutsche Bank is closely connected with this company through interlocking directorates. Karl Ernst Sippell, a member of the bank's management committee, is chairman of the company's board of directors, and the bank and the telegraph company have a common director in Hermann Münchmeyer.

(ii) Hochtief A. G. für Hoch- u. Tiefbauten:

Address: Essen.

Business: Telegraph construction.

Interest: The Deutsche Bank is connected with this company through interlocking directorates in the persons of Karl Ernst Sippell and Arthur Koepchen.

(h) *Textiles*

(i) Christian Dierig A. G.:

Address: Langenbielau.

Business: Holding company for the extensive Dierig textile interest.

Interest: Oswald Roessler, member of the management committee of the Deutsche Bank, is a director of the Dierig company; Wolfgang Dierig, a director of the Deutsche Bank, is chairman of the board of directors of Christian Dierig A. G., and apparently has a financial interest in that company.

(ii) Zellstoffabrik Waldhof:

Address: Mannheim.

Business: Artificial fibers, cellulose.

Interest: The Deutsche Bank appears to maintain close relations with Zellstoffabrik Waldhof as it has three representatives on the company's board, two of the three holding high official positions.

(iii) Kammgarnspinnerei Stöhr & Co., A. G.:

Address: Leipzig.

Business: Yarns, textile mills. A subsidiary of Spinnerei Cassmansdorfs.

Interest: The Deutsche Bank is connected with this company through interlocking directorates in the persons of Oswald Rösler, Günther Quandt, and Ernst Schoen von Wildenegg. The latter is deputy chairman of the textile company.

(i) *Miscellaneous*

(i) Deutsche Linoleum-Werke A. G.:

Address: Bietigheim.

Business: Flooring and linoleum.

Interest: Karl Ernst Sippell, a member of the management of the Deutsche Bank, is chairman of the board of this linoleum company. Joachim Kessler, one of the managers of the bank, is a director of the company.

(ii) Deutsche Tafelglass A. G. (Detag):

Address: Furth.

Business: Plate glass.

Interest: The Deutsche Bank appears to be represented on the board of this company by Hugo Henkel and Hans Rummel. The latter is chairman of the board of the glass company.

(iii) Porzellanfabrik Kahla:

Address: Kahla/Thuringen.

Business: Porcelain factory.

Interest: The Deutsche Bank is connected with this company through interlocking directorships in the persons of Franz Urbig, and Hans Rummel. The latter is chairman of the porcelain company's board.

(iv) Dyckerhoff Portland-Zementwerke A. G.:

Address: Amoneburg.

Capital: RM. 20,000,000.

Business: Cement.

Interest: The Deutsche Bank appears to be connected with this company through two interlocking directorships.

(v) Schwabenbrau A. G.:

Address: Dusseldorf.

Business: Brewery.

Interest: The Deutsche Bank is connected with this company through two interlocking directors.

(vi) Rudolph Karstadt A. G.:

Address: Berlin.

Business: Trading company with 8 subsidiaries.

Interest: The Deutsche Bank is connected with this company through interlocking directorates in the persons of Hermann Münchmeyer and Clemens Plassman.

D. RELATION TO ENTERPRISES OR OTHER BANKING INSTITUTIONS OUTSIDE OF GERMANY

1. Banks

(a) Creditanstalt-Bankverein:

Address: Vienna, Austria.

Capital: R.M. 70,700,000.

Business: This was formerly Austria's most important commercial bank. Following the banking crisis of 1931 its control was taken over by the Austrian Government and the Austrian National Bank. Following the incorporation of Austria into the German Reich in 1938 the German Government became the owner of 76 percent of the shares of the Creditanstalt Bankverein and turned them over to the Reich holding company, Vereinigte Industrie A. G. (VIAG).

Interest: VIAG turned over first 25 percent and later 26 percent of this interest in the Creditanstalt-Bankverein to the Deutsche Bank. The Deutsche Bank agreed in return not to establish a branch of its own in Austria but to use the Creditanstalt-Bankverein and its branches as a regional network in order to provide some degree of decentralization for German banking. The Austrian bank thus became Germany's largest regional bank. With the acquisition of control in this institution, the Deutsche Bank acquired indirect control of three smaller Austrian banks as well as a bank in Belgrade, Yugoslavia. The Creditanstalt-Bankverein has been employed by the Deutsche Bank as its partner or agent in penetrating into the banking structure of central European countries.

(b) Bank für Kaernten:

Address: Klagenfurt, Austria.

Capital: R.M. 3,000,000.

Business: Commercial bank.

Interest: The Deutsche Bank controls the Bank für Kaernten through the Creditanstalt-Bankverein, which holds the majority interest. The Bayerische Hypotheken- und Wechsel-Bank of Munich, leading Bavarian mortgage institution, has held a minority interest in the Bank für Kaernten since 1922. Since the Anschluss three branches of the Bank für Kaernten have been taken over by the Creditanstalt-Bankverein and added to the latter's network.

(c) Bank für Oberdenour und Salzburg:

Address: Linz, Austria.

Capital: R.M. 6,000,000.

Business: Commercial bank.

Interest: The Deutsche Bank controls the Bank für Oberdenour und Salzburg through the Creditanstalt-Bankverein which holds a 75 percent interest in it. A minority interest in the Bank für Oberdenour und Salzburg (25 percent) has been held by the Bayerische Vereinsbank, important regional bank of Munich, since 1921.

(d) Bank für Tirol und Verarlberg A. G.:

Address: Innsbruck, Austria.

Capital: R.M. 1,000,000.

Business: Commercial bank.

Interest: The Deutsche Bank controls the Bank für Tirol und Verarlberg A. G. through the Creditanstalt-Bankverein which has a 75 percent interest in it. A minority interest (25 percent) has been held by the Bayerische Vereins-Bank, important regional bank of Munich, since 1921.

(e) Böhmsche Union-Bank:

Address: Prague, Protectorate of Bohemia-Moravia (formerly part of Czechoslovakia).

Capital: R.M. 15,000,000.

Business: This is the largest commercial bank in Prague. In 1943 it had nine branches.

Interest: The Deutsche Bank controls the Böhmsche Union-Bank through a direct participation of 59 percent and the participation of 33 percent held by the Creditanstalt-Bankverein. The Deutsche Bank assumed the control of this institution in 1939.

(f) Banca Comerciala Romana:

Address: Bucharest, Rumania.

Capital: R.M. 7,500,000.

Business: Commercial banking.

Interest: In 1941 the Deutsche Bank took over from a Franco-Belgian group consisting of the Banque de l'Union Parisienne, Societe Generale de Belgique, and the Banque d'Anvers, the majority of the shares of the Banca Comerciala Romana. As of 1943 the Deutsche Bank held a 59 percent interest in the Creditanstalt-Bankverein and a 30 percent interest in the Banca Comerciala Romana.

(g) Banca Comerciala si Industriala:

Address: Bucharest, Rumania.

Capital: R.M. 600,000.

Business: Commercial banking.

Interest: The Deutsche Bank controls the Banca Comerciala si Industriala through the Banca Comerciala Romana.

(h) Deutsch Bulgarische Kreditbank:

Address: Sofia, Bulgaria.

Capital: R.M. 1,500,000.

Business: Commercial banking, chiefly to finance trade between Germany and Bulgaria. Since its establishment in 1905 this bank has been the center of German interests in Bulgaria.

Interest: The Deutsch Bulgarische Kreditbank has been a subsidiary of the Deutsche Bank since 1929. As of 1943 it was reported that the Deutsche Bank held a 63 percent interest and the Creditanstalt Bankverein of Vienna, now a subsidiary of Deutsche Bank a 30 percent interest in the Deutsch Bulgarische Kreditbank.

(i) Apatiner Bank und Sparkasse A. G.:

Address: Apati, Hungary (formerly Yugoslavia).

Capital: R.M. 4,000,000.

Business: Commercial and savings bank.

Interest: The Deutsche Bank has an indirect interest in this bank through the Creditanstalt Bankverein.

(j) Landesbank von Bosnien und Herzegovina:

Address: Sarajevo, Croatia.

Capital: R.M. 1,000,000.

Business: Commercial banking.

Interest: The Deutsche Bank has an interest in this institution through a majority participation held by the Creditanstalt Bankverein.

(k) Bankverein für Kroatien A. G.:

Address: Zagreb, Croatia.

Capital: R.M. 6,300,000.

Business: Finance international trade.

Interest: The Deutsche Bank controls the Bankverein für Kroatien A. G. through a 15 percent direct interest, and an indirect interest through two subsidiaries, the Creditanstalt Bankverein of Vienna and the Böhmische Union-Bank of Prague which hold respectively interests of 55 percent and 10 percent in the Bankverein für Kroatien A. G. Small participations in this Croatian bank are held by two other Berlin banks, the Commerzbank and the Reichs-Kredit-Gesellschaft. This was formerly a branch of the Allgemeine Yugoslavischer Bankverein A. G.

(l) Bankverein A. G.:

Address: Belgrade, Serbia.

Capital: R.M. 5,000,000.

Business: Finance international trade.

Interest: The Deutsche Bank controls the Bankverein A. G. of Belgrade, through a 13 percent direct interest and through indirect interests of 51 percent held by the Creditanstalt Bankverein of Vienna and 7 percent by the Böhmische Union-Bank of Prague. The two last-mentioned institutions are subsidiaries of the Deutsche Bank. Small participations in the Bankverein A. G. of Belgrade are also held by the three large Berlin banks, the Dresdner Bank, the Commerzbank, and the Reichs-Kredit-Gesellschaft. This was formerly a branch of the Allgemeine Yugoslavischer Bankverein A. G.

(m) Union-Bank Pressburg A. G.:

Address: Bratislava, Slovakia.

Capital: R.M. 4,300,000.

Business: Commercial bank.

Interest: This bank was established in 1940 as the result of a merger of several banks. The Deutsche Bank controls it through its subsidiaries, Creditanstalt Bankverein and the Böhmische Union-Bank, the former of which holds a 55 percent participation and the latter a 45 percent participation in the Union-Bank Pressburg A. G.

(n) Banque Nationale de Grece:

Address: Athens, Greece.

Capital: R.M. 50,000,000.

Business: One of the three largest commercial banks in Athens.

Interest: German penetration of Greek banking took the form chiefly of "collaboration agreements" by the German and Greek banks without the influx of German capital. The Bank Nationale de Grece formed an agreement of this kind with the Deutsche Bank. The Creditanstalt-Bankverein of Austria, controlled by the Deutsche Bank, was included in this arrangement.

(o) Generalbank Luxemburg A. G. (Banque Generale du Luxemburg A.):

Address: Luxemburg.

Capital: R.M. 2,000,000 (only partially paid up).

Business: Commercial and investment banking.

Interest: Prior to 1940 the majority interest in this bank was held by the Societe Generale de Belgique. The Deutsche Bank took over a 30 percent interest with an option on another 30 percent still held, as of 1943, by the Societe Generale de Belgique.

(p) Handels Maatschappij H. Albert de Bary & Company:

Address: Amsterdam, Holland.

Capital: R.M. 20,000,000.

Business: Commercial banking firm.

Interest: Prior to World War II, the Deutsche Bank held a participation in this Dutch banking firm which during the period of occupation of the Netherlands has been increased to almost complete control (95 percent).

(q) Bank voor West-Europeeschen-Handel (Bank for West European Trade):

Address: Amsterdam, Holland.

Business: This Dutch bank was founded in 1940 by the German "big banks" under the leadership of the Deutsche Bank and the Dresdner Bank. It is reported that its purpose was the financing of international trade.

Interest: Jointly controlled by the Deutsche Bank with other Berliner Grossbanken.

(r) Deutsche Asiatische Bank:

Address: Shanghai, China (head office).

Capital: R.M. 3,400,000 (1938).

Business: Finance trade with the Far East. In 1938 it had two branches in Germany (Berlin and Hamburg) and six in China.

Interest: This bank was established as a joint enterprise of the Deutsche Bank and the other Berliner Grossbanken.

2. Industries

(a) Compania Hispano-Americana de Electricidad:

Address: Madrid.

Capital: 120,000,000 pesetas as of 1936.

Business: Holding company for foreign utilities.

Interest: Capitalized at 120,000,000 pesetas. This company was, before the last war, a German enterprise with public utility holdings in South America. Following the war it was reorganized as a Spanish corporation with Belgian, Swiss, French, British, and Spanish capital joining the old German interest. The chief interest in the Belgian group is Sofina, large Belgian holding company, by which CHADE is 15 percent owned. As of 1942, the German interests were represented on the board of the company by Hermann Abs and Karl Kimmich of the Deutsche Bank, and Hermann Buecher of the Allgemeine Elektrizitäts Gesellschaft. The Spanish interests were the Banco de Bilbao, the Banco Urquijo, and the Catalan group, consisting of the Banco Espanos de Credito, the Garigimeno brothers, and the Sociedad Financiera de Industrias y Transportes. CHADE is of little significance in the Spanish electrical field. It operates primarily in South America, where its principal property is CADE, which is under Sofina management.

(b) Prager Eisen-Industrie-Gesellschaft:

Address: Prague.

Business: Iron industry.

Interest: Interlocking directorates indicate that the Deutsche Bank has an interest in this enterprise. Wilhelm Zangen, a director of the Deutsche Bank, is deputy chairman of the iron company's advisory board; Oswald Rösler, of the Deutsche Bank's management committee, is a member of the executive committee of Prager Eisen-Industrie-Gesellschaft.

(c) S. A. des Acieries Reunies de Burbach-Eich-Dudelange (ARBED):

Address: Luxemburg.

Capital: 1,250,000,000 Luxemburg francs.

Business: Large operating and holding company with extensive interests in steel, coal, and heavy industry, and with numerous international connections which include several important German enterprises. ARBED is the principal stockholder in Felten & Guillaume Carlswerk A. G., with which the Deutsche Bank appears to be connected, Kurt von Schröder, chairman of Felten & Guillaume and a partner of the J. H. Stein banking firm in Cologne, heads one of the ARBED companies. ARBED is the only one of the Lorraine-Luxemburg steel interests which after the German occupation was accepted into the German economy without a change of owners.

Interest: After the German occupation of western Europe the Belgian bank, Ste. Generale de Belgique sold half of its interest of 10 percent in ARBED to the Deutsche Bank. The interest in ARBED held by the Ste. Generale de Belgique was reported as 125,000,000 Belgian francs, which would indicate that the financial interest of the Deutsche Bank in ARBED is approximately 62,500,000 Belgian francs.

(d) Steyr Werke:

Business: Largest Austrian automobile enterprise, now engaged in the manufacture of armaments.

Interest: The Deutsche Bank may have an indirect interest in this company, as since the beginning of World War II the Deutsche Bank's Austrian subsidiary, the Creditanstalt-Bankverein, together with the Länderbank of Vienna, underwrote an issue of RM. 50,000,000 of industrial bonds of the Steyr Werke.

(e) Kontinentale Rohstoff-und Papier-Industrie (Kontag):

Address: Austria.

Business: Cellulose and paper manufacturing enterprise, successor to the Aryanized Bunzl & Biach which had been the largest cellulose concern in Austria.

Interest: The Deutsche Bank has an indirect interest in this company through its subsidiary, the Creditanstalt-Bankverein, which, during the Aryanization of Bunzl & Biach acquired a majority interest in Kontag.

E. MANAGEMENT PERSONNEL

Names of directors, etc. (1944)

Management committee:

Hermann J. Abs.
Erich Bechtolf.
Robert Frowein.
Karl Ritter von Halt.
Heinrich Hunke.
Johannes Kiehl.
Clemens Plassmann.
Oswald Roesler.
Hans Rummel.
Karl Ernst Sippell.

Board of directors:

Franz Urbig, honorary chairman.
Karl Kimmich, chairman.
Hans Oesterlinck, vice chairman.
Albert Pietzsch, vice chairman.
Gustav Brecht.
Werner Carp.
Wolfgang Dierig.
Hugo Eckener.
Otto Fitzner.
Richard Freudenberg.

Board of directors—Continued

Franz Hasslacher.
Herman Ludwig von Hatzfeldt.
Hugo Henkel.
Florian Klöckner.
Arthur Koepchen.
Emil Kreibich.
Hermann R. Muenchmeyer.
Gunter Quandt.
Philipp F. Reemtsma.
Wolfgang Reuter.
Ernst Enno Russell.
Ernst Schoen v. Wildenegg.
Hermann v. Siemens.
Rudolf Stahl.
Emil Georg v. Stauss.
Erich Tgahrt.
Richard F. Ullner.
Johann P. Vielmetter.
Theodor Wiedemann.
Wilhelm Zangen.

Herman J. Abs

Herman J. Abs is a banker and industrialist whose rise within the Nazi economy has been phenomenal. There is no record of his participation in commercial undertakings prior to 1938, when it was first reported that he was a member of the management committee of the Deutsche Bank and a member of the Creditanstalt-Bankverein. His success within the next 4 years is the more remarkable in the light of his having begun his career as secretary to Cardinal Schulte, the Archbishop of Cologne.

Nevertheless, between 1938 and 1942, his connections extended through 40 of the most important banks and industries in Germany. It may be that he is merely a figurehead for the Government or the protector of the interests of the Deutsche Bank. In the field of banking alone his influence has expanded from affiliation with only the Deutsche Bank and the Creditanstalt-Bankverein (controlled by the Deutsche Bank) to that of director of an imposing list of Deutsche Bank-controlled financial institutions in the Balkans.

Abs is on the board of numerous enterprises in the field of utilities, heavy industries, munitions, machine tools, etc. He is a director of I. G. Farben, Metallgesellschaft, Deutsche Solvay-Werke and others. He is on the boards of 26 important industrial companies and 14 banking institutions.

Herman Abs is about 48 years of age. He is one of the prominent lay Catholic leaders in Germany, and rumors persist that he is a potential leader of the Catholic opposition in the country. However, no reference to his political activities is available and it may be concluded that his preoccupation arising from affiliation with 40 banks and commercial enterprises has prevented any appreciable contribution to the work of the opposition.

His banking and commercial connections were the following in 1942:

Banking.—Deutsche Bank (Berlin) (total assets in 1941, R.M. 7,500,000)—Member of the management committee; also in charge of the bank's foreign department.

Creditanstalt-Bankverein, Vienna (51 percent owned by Deutsche Bank and 25 percent owned by VIAG)—Deputy chairman of board of directors.

Allgemeiner Jugoslawischer Bank-Verein A. G., Belgrade (majority control held by Creditanstalt-Bankverein, above, which founded this bank: sole representative of German interests in Serbia)—Director.

Landesbank für Bosnien und Herzegovina, Sarajevo (majority control held by Creditanstalt-Bankverein, above, which founded this bank)—Member of management committee.

Bohmische Union Bank, Prague (59 percent owned by Deutsche Bank and 35 percent owned by Creditanstalt-Bankverein, above)—Member of management committee.

Kreditbank, Sofia (50 percent owned by the Deutsche Bank)—Chairman of board of directors.

Banca Commerciala Romana, Budapest (59 percent owned by Deutsche Bank and 30 percent owned by Bohmische Union Bank, above)—Deputy chairman of advisory board.

Deutsch-Asiatische Bank, Shanghai-Berlin (organized by the six Berlinen Grossbanken for the purpose of expanding trade in China)—Deputy chairman of board of directors.

Generalbank Luxemburg, A. G., Luxemburg (large participations by Deutsche Bank)—Deputy chairman of board of directors.

Luxemburger Unionbank Anon. Ges., Luxemburg—Director.

Handel-Maatschappij H. Albert de Bary & Co., N. V., Amsterdam (interests of Deutsche Bank in this institution extend to 1937; Deutsche Bank acquired full control after the outbreak of war in 1939)—Chairman of board of directors.

Rheinisch-Westfälische Boden-Credit-Bank, Cologne (specializes in second mortgages)—Director.

Deutsche Ueberseeische, Berlin—Chairman of board of directors.

Deutsche Reichsbank, Berlin—Member of advisory board.

Industrial.—Iron and steel works: Metallgesellschaft A. G., Frankfurt/Main (subsidiary of I. G. Farben; it is the dominant industrial concern of the Metal Trust in the field of nonferrous metals and related industrial spheres; major shareholders are the British Metal Corp. and the Schweizerische Gesellschaft für Metalwerke)—Director.

Neunkircher Eisenwerk A. G., Vorm. Gebr. Stumm, Neunkirchen/Sarr (large trading and manufacturing company producing iron products. It is capitalized at R.M. 40,000,000, and its major shareholders are the Stumm brothers and Otto Wolff)—Director.

Pittler Werkzeugmaschinenfabrik A. G., Leipzig-Wahren (machine tools, capitalized at R.M. 5,000,000; majority owned by the Commerz Bank and the Dresdner Bank)—Chairman of board of directors.

Walther-Staubtechnik G. m. b. H., Köln-Dell-bruck (manufacturing concern for boilers and heavy shell equipment)—Director.

Mining: Bergwerks-gesellschaft Dahlbusch, Gelsenkischen (subsidiary of Deutsche Solvay-Werke, A. G., below, capitalized at R.M. 15,000,000; it specializes in coal and belongs to the Rheinisch-Westfälische Kohlensyndikat; in 1936 it was owned jointly by Deutsche Solvay-Werke A. G., below, and the Libby-Owens concern)—Chairman of board of directors.

Schlesische Bergwerks und Hütten A. G., Beuthen (majority control by Metallgesellschaft A. G., above, and Schweizerische Gesellschaft für Metalwerte; it is capitalized at R.M. 16,200,000)—Chairman of board of directors.

Erft-Bergbau A. G., Brüggen/Erft (mining contractors)—Director.

Utilities: Compania Hispano-Americana de Electricidad, Madrid (holding company for foreign utilities, particularly in Argentina, France and Belgium; its directorate is predominantly Spanish and British)—Director.

Rheinisch-Westfälisches Elektrizitäts-Werk A. G., Essen (subsidiary of Vereinigte Industrie-Unternehmungen A. G.)—Director.

Munitions: Accumulatoren-Fabrik A. G., Berlin (storage batteries; 75 percent owned by E. Gunther Quandt; it is capitalized at R.M. 21,250,000 and participates in other electrical enterprises; maintains many important affiliates in Hungary, Sweden, Finland, Yugoslavia, and Holland)—Chairman of board of directors.

Deutsche Waffen- und Munitionsfabriken A. G., Berlin (ammunition works, probably affiliated with Accumulatoren-Fabrik, above, whose majority stockholder, Quandt, is also chairman of the board of directors of Deutsche Waffen- und Munitionsfabriken)—Director.

Chemicals and dyes: I. G. Farbenindustrie A. G., Frankfurt am Main (this huge German Dye Trust was capitalized in 1939 at R.M. 730,000,000 and had total assets of R.M. 1,900,000,000)—Director.

Deutsche Solvay-Werke A. G., Bernburg (capitalized at R.M. 55,000,000; it is controlled by the Belgian Solvay family)—Director.

Kontinentale Oel-A. G., Berlin—Director.

Cement works: Portland-Cementwerke Heidelberg A. G., Heidelberg (capitalized at R.M. 27,100,000)—Deputy chairman of board of directors.

Dyckerhoff Portland-Zementwerke A. G., Amoneburg (capitalized at R.M. 20,000,000; its majority shareholder is the Dyckerhoff family)—Director.

Rayons and cellulose: Algemeene-Kunstzijde Unie N. V. Arnheim, Holland—Deputy chairman of board of directors.

Vereinigte Glanzstoff-Fabriken A. G., Elberfeld (rayon, in 1936 100 percent owned by Algemeene Kuntzide Unie N. V., above; it is capitalized at R.M. 76,500,000; among its subsidiaries are the North American Rayon Corp., of Tennessee, the American Bemberg Corp., of Tennessee, and the British Bemberg Corp., Ltd., of London)—Chairman of the board of directors.

Aschaffenburg Zellstoffwerke A. G., Berlin (cellulose, capitalized at R.M. 23,200,000; it maintains affiliates in Holland and Finland)—Director.

Photographic equipment and precision instruments: Zeiss Ikon A. G., Dresden (majority stockholder is the huge Carl Zeiss concern)—Deputy chairman of board of directors.

Transportation: Compania de Ferrocarriles Suramericanos Gran Ferrocarril de Venezuela, Madrid—Director.

Real estate and construction: Philipp Holzmann A. G., Frankfurt am Main (capitalized at R.M. 12,900,000; its own extensive storage and factory structures and maintains construction works in South America, Greece, and Turkey)—Chairman of board of directors.

Leather: Norddeutsche Lederwerke A. G., Berlin—Chairman of board of directors.

Glass works: Deutsche Libbey-Owens Gesellschaft für Maschinelle (33½ percent owned by Bergwerks-gesellschaft Dahlbusch, above; glass manufacturing with patents held by Libby-Owens; capitalized at R.M. 11,500,000)—Director.

Miscellaneous (business not ascertained): Mechanik G. m. b. H., Rochlitz, Leipzig-Wahren—Chairman of board of directors.

H. F. & Ph. F. Reemtsma, Hamburg-Bahrenfeld—Member of advisory board.

Erich Bechtolf

Erich Bechtolf, appointed to the management committee of the Deutsche Bank in 1942, is also a member of the committee on admissions, Hamburg Stock Exchange, as well as a member of the management committee of the Securities Exchange, Hamburg.

In addition to his activities in the financial field, Bechtolf is on the board of directors of a number of industries producing rubber and asbestos, cement, leather, and other products. He is reported to be a foreign trade-expert, and is considered politically disinterested.

Bechtolf was born in Hamburg on August 4, 1891; his address is listed as 8 Adolphsplatz. While little information is available concerning his personal and political background, his business and financial connections are as follows:

Industrial.—Stader Lederfabrik, A. G., Stade (leather)—Chairman of the board.
Tretorn Gummi- und Asbestwerke, A. G., Hamburg (rubber and asbestos)—Chairman of the Board. (Helsingborgs Gummifabriks A/B, Helsingborg, Sweden, is the majority stockholder.)

Portland-Cementfabrik, Hemmoor (cement)—Deputy chairman of the advisory board.

Guano-Werke, A. G., formerly Ohlendorffsche und Merck'sche werke, Hamburg (fertilizers)—Director.

Norddeutsche Affinerie, Hamburg (miscellaneous metals)—Director.

Navigation.—Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft, Hamburg—Deputy chairman of the advisory board.

Hamburg-Amerikanische Packetfahrt, A. G. Hamburg—Director.

Insurance.—Nord-Deutsche Versicherungs-Gesellschaft, Hamburg—Director.

Nord-Deutsche Lebensversicherungs, A. G., Hamburg—Director.

Financial.—Liquidations-Casse in Hamburg, A. G., Hamburg (finance company)—Director.

Gustav Brecht

Gustav Brecht, a member of the board of directors of the Deutsche Bank and an official of the war-production program (Wehrwirtschaftsführer), is an engineer who is primarily associated with the lignite-mining industry of Germany. He is chairman of the bank committee of Rheinische A. G. für Braunkohlenbergbau und Brikettfabrikation, Cologne, and is deputy chairman of the advisory board of Braunkohle-Benzin A. G., Berlin, lignite mining and benzine company, which is affiliated with the I. G. Farben and VIAG (Vereinigte Industrie-Unternehmungen Aktiengesellschaft) combines.

Following his studies in the secondary schools of Lübeck, he studied mechanical and electro-engineering at technical colleges in Brunswick and Berlin. Brecht was born on January 9, 1880, in Lübeck. He is the son of Ernst Walther Brecht, managing director of Lübeck-Buchener Eisenbahngesellschaft, a railroad company. He married Nora Deppe of Brussels on April 12, 1912, and has three children.

Brecht's latest known address was Lindenallee 39, Köln-Marienburg/and Essen. His professional career has been as follows:

1904—construction overseer, Railroad Board, Berlin and Essen.

1906—Regierungs-Baumeister, Railroad Board.

1907—given leave of absence to take over a division of the Allgemeine Elektrizitäts Gesellschaft (AEG).

1911—having returned to Government service, directed operations for opening up of the electrical main line from Bitterfeld to Dessau.

1912—Prussian Ministry of Works.

1914—Served in the World War as captain of reserves; was wounded and taken prisoner.

1918—Councilor and head of the section on coal and energy economy of the Reich Ministry of Economy.

1920—Retired from Government service and became a member of the management committee of Reichskohlen Verband A. G., Berlin.

1925—Chairman of the management committee of Rheinische A. G. für Braunkohlen-Berbau und Brikettfabrikation, Köln, and chairman or substitute chairman of the boards of directors of Rheinisches Braunkohlen Syndikat, Köln, Rheinische Elektrizitäts Werke, and A. G. Köln.

1924-25—Served in Paris as a member of the Special Committee on Procedures on Reparations.

His political, business, and financial connections in 1942 were as follows:

Political.—Wehrwirtschaftsführer—Leader of War Economy.

Banking.—Deutsche Bank, Berlin—Member of the board of directors.

Insurance.—Allianz Lebensversicherungs A. G., Berlin (life insurance)—Member of the board of directors.

Industrial.—Coal and lignite: Rheinische A. G. für Braunkohlenbergbau u. Brikettfabrikation, Köln (lignite mining and briquet manufacture)—Chairman of the bank committee.

Rheinische Braunkohlen-Syndikat G. m. b. H., Cologne—Chairman of the board of directors.

Rheinische Elektrizitätswerk ein Braunkohlenrevier A. G., Cologne (electric works for lignite mines)—Chairman of the board of directors.

Rheinische Braunkohlentiefbaugesellschaft m. b. H., Cologne, (construction for lignite mines)—Chairman of the board of directors.

Union Rheinische Braunkohlen-Kraftstoff A. G., Cologne—Chairman of the board of directors.

Braunkohle-Benzin A. G., Berlin (lignite-benzine, I. G. Farben-VIAG affiliate)—Deputy chairman of the advisory board.

Braunkohlen-Industrie A. G., "Zukunft," Eschweiler—Director.

Braunkohlen-und Briketwerke Roddergrube A. G. (lignite and compressed fuels)—Director.

Mining construction.—Erft-Bergbau A. G., Bruggen Erft—Deputy chairman of the advisory board.

Harpener Bergbau A. G., Dortmund—Director.

Miscellaneous.—Felten und Guilleaume Carlswerk A. G., Köln-Mülheim (construction of plant for wire manufacture)—Director.

Maschinenfabrik Buckau R. Wolf A. G., Magdeburg (machines)—Director.

Professional.—Bezirksgruppe Rheinischer Braunkohlenbergbau der Wirtschaftsgruppe Bergbau (district group for lignite mining construction)—Chief.

Wirtschaftsgruppe Bergbau, Berlin (economic group for mining construction)—Deputy chief.

Industrie- und Handelskammer, Cologne (Köln Chamber for Industry and Commerce)—Member of the advisory board.

Wirtschaftskammer Cologne (economic chamber)—Member of the advisory board.

Prasidium Reichsvereinigung Kohle, Berlin (German Coal Association)—Member.

Werner Carp

Werner Carp is a director of the Deutsche Bank. In 1938 he was vice chairman of the executive council of the directorate for the steel cartel, Vereinigte Stahlwerke, A. G. Although it is not reported that he is now affiliated with Vereinigte Stahlwerke, he is a member of the board of a number of important mining and smelting enterprises.

In 1942 his commercial and industrial connections were the following:

Banking.—Deutsche Bank Rheinisch-Westfälischer Beirat der Deutschen Bank, Berlin—Member of the advisory board.

Insurance.—"Albingia" Versicherungs A. G., Hamburg—Director.

Industrial.—Mining: Essener Steinkohlenbergwerke A. G., Essen (collieries)—Director.

Gutehoffnungshütte A. G. für Bergbau und Hüttenbetrieb, Nuremberg (mining and smelting works)—Director.

Franz Haniel A. G., Duisburg-Ruhrort (coal works affiliated with Gutehoffnungshütte A. G., above)—Chairman of the board of directors.

Harpener Bergbau A. G., Dortmund—Director.

Cable works: Deutsche Kabelwerke A. G., Berlin—Director.

Kabelwerk-Rheydt A. G., Rheydt—Director

Armaments: Rheinische-Westfälische Sprengstoff A. G., Cologne (explosives)—Director.

Schiess A. G., Dusseldorf (rifles)—Director.

Shipping: Oldenburg - Portugiesische Dampfschiffs - Rhederi, Hamburg—Director.

Machinery: Daimler-Benz A. G., Stuttgart-Untertürkheim (motors)—Director.

Demag A. G., Duisburg (mining products and machinery)—Director.

Wolfgang Dierig

Wolfgang Dierig, a director of the Deutsche Bank, the largest bank in Germany, is an important figure in the German textile industry.

He is chairman of the board of Christian Dierig A. G., one of the most important German textile enterprises, which has several subsidiaries. Since Dierig is listed as a factory owner, and this firm bears his name, it seems safe to conclude that he has an important interest in it.

In addition to the connection of Christian Dierig, A. G. with the Deutsche Bank through Wolfgang Dierig, it should be noted that on the board of the textile company are found representatives of two other large German banks, Berliner Handelsgesellschaft and the Deutschen Bank und Disconto Gesellschaft.

Of Wolfgang Dierig's other board memberships it may be mentioned that A. G. fuer Bleicherei Faerberei, Appretur, and Druckerei; Ernest Mallinckrodt A. G.; Gebrüder Moras A. G.; Spinnerei und Weberei Kottren; Augsburg

Buntweberei vorm., L. A. Riedinger und Ausruestungsanstalt Wiesenthal A. G. are subsidiaries of Christian Dierig A. G.

Wolfgang Dierig is domiciled at Langenbielan Schlesien. His financial and business connections are as follows:

Banking.—Deutsche Bank, Berlin—Director.

Industrial.—A. G. fuer Bleicherei Faerberei, Appretur, und Druckerei, Augsburg (dyeing, processing, and printing of textiles)—Chairman of board of directors.

Christian Dierig A. G., Langenbielan Schlesien (textiles, cotton, processing, and financing)—Chairman of board of directors.

Ernst Mallinckrodt A. G., Leipzig (cotton textiles)—Chairman of board of directors.

F. H. Hommersen A. G., Osnabrück (cotton textiles)—Deputy chairman of the advisory board.

Gebruder Moras A. G., Zittau (textiles)—Deputy chairman of the advisory board.

Spinnerei und Weberei Kottorn, Kottorn bei Kempten (textiles)—Deputy chairman of the advisory board.

Augsburger Buntweberei vorm., L. A. Riedinger, Augsburg (textiles)—Director.

Ausruestungsanstalt Wiesenthal A. G. i. L., Brombach (textile processing)—Director.

Hugo Eckener

Hugo Eckener, a director of the Deutsche Bank, is one of the main promoters in the field of dirigible airships. Eckener has made his name virtually synonymous with the progress of airship construction and flying. Today, nearing the age of 80, he can look back on a series of achievements that have taken him through the skies of four continents and brought him acclaim and honors from a dozen nations.

Born in Flensburg on August 10, 1868, he is the son of a prosperous tobacconist. From high school he went to the universities of Munich and Berlin, majoring in the arts, music, economics, and philosophy. When Eckener was graduated he became a journalist and wrote a series of criticisms on the efforts of the airship pioneer, Count Ferdinand von Zeppelin. Impressed by the intelligence of these criticisms, the then aging Count called upon Eckener and converted him into an airship enthusiast. Eventually they became close friends, Eckener assuming the position of press agent, fund raiser and, finally, the builder and operator of the airships he and the Count conceived.

After the First World War, when Count von Zeppelin died, Eckener was willed control over the Zeppelin airship construction enterprises and commenced building a number of very large dirigibles which became the talk of the world in the period from 1930 to the *Hindenburg* disaster in 1937.

Eckener never participated actively in politics, so that when the Nazis came into power in 1933 he refused them his assistance. Later, in 1936, a more serious clash occurred when he refused to allow his big ships to carry propaganda material for the Nazi movement. It is alleged that Joseph Goebbels forced the German press to refrain from mentioning Eckener or any of his activities.

The New York Times of December 9, 1938, however, reports that "Eckener was Hitler's guest at the luncheon ceremonies at the launching of the first German airplane carrier." The article also stated that "This was the first formal recognition of Dr. Eckener since his tilt with Goebbels."

Hugo Eckener has been honored by leading scientific institutions both in Germany and abroad. The National Geographic Magazine awarded him its medal in 1930; in 1936 he won the British gold medal for aeronautics; and he has won the coveted Harmon International Trophy five times. As recently as 1937 he was awarded the Guggenheim gold medal. Eckener has a son, Knut Eckener, who is also engaged in airship construction.

Eckener is the deputy chairman of the board of Aero Union A. G., Berlin, a company devoted to the promotion and furthering of airship communication both in Germany and abroad. The main shareholders in this enterprise are the Allgemeine Electricitäts Gesellschaft A. G., Berlin, the Hamburg Amerika Line, the Luftschiffbau G. m. b. H., as well as the large metal trading corporation, the Metallgesellschaft.

Hugo Eckener's financial and business connections are:

Financial.—Deutsche Bank—Director.

Industry and transportation.—Luftschiffahrt-Zeppelin G. m. b. H. (airship construction)—Chairman, board of directors.

Aero Union A. G., Berlin (air transport)—Deputy chairman, board of directors.

Richard Freudenberg

Richard Freudenberg, a director of the Deutsche Bank and owner of the private banking house of Carl Freudenberg, is an official of the German Department of Economic Welfare.

Freudenberg's industrial interests lie in the field of shoe manufacturing. The majority stock of Conrad Tack & Co., a shoe factory with capital of R.M. 5,300,000, is owned by his private banking firm, Carl Freudenberg. Richard Freudenberg is on the board of another small shoe factory, Gustav Hoffman A. G. (capital R.M. 2,300,000). The banking firm of Carl Freudenberg holds certain patents in the United States, presumably connected with shoe manufacture, but no value has been declared on this property.

Richard Freudenberg is a director of Gerling-Kongerin Lebensversicherung A. G. This is a life insurance company which is a member of a group of insurance companies known as the Gerling Concern, which seems to derive a great many of their customers from the German steel and iron industry.

Freudenberg lives at Lützelsachsener Strasse, Berlin. His political, financial, and business connections are as follows:

Political.—German Department of Economic Warfare—Official.

Banking.—Carl Freudenberg, Weinheim/Bergstrasse (private banking house).

Deutsche Bank, Berlin—Director.

Industry.—Conrad Tack & Cie., Berlin (shoe industry)—Owner.

Gustav Hoffman A. G., Kleve (shoe industry)—Director.

Insurance.—Gerling-Kongerin Lebensversicherung A. G., Koeln.

Karl Ritter von Halt

Ritter von Halt is a member of the management committee of the Deutsche Bank. He has little influence in the management, his principal function being to represent the bank as employer against the Labor Front. He owes that position to his membership in the Nazi Party. Ritter von Halt is mainly interested in sports. He has for many years held the position of manager of the German Olympic Committee.

Background.—Ritter von Halt was born June 2, 1891, in Munich. He attended the University of Munich and holds the degree of doctor of political science. During World War I he was a lieutenant of infantry, was wounded and taken prisoner by the English. He holds several Austrian and German decorations. Beginning with 1918 he became active both in banking and sports. He has held several high positions on German boards dealing with sports. In March 1944 he was reportedly sent to Bucharest in his capacity as member of the International Olympic Committee. Some years ago he was a submanager in the Jewish banking firm of S. Aufhäuser in Munich. He left that position at the request of the Nazi Party to accept an appointment at the Deutsche Bank.

His financial and industrial activities as of 1942 were as follows:

Banking.—Deutsche Reichsbank, Berlin—Member of advisory board.

Deutsche Bank, Berlin—Director.

Deutsche Verkehrs-Kredit-Bank A. G., Berlin (Bank of the Ministry of Transportation)—Director.

Creditanstalt-Bankverein, Vienna—Chairman of the board of directors.

Industrial.—Alpen-Elektrowerke A. G., Vienna (subsidiary of Vereinigte Industrie-Unternehmungen A. G. (VIAG))—Director.

Wiener Allianz Versicherungs A. G., Vienna (insurance company)—Chairman of the board of directors.

Brüder Hasslacher & Co., Hermagor, Austria—Partner.

"Slavonia" Oesterreichische Holzindustrie A. G., Vienna (wood)—Chairman of the board of directors.

"Semperit" Gummiwerke A. G., Vienna (rubber products)—Chairman of the board of directors.

Säge-Hobel- und Elektrowerk (sawmill, planing, and electricity), Wetzmann/Carinthia, Austria—Owner.

Mitropä Mitteleuropäische Schlafwagen- und Speisewagen A. G., Berlin (pullman sleeping and dining car company)—Director.

Deutsche Reichsbahn, Berlin (German Reich Railway System)—Member of the advisory board.

Franz Hasslacher

Franz Hasslacher has leading managerial connections with four large German and Austrian banks. He is also a director of a subsidiary of the Vereinigte Industrie-Unternehmungen A. G. (VIAG) and of a variety of other important enterprises in Germany and Austria.

Hasslacher, who has the title of Commercial Councillor, was born November 20, 1884, in Lind-Drautal, a small place very near the Yugoslav border in the Province of Carinthia in Austria. He is decorated with the Cross of Commendatore of the Italian crown.

It is safe to assume that Hasslacher is a trusted Nazi. As an Austrian he has attained powerful positions in Germany since the Anschluss and increased his activities in Austria in comparison to those he was engaged in in 1937.

His Austrian financial and industrial connections as of 1937, i. e., pre-Anschluss were as follows:

Banking.—Oesterreichische Creditanstalt-Wiener Bankverein, Vienna—Vice president.

Industrial.—Fa. Brüder Hasslacher & Co., Hermagor, Austria—Partner.

Oesterreichische Brundesbahnen (Austrian State Railway System)—Director. Austrian branch of the Riunione Adriatica di Sicurtà (Italian insurance company)—Director.

Miscellaneous.—Bund der oesterreichischen Industrieller (Association of Austrian Industrialists)—Member of executive committee.

Fachverband der Holzindustrie (Professional Association of the Wood Industry)—Chairman.

Societe Continentale de Gestion (a holding company), Monaco—Director.

Herman von Hatzfeldt

Von Hatzfeldt, a member of the Silesian nobility, is a director in the Deutsche Bank. His family owns large estates in Silesia where he is connected with two small companies.

Background.—Von Hatzfeldt was born in 1874. He has occupied a number of diplomatic posts in Europe and South America. He was at one time Charge d'Affaires at the German Embassy in Washington. In 1918 he was German delegate at The Hague negotiating the exchange of war prisoners. This work took him to London and Cairo. In 1921 he was appointed Governor of Upper Silesia. It is not known whether or not he still holds that post.

Von Hatzfeldt's known connections are as follows:

Banking.—Deutsche Bank, Berlin—Director.

Industry.—Trachenberger Molkerei G. m. b. H., Trachenberg (grains)—Chairman.

Trachenberg-Militscher Kreisbahn A. G., Berlin (railways, subsidiary of Aktiengesellschaft für Verkehrswesen).

Dr. Hugo Henkel

Dr. Hugo Henkel's activities in the banking and industrial fields link him closely to the Nazi Party and Government. Besides his directorship with the Deutsche Bank, Berlin, and his position as district adviser to the Reichsbank at Düsseldorf, he is a director of the I. G. Farben subsidiary, Duisburger Kupferhütte, Duisburg (copper mines). Politically, he is affiliated with the Advertising Council for German Economy, the industrial committee of the Chamber of Commerce at Berlin, and the Chemical Division of the German Labor Front, Berlin. In the latter organization he acts as a special chemical adviser.

Hugo Henkel was born on January 21, 1881 in Düsseldorf, Germany, the son of Fritz Henkel, who was a prominent manufacturer and Councillor of Commerce. Obtaining his early education at the Oberrealschule (higher modern school) and the Realgymnasium (semiclassical secondary school), Hugo Henkel continued his studies at the Technical College of Stuttgart and the University of Berlin, where he received the degree of doctor of philosophy in 1905.

Entering his father's firm of Henkel & Cie. in March 1905, he rapidly rose to the position of partner, and in 1908 became the sole manager of the Henkel-Werke, a manufacturing concern which produces numerous well known chemical products.

In 1908, too, Hugo Henkel married Gerda Janssen, the daughter of Prof. Karl Janssen, a noted sculptor and teacher at the Art Academy of Düsseldorf. He has five children: Jost, born July 27, 1909, Ruth born December 16, 1910; Elizabeth, born May 1, 1914; Konrad, born October 25, 1915, and Paul, born December 11, 1916.

His political, banking, and industrial connections are as follows:

Political.—Ratsheer der Stadt Düsseldorf—(town councillor).

Industrie- und Handelskammer, Düsseldorf (Industrial and Commercial Chamber of Commerce)—Adviser.

Industrieabteilung der Wirtschaftskammer, Düsseldorf (industrial division of Düsseldorf Chamber of Commerce)—Adviser.

Deutsche Arbeitsfront, Fachamt Chemie, Berlin (Labor Front, Chemical Division)—Chemical Adviser.

Fachgruppe Verarbeitung von Walen der Wirtschaftsgruppe Chemische Industrie (chemical association), Berlin—Chairman.

Wirtschaftsgruppe Chemische Industrie, Wirtschaftskammerbezirk, Düsseldorf (economic group of chemical industry)—General director.

Banking.—Deutsche Bank, Berlin—Director.

Rheinisch-Westfälische Boden-Credit-Bank, Köln (mortgage bank)—Director.
Reichsbankstelle, Düsseldorf (division of the Reichsbank, Düsseldorf)—District adviser.

Industry.—Chemical: E. Matthes & Weber A. G., Duisburg—Chairman of the board of directors.

Henkel & Cie, A. G., Düsseldorf—Director.

Henkel & Cie G. m. b. H., Düsseldorf-Holthausen—Adviser.

Brewery: A. G. Schwabenbräu, Düsseldorf—Director.

Brauerei Tivoli G. m. b. H., Krefeld—Director.

Heavy machinery, construction and metals: Büttner Werke A. G., Uerdingen (Machinery)—Director.

Deutsche Gold- und Silber Scheideanstalt, vorm. (fine metals)—Director.

Duisburger Kupferhütte, Duisburg (copper mine)—Director.

M. Gladbach (building construction)—Director.

Fr. Hesser Maschinen-Fabrik A. G., Stuttgart-Bad-Cannstatt (machines)—Director.

Coal, paper, woollens and candy: Deutsche Hydrierwerke A. G., Chemnitz (coal)—Director.

Deutsche Tafelglas A. G. (Detag), Fürth (glass)—Director.

Feldmühle Papier- und Zellstoffwerke A. G., Stettin-Odermünde (paper and cellulose)—Director.

Gebrüder Stollwerk A. G., Köln (chocolate and confectionery)—Director.

Advertising: Ala Anzeigen A. G., Berlin—Director.

Miscellaneous: Roessler, Frankfurt am Main—Director.

Werberat der Deutschen Wirtschaft—Member.

Dr. Karl Kimmich

Dr. Karl Kimmich, one of the most prominent and influential individuals in the Nazi-controlled economy, is a director of the Deutsche Bank and a member of the advisory board of the Deutsche Reichsbank. Reputed to be one of Germany's banking experts, he became identified with the Deutsche Bank following its merger with the Diskonto Gesellschaft, of which he had been manager. He occupies a strategic position of leadership and responsibility in numerous branches of commerce and industry, and his industrial connections represent a cross section of enterprises geared to all phases of the Nazi war machine, including the means of production. These affiliations, naturally, are heavily concentrated in the huge German combines.

Kimmich is a director of the Vereinigte Stahlwerke and is associated in the heavy industries with enterprises controlled by I. G. Farben, VIAG, Friedrich Flick, and Hugo Stinnes. In the field of utilities his connections include the powerful Gesellschaft für Elektrische Unternehmungen and the AEG combine. Kimmich's affiliation with the Krupp empire, however, was apparently terminated in 1942 when it was reported that he had resigned from the management of the mining company, Constantin der Grosse, a Krupp interest.

Dr. Kimmich was born in Ulm, Germany, on September 14, 1880. He typifies the integration of finance and industry in behalf of the German State through his own leadership in those activities.

Karl Kimmich's financial and industrial connections are as follows:

Banking.—Deutsche Bank, Berlin (total assets, 1942: RM. 7,504,000,000)—Director.

Deutsche Reichsbank, Berlin—Member of advisory board.

Financial.—Allianz Versicherungs A. G., Berlin (insurance; capitalized at RM 60,000,000, it is one of the largest insurance companies in Germany; another director is Friedrich Flick)—Director.

Industrial.—Iron and steel: Rheinische Stahlwerke, Essen (steel; capitalized at RM 150,000,000; it is 44.9 percent owned by I. G. Farben; also belongs to the Rheinisch-Westfälisches Kohlensyndikat, the coal cartel)—Director.

Vereinigte Stahlwerke A. G., Düsseldorf (steel and coal combine; in 1939 capitalized at RM. 460,000,000 and total assets reported as RM. 1,864,014,000. Other directors are Schmitz, of I. G. Farben; Flick, of the Flick combine; Pferd-menges, of Oppenheim and Cie.; Stein, of J. H. Stein; and Fentner von Vlissingen, of Holland)—Director.

Mitteldeutsche Stahlwerke A. G., Riesa/Sachs (steel; 100 percent owned by Friedrich Flick A. G.)—Director.

Eisenwerk-Ges. Maximilianshütte, Sulzbach-Rosenberg Hütte (iron and steel, 80 percent owned by Mitteldeutsche Stahlwerke A. G., above)—Director.

Harpener Bergbau A. G., Dortmund (steel; majority of stock owned by Eisenwerk-Ges. Maximilianshütte, above, and 10 percent owned by von Vlissingen, Flick's close friend and a notorious Dutch Nazi)—Director.

Eisen-und Hüttenwerke A. G., Cologne (steel; belongs to the Otto Wolf group which has been prominent in the German trade penetration of South America and the Far East)—Deputy chairman of advisory board.

Klockner-Werke A. G., Castrop-Raukeo (ores and trading; largest enterprise of the Klockner group)—Chairman of the advisory board.

Hoesch A. G., Dortmund (mines and foundry; capitalized at RM. 100,800,000; belongs to the Rheinisch-Westfälisches Kohlensyndikat)—Chairman of board of directors.

Coaling mining: Bergbau A. G. Ewald-König Ludwig, Essen (coal mining; 30 percent owned by the Thyssen group)—Deputy chairman of advisory board.

Mühlheimer Bergwerks-Verein, Essen (mining; 62.5 percent owned by the Stinnes group; also a member of the Rheinisch-Westfälisches Kohlensyndikat)—Director.

Essener Steinkohlenbergwerke A. G., Essen (coal; capitalized at RM 63,000,000, it is another Flick enterprise; 38 percent owned by Harpener Bergbau, above)—Chairman of advisory board.

Lignite: Braunkohlen-Industrie A. G., "Zukunft, Eschweiler Demag A. G." (capitalized at RM 16,000,000; majority of stock is held by Rheinisch-Westfälisches Elektrizitätswerk A. G.)—Director.

Rheinische A. G., für Braunkohlenbergbau und Brikettfabrikation, Cologne (capitalized at RM. 73,000,000; majority of stock is held by Rheinisch-Westfälisches Elektrizitätswerke A. G.)—Member of board of directors.

Utilities: Ges. für Elektrische Unternehmungen A. G., Berlin (important holding company for utility and industrial developments. Has many subsidiaries in Germany and abroad, particularly in Hungary, Belgium, France, Spain, and Mexico)—Chairman of board of directors.

Ullgemeine Elektrizitäts Gesellschaft (electrical products; 25 percent owned by Ges. für Elektrizitätswerke Westfalen, above, and 25 percent owned by International General Electric of New York)—Deputy chairman of advisory board.

Compania Hispano-Americana de Electricidad S. A., Brussels, Belgium (affiliated with Ges. für Elektrische Unternehmungen, above; originally founded with all the assets of the Deutsche-Überseeischen Elektrizitäts Gesellschaft)—Deputy chairman of advisory board.

Vereinigte Elektrizitätswerke Westfalen A. G., Dortmund (a large utility company, capitalized at RM. 40,000,000; it is owned by 136 cities in Westfalia)—Director.

Machinery: Rheinmetall-Borsig A. G., Düsseldorf (machinery and metal works; capitalized at RM. 50,000,000; its total assets are RM. 148,000,000; it is 58.96 percent owned by VIAG and about 10 percent owned by Friedrich Krupp A. G.)—Director.

Chemicals and oils: Deutsche Erdöl A. G., Berlin (synthetic oils and mineral oil products; capitalized at RM. 100,000,000, it belongs to two of the most powerful cartels in Germany, the Synthetic Nitrogen Cartel and the Rheinisch Westfälisches Kohlensyndikat)—Chairman of board of directors.

Henkel & Cie., A. G. Düsseldorf (chemicals; 100 percent owned by the Henkel family; specializes in the manufacture of soap and chemical laundry powder; has numerous foreign subsidiaries and metal works)—Member of advisory board.

Dr. Florian Klöckner

Florian Klöckner, director of the Deutsche Bank of Berlin, is prominent in the coal and metal industry of Germany.

Klöckner is closely connected with the so-called Klöckner combine which is controlled by the large holding company, Klöckner Eisen A. G., of Duisburg. Klöckner is chairman of the board of Klöckner-Werke A. G., a large metal processing and trading firm capitalized at RM. 105,000,000, which, in addition to belonging to the Klöckner combine, is a member of both the Rheinisch Westfälisches Kohlen Syndikat (coal cartel) and of the Synthetic Nitrogen Cartel.

Florian Klöckner is chairman of the board of Klöckner-Humboldt-Deutz A. G., a large motor and machinery concern of which Klöckner-Werke A. G. and Klöckner Eisen A. G. hold the majority of the stock. He is also a director of Klöckner

Flugmotorenbau G. m. b. H. This company, which manufactures aeroplane motors, was not listed in earlier directories and is probably one of the Klöckner combine's war developments.

Florian Klöckner is on the management committee of Gewerkschaft Victor, Stickstoffwerk Castrop, a large synthetic nitrogen company, a majority of the stock of which is owned by Klöckner-Werke A. G.

Florian Klöckner, who is an honorary doctor of political science, was born in Coblenz on October 4, 1868. He had a high school education and was trained in a banking firm. In 1891 he entered the iron industry and became a partner of Klöckner & Co. During World War I he served as a captain of the reserves, but after being wounded was assigned to the Ministry of War, Division of Raw Materials.

From 1920 to 1933, he was a Member of the German Reichstag.

During the present war, Klöckner, along with Stinnes and Friedrich Flick, has had an important influence in the coal trade in Belgium.

Klöckner had the following financial and business connections in 1942:

Banking.—Deutsche Bank, Berlin—Director.

Industry.—Klöckner Flugmotorenbau G. m. b. H., Hamburg (airplane motors)—Director.

Klöckner-Werke A. G., Duisburg (metals, processing, trade)—Chairman, board of directors.

Klöckner Humboldt-Deutz A. G. Köln-Deutz (metals, processing, trade)—Chairman, board of directors.

Eckhardt & Co. A. G., Hamburg (trade in metals and byproducts)—Director.

Gewerkschaft Victor Stickstoffwerke Castrop-Rauxel (synthetic nitrogen)—Chairman, mining management committee.

Arthur Koepchen

Arthur Koepchen, an engineer by profession, is a director of the Deutsche Bank and connected with the management of many corporations, principally in the public utilities and mining fields. A number of these corporations are subsidiaries or affiliations of two of the largest German combines, namely AEG (Allgemeine Elektrizitäts Gesellschaft) and VIAG (Vereinigte Industrie Unternehmungen).

Koepchen was born on August 30, 1878. His address is 13 Maybachstrasse, Essen. In 1942 he had the following business and financial connections:

Banking.—Deutsche Bank—Director.

Industrial.—Utilities: Kraftwerke Altwürttemberg, A. G., Behingen (water power)—Chairman.

Leck Elektrizitätswerke A. G., Augsburg (water power)—Chairman.

Rheinisch-Elektrizitäts A. G., Mannheim (electrical apparatus)—Chairman.

Rheinkraftwerke Albrück-Dogern, A. G., Waldschut/Baden (water power installations)—Chairman.

Niederrheinische Licht u. Kraftwerke A. G., Rheydt (light and power)—Deputy chairman.

Schluchseewerk A. G., Freiburg (water power)—Deputy chairman.

Vorarlberger Illwerke, A. G., Bregenz (subsidiary of Elektrizitäts Versorgung Württemberg A. G.)—Deputy chairman.

A. G. für Energiewirtschaft, Berlin (electricity, gas, water; 100 percent owned by Allgemeine Gas und Elektrizitäts A. G., Bremen)—Director.

Elektrizitäts-Lieferungs Gesellschaft, Berlin (electric power)—Director.

Elektrowerke A. G., Berlin (electrical energy; subsidiary of VIAG)—Director.

Isarwerke A. G., München (water power, electricity; subsidiary of Rheinisch-Westfälische Elekt. A. G.)—Director.

Märkisches Elektrizitätswerke A. G., Berlin (electric and gas installations)—Director.

Preussische Elektrizitäts A. G., Berlin (electric power; subsidiary of Elekt. A. G. Mitteldeutschland, Kassel)—Director.

Main-Kraftwerke, A. G., Frankfurt (electric light and power)—Chairman.

Elektrizitäts A. G., vorm W. Lahmeyer & Co., Frankfurt (electrical equipment)—Member of managing committee.

Rheinisch-Westfälisches Elektrizitätswerk, A. G., Essen (light and power; subsidiary of VIAG)—Member of managing committee.

Oberstein-Idarer Elektrizitäts A. G., Idar (electric light and power; subsidiary of Rheinische Westfälisches Elekt. A. G.)—Chairman of advisory board.

Coal and other fuels: Braunkohlen-Industrie, A. G., Zukunft Weisweiler, Eschweiler (Lignite; subsidiary of Eschweiler Bergwerke Verein)—Chairman.

Eschweiler Bergwerke Verein Kohlscheid (coal and fuels)—Director.

Rheinische A. G. für Braunkohlenbergbau u. Brikettenfabrik, Köln (fuels; subsidiary of Rheinisch-Westfälisches Elekt. A. G.)—Director.

Braunkohlen und Briketwerke Roddergrube A. G., Brühl bei Köln (lignite, fuels)—Director.

Metals: Vereinigte Aluminum Werke A. G., Berlin (subsidiary of VIAG)—Director.

Construction materials: Hochtief A. G. für Hoch- und Tiefbauten, Essen (construction and construction materials; subsidiary of AEG)—Member of managing committee.

Miscellaneous: Nordwestdeutsche Kraftwerke A. G., Hamburg—Director.

Emil Kreibich

Emil Kreibich, director of the Deutsche Bank, is a member of the management committee of the Böhmisches Union Bank of Prague, in which the Deutsche Bank has acquired a 59 percent interest since 1940. Kreibich also holds a prominent position in the textile industry of Czechoslovakia.

Kreibich was born in Walkowitz, a small town in an area which later became part of Czechoslovakia. It would appear that most of Kreibich's connection with Czechoslovak textile companies, as well as his connection with the Deutsche Bank, may have been gained as a result of his willingness to cooperate with German interests, after the absorption of Czechoslovakia. Although he was a member of the management committee of the Bohmische Union Bank before the Germans marched into Czechoslovakia, his connections with the Deutsche Bank and with a number of the Czechoslovak textile companies have been made since that event took place.

Kreibich's present address is 638 Bahnhofstrasse, Schluckernau, Sudetenland. His business and financial connections were as follows in 1942:

Political.—Wehrwirtschaftsführer (Official, Department Economic Warfare and War Production Board).

Banking.—Deutsche Bank, Berlin—Director.

Böhmische Union Bank, Prague—Member of the executive committee.

Industrial.—Textiles: A. G. für Textilindustrie, Königinhof (textiles)—Member of the executive committee.

M.B. Neumann's Söhne-Union Weberei und Druckerei A. G. Königinhof (textiles)—Member of the executive committee.

Maco-Spinnerei u. Zwirnersi Rudolf Weber's, Erben Schluckeman (textiles)—Coowner and technical Director.

Fried. Mattausch & Sohn K. G. für Textilindustrie Bersen (textiles; limited liability company)—Director.

Hohensemser Weberei und Druckerei A. G., Hohenems (textiles)—Chairman of board of directors.

Neudeker Wallkammerei und Kammgarnspinnerei A. G., Neudek, Engerland (wool textiles)—Director.

Kunstseidenspinnerei A. G., Senica (rayon)—Member of executive committee.

Wegena Corset-Fabrik Dr. Thannhäuser A.G., Berlin (corsets; limited liability company)—Director.

Erste Böhmische Kunstseidefabrik A. G., Theresienthal bei Arnau (rayon)—Chairman of the executive committee.

Reichsstelle für Baumwolle, Bremen (National Bureau of Cotton Industry)—Member of the advisory board.

Bezirkgruppe Sudetenland der Fachgruppe Baumwollspinnerei der Wirtschaftgruppe Textilindustrie, Reichenberg (cotton association; limited liability company)—Director.

Insurance: Bohm.-Mährische Versicherungs A. G. für Gewerbe Handel und Industrie, Prague (insurance)—Member of the executive Committee.

Direktionsrat für den Sudetengau du Riunione Adriatica die Sicunta (Adriatische Versicherungs-Gesellschaft, Reichenburg) (insurance group)—Member.

Miscellaneous: Industrie- und Handelskammer, Reichenberg (chamber of commerce)—Director.

Aussenhandelsstelle für das Sudetenland, Reichenberg (export office for the Sudetenland)—Administrator.

Bezirksausgleichsstelle für öffentliche Aufträge, Industrieabteilung und Industrie- und Handelskammerabteilung der Wirtschaftskammer Sudetenland, Reichenberg (official trade and industrial guild)—Administrator.

Basaltschottenwerk Botzen G. m. b. H., Kaiserswalde bei Schluckenau (stone)—Chairman of the management committee.

Hermann Münchmeyer

Hermann R. Münchmeyer, a director of the Deutsche Bank, is also the owner of Münchmeyer & Co., assumedly a private banking house.

Münchmeyer is prominent in German insurance affairs and is a director of Siemens & Halske A. G., which challenges the position of General Electric Co. as the largest manufacturer of electrical equipment in the world. This huge enterprise, capitalized at RM 107,000,000, produced in 1939, 60 to 80 percent of all telephone and telegraph equipment, 50 percent of all U boat motors, and 40 percent of all fine measuring instruments in Germany. Today Siemens is totally converted to production of war goods, whether in the primary or secondary state. The company also has subsidiaries and affiliates all over the world and in the electrical field it has been extremely influential in South America.

Münchmeyer is also a director of Deutsch-Atlantische Telegraphengesellschaft, a cable company which maintains cables from Germany to South America, Africa, Asia, and Australia, and through Western Union connects with the United States. Its capital is only about RM. 5,000,000 but its board includes people prominent in German shipping and communications.

Hermann Münchmeyer was born on July 30, 1875, in Hamburg and is reported to reside at Alsterdamm No. 33, Hamburg, and his known financial and industrial connections are as follows:

Banking.—Deutsche Bank, Berlin—Director.

Münchmeyer & Co. (private bank)—Owner.

Insurance.—Norddeutsche Lebensversicherungs A. G., Hamburg (all types of insurance; capital, RM. 10,000,000)—Chairman of board of directors.

Norddeutsche Versicherungs Ges., Hamburg (life insurance; subsidiary of Norddeutsche Lebensversicherungs A. G.)—Chairman of board of directors.

Aachener- und Münchener Feuer- Versicherungs Ges., Aachen (capital, RM. 20,000,000; many affiliates in Germany, and world-wide system of agencies)—Member of board of directors.

Hamburg-Bremer Rückversicherungs A. G., Hamburg (reinsurance)—Member of board of directors.

Niedersachsen Versicherungs A. G., Hamburg (appears to have been taken over by the Gerling insurance group in 1937)—Member of board of directors.

Miscellaneous.—Deutsch-Atlantische Telegraphengesellschaft, Hamburg (telegraph)—Director.

Rudolph Karstadt A. G., Berlin (trading company with 8 subsidiaries)—Director.

Kepa A. G., Berlin—Director.

Lederwerke Wiemann A. G., Hamburg (leather; capital, RM. 5,000,000)—Director.

Buxtehuder Lederfabrik A. G., Hamburg (leather; subsidiary of Lederwerke Wiemann A. G.)—Director.

Industrial.—Siemens & Halske A. G., Berlin (electrical)—Member of board of directors.

Hans Oesterlinck

Hans Oesterlinck, a director of the Deutsche Bank, is a member of the Advisory Council of the Deutsche Reichbank, the German central bank, and the bank of issue.

Oesterlinck is also a director of the Deutsche Centralbodenkredit A. G., semi-governmental mortgage bank which has a close connection with the Deutsche Bank. Among Oesterlinck's associates on the board of the Deutsche Centralbodenkredit, A. G., are such individuals as Pferdmeniges of Oppenheim & Cie., generally identified with the German steel industry: Count Hans Bodo von Alvensleben, president of the exclusive Herrenklub, and said to have been instrumental in helping Hitler integrate himself with the Rhineland industrialists; and the Duke of Saxe-Coburg, who is the most prominent member of the German nobility to have embraced nazism.

Hans Oesterlinck was born May 14, 1882, in Breslau. He is the son of an architect. After having studied law, he passed an examination to qualify as an assistant judge.

In World War I Oesterlinck received the Iron Cross of the first and second class, considered a marked distinction in Germany.

After the war he obtained employment from January 1, 1919, to December 21, 1931, in the Prussian Bureau of Commerce. Later he obtained an appointment as substitute state commissioner of the Berlin Stock Exchange. Since January 1, 1942, he has been on the managing committee of the Deutsche Centralbodenkredit A. G. He is chairman of the associated group of German mortgage banks.

Hans Oesterlinck's address is Berlin-Wannsee, Tristanstr. 15. His business and financial connections were as follows, in 1942:

Banking.—Deutsche Reichsbank (central bank)—Member of the advisory board.

Deutsche Bank, Berlin—Director.

Fachgruppe Private Hypothekenbanken in der Wirtschaftsgruppe Privates Bankgewerbe, Berlin (national association of private mortgage banks)—Executive.

Deutsche Centralbodenkredit A. G., Berlin—Member of the management committee.

Gemeinschaft agruppe Deutscher Hypothekenbanken, Berlin (national association of mortgage banks)—Chairman.

Albert Pietzsch

Albert Pietzsch is a member of the supervisory board of the Deutsche Bank and a member of the supervisory board of the Deutsche Reichsbank, Berlin. He is also a member of the advisory board of the German railways, holds important political positions including that of president of the Reich Economic Chamber in Berlin. In addition, he has a number of important industrial holdings, including control of the Elektro-Chemische Werke in Munich.

Albert Pietzsch has been an adviser of Hitler since 1925, and is alleged to be one of the men who financed Hitler in the early days of the Nazi Party. Pietzsch has also been reported as instrumental in helping Hitler achieve financial domination of occupied countries.

Background.—Albert Pietzsch was born June 28, 1874. From 1894 to 1898 he studied mechanical engineering at the Technical Institute of Dresden. In 1900 he began his career as an engineer and invented various new processes, in particular one concerned with the production of potash liquor. In 1910 he founded the firm of Adolph Pietzsch Co., which eventually became the powerful Elektro-Chemische Werke in Munich.

Holdings in the United States.—Albert Pietzsch, on August 6, 1940, obtained United States patent No. 2,210,429, on apparatus for filtering gases. As reported by patent attorneys, Buckley & Bean, 1608 Liberty Bank Building, Buffalo, N. Y., this patent has been assigned to a United States citizen, Charles A. Buerk, Buffalo, N. Y.

Albert Pietzsch is the owner of 510 shares of the Buffalo Chemico-Electric Co., Inc., chemical manufacturers of Buffalo, N. Y., a national of Switzerland and Germany. The stock is estimated at \$51,000.

He also holds a voting trust certificate of approximately 32½ shares of Sucro-Blanc, S. A., a Cuban corporation, the value of which is nominally reported at \$12 per share. The voting trust is held by the Buffalo Electro-Chemical as agents for Pietzsch.

Another 350 shares of the Buffalo corporation, estimated at \$35,000, is held by Pietzsch as executor of the estate of his deceased daughter, Ingeborg Schickert, for the benefit of her minor heirs, Dorothea and Franziska, for whom a voting trust of some 22½ shares of Sucro-Blanc is also held.

Albert Pietzsch's known connections are as follows:

Political.—Leader of the district adjustment committee for the Industrial and Commerce Division of the Bavarian Economic Chamber.

President of the Industrial and Commerce Chamber of Munich.

President of the Reich Economic Chamber of Berlin.

Banking.—Deutsche Reichsbank—Member of the supervisory board.

Deutsche Bank—Member of the supervisory board.

Industry.—Elektro-Chemische Werke in Munich—General manager. He also holds controlling interest.

Filmkunst G. m. b. H., Munchen (movies)—Deputy chairman.

Bayerischer Lloyd Schifffahrts A. G., Regensburg (navigation)—Deputy chairman.

Aktienbrauerei zum Lowenbräu, München (brewery)—Director.

Siemens-Schuckert-Werke A. G., Berlin (electrochemical installations; subsidiary of Siemens & Halske)—Director.

German Railways, Berlin—Member of advisory board.

Clemens Plassman

Clemens Plassman is a member of the managing committee of the Deutsche Bank, a post to which he was only recently appointed. He originally came from the Commerzbank A. G., in which he is still a member of the provincial

committee for eastern Germany. He is reported as having no political connections.

Clemens Plassman is 50 years old. His address is given as 39 Mauerstrasse, Berlin. His known connections are as follows.

Banking.—Deutsche Bank, Berlin—Member of the managing committee.

Commerzbank A. G.—Member of the provincial committee for eastern Germany
Rheinische Hypothekenbank, Mannheim (mortgage bank)—Director.

Industry.—Argenta Schokoladenwerk A. G., Wernigerode (chocolate)—Chairman.

Kasseler Druckerei und Farberei, A. G., Kassel-Bettenhausen (printing and dyeing)—Deputy chairman.

Dyckerhoff Portland-Zementwerke A. G., Mainz-Amöneburg (cement)—Director.

Pongs & Zahn Textilwerke A. G., Viersen (textiles)—Deputy chairman.

Gruschwitz Textilewerke A. G., Neusalz am Oder (textiles)—Director.

Rudolph Karstadt A. G., Berlin (department store)—Director.

Rheinische Kunstseide A. G., Krefeld (artificial silk)—Director.

Vereinigte Deutsche Metallwerke, Frankfurt am Main (metals; subsidiary of Viag)—Director.

Wintershall A. G., Berlin-Kassel—Director.

Günther Quandt

Günther Quandt appears to be one of the more important individuals in the German economy. He is a director in Allgemeine Elektrizitäts-Gesellschaft, a director in the Deutsche Bank, and is connected in one capacity or another with a large number of insurance and industrial concerns. His interests cover a wide field of activities such as automobiles, textiles, chemicals, ammunition, mining, potash, etc. An idea of his wealth may be gathered from his holdings in Accumulatoren-Fabrik A. G., which is but one of some 30 organizations with which he is affiliated. In 1936, that company had a capital and surplus of approximately RM. 30,000,000. Quandt is reported to own 75 percent of the capital stock. At the official rate of exchange this would represent an investment of some \$9,000,000. He is also a part owner of textile concerns which appear to be family affairs such as Gebrüder Draeger Tuchfabrik and Draeger-Werke G. m. b. H. Quandt is a leader in the War Economy (Wehrwirtschaftsführer).

Background.—Günther Quandt was born July 28, 1881, the son of a textile manufacturer in Pritzwalk. He never received a university education, notwithstanding the fact that he now holds an honorary degree of doctor of engineering. He started his business career at the age of 19 when he was entrusted with the management of one of the family's textile factories. He made rapid progress and expanded into other fields of activity. In the spring of 1933, Quandt came in conflict with Josef Goebbels, who by that time had become the husband of Quandt's divorced wife. Goebbels attached the holdings of Quandt in his various firms, asserting that the alimony which Quandt owed to his own child was endangered. A settlement was apparently made, as a result of which Goebbels acquired a portion of Quandt's holdings. At about the same time, Quandt was being criminally prosecuted for alleged mishandling of the Accumulatoren concern. It was reported that Quandt had to deposit bail to the amount of RM. 4,000,000.

No information is available as to the outcome of this affair but the fact that apparently Quandt continued to prosper and now occupies a prominent position in Germany seems to indicate that Quandt managed to patch up his difficulties and remain in favor with the powers that be.

Quandt's known connections are as follows:

Banking.—Deutsche Bank, Berlin—Director.

Westfalenbank A. G., Bochum/Westfalen—Director.

Insurance.—Gerling-Konzern, Rheinische Versicherungsgruppe A. G., Köln (reinsurance; subsidiary of Gerling-Konzern)—Chairman.

Friedrich Wilhelm Lebensversicherungs A. G., Berlin (life insurance; subsidiary of Gerling-Konzern)—Chairman.

Gerling-Konzern, Rückversicherungs A. G., Köln (reinsurance; 100 percent subsidiary of Gerling-Konzern Rheinische Versicherungsgruppe A. G.)—Deputy chairman.

Gerling-Konzern, Lebensversicherungs A. G., Köln (life insurance; 100 percent subsidiary of Gerling-Konzern, Rückversicherungs A. G.)—Deputy chairman.

Industrial.—Allgemeine Elektrizitäts-Gesellschaft, Berlin (electric trust)—Director.

Accumulatoren-Fabrik A. G., Berlin (storage batteries; Quandt owns 75 percent of the stock)—Chairman of management committee.

Deutsche Waffen- und Munitionsfabriken A. G., Berlin (arms and ammunition; probably belongs to the Quandt interests)—Chairman of management committee.

Durener Metallwerke A. G., Berlin (miscellaneous metals; subsidiary of Deutsche Waffen- und Munitionsfabriken A. G.)—Member of management committee.

Berlin-Erfurter Maschinenfabrik Henry Pels & Co., A. G., Berlin (machinery; 100 percent subsidiary of Deutsche Waffen- und Munitionsfabriken A. G.)—Chairman.

Concordia Elektrizitäts A. G., Dortmund (electrical installations; subsidiary of Accumulatoren Fabrik A. G.)—Chairman.

Dominitwerke G. m. b. H., Berlin (electrical apparatus; subsidiary of Accumulatoren-Fabrik A. G.)—Chairman.

Pertrix-Werke G. m. b. H., Berlin (flashlights and batteries; subsidiary of Accumulatoren Fabrik A. G.).

Wintershall A. G., Kassel (potash)—Deputy chairman.

Bergbau A. G. Lothringen, Bochum-Gerthe (mining; subsidiary of Wintershall A. G.)—Deputy chairman.

Gewerkschaft Victor-Stickstoffwerke, Castrop-Rauxel (nitrogen products; owned by Wintershall A. G.)—Member of mining committee.

Gewerkschaft Wintershall, Heringen (mining)—Chairman of mining committee.

Gebrüder Draeger Tuchfabrik, Pritzwalk (textile factory)—Co-owner.

Draeger-Werke G. m. b. H., Potsdam-Babelsberg (textiles)—Manager.

Byk-Guldenwerke Chemische Fabrik A. G., Berlin (chemicals)—Chairman.

Deutsche Wollenwaren-Manufaktur A. G., Grünberg/Schlesien (woolen products; subsidiary of four German Grossbanken under leadership of Dresdner Bank)—Chairman.

Deutsche Tuchsyndikat G. m. b. H., Berlin (German cloth syndicate)—Chairman.

Hermann Herzog & Co. A. G., Neugersdorf/Sachsen (textile finishing; subsidiary of Concordia Spinnerei & Weberei)—Chairman.

Busch-Jaeger, Lüdenscheider Metallwerke A. G., Lüdenscheid/Westfalen (electrical installation apparatus)—Deputy chairman.

A. G. für Verkehrswesen, Berlin (railroads and other transportation)—Director.

Daimler-Benz A. G., Stuttgart (automobiles)—Director.

Deutsches Kalisyndikat G. m. b. H., Berlin (potash syndicate)—Director.

Kammgarnspinnerei Stöhr & Co. A. G., Leipzig (wool yarns, worsteds)—Director.

Vereinigte Kugellagerfabriken A. G., Schweinfurt (ball bearings; subsidiary of SKF of Sweden)—Director.

Oswald Rösler

Oswald Rösler, managing director of the Deutsche Bank and member of the management committee of the bank since 1933, is a prominent German financial and industrial leader. His financial interests extend to Prague, where he is chairman of the executive committee of the Böhmische Union Bank, which is controlled by the Deutsche Bank. He is also deputy chairman of the Deutsche Ueberseeische Bank, Berlin, whose Brazilian branch has been completely liquidated by the Brazilian Government. In the industrial sphere, Rösler's influence extends to the railroad, textile, and machinery fields, and he is chairman of the board of directors of Mannesmannröhren-Werke, Düsseldorf, whose branches in Argentina, Brazil, Chile, and Uruguay have been listed in the Proclaimed List of Certain Blocked Nationals.

According to press reports Rösler, together with Karl Goetz, managing director of the Dresdner Bank, were arrested in November 1944 for refusing to support the Bank der Deutschen Arbeit, banking enterprise of Robert Ley, Nazi Minister of Labor, which reportedly was in difficulties.

Rösler was born on May 26, 1887, in Schweidnitz. His last known address was 8 Mozartstrasse, Berlin-Lankwitz. His business and financial affiliations in 1942 were as follows:

Banking.—Deutsche Bank, Berlin—Member of the management committee.

Deutsche Ueberseeische Bank, Berlin—Deputy chairman of the advisory board.

Böhmische Union-Bank, Prague (controlled by Deutsche Bank)—Chairman of the executive committee.

Borse zu Berlin, Abt. Wertpapierbörse—Member of management committee.
 Gunther Wagner Verwaltungs—Gesellschaft m. b. H., Hannover—Member of the advisory board.

Liquidationsverein für Zeitgeschäfte an der Berliner Wertpapierbörse E. V. Berlin—Member of advisory board.

Insurance.—Alte Leipziger Lebensversicherungsgesellschaft A. G., Leipzig—Member of the board of directors.

Leipziger Feuer-Versicherungs-Anstalt, Leipzig—Member of the board of directors.

Industrial.—Machinery: Mannesmannrohren-Werke, Dusseldorf (metal products)—Chairman of the board of directors.

Schubert & Salzer, Maschinenfabrik A. G., Chemnitz (textiles)—Chairman of the board of directors.

Mannesmannrohren-Werke Komotau A. G., Komotau (metal products)—Deputy chairman of the advisory board.

Maschinenfabrik Buckau R. Wolf A. G., Magdeburg (factory installations)—Chairman of board of directors.

Textiles: Christian Dierig A. G., Langenbielau (holding company)—Member of the board of directors.

Kammgarnspinnerei Stöhr & Co. A. G., Leipzig—Director.

Railroads: Allgemeine Lokalbahn- und Kraftwerke A. G., Berlin—Deputy chairman of the advisory board.

Braunschweiger A. G. für Industriebeteiligungen, Braunschweig (holding company)—Director.

Sugar: Rabbethge & Giesecke A. G., Kleinwanzleben—Director.

Zuckerfabrik Glaugitz, Glaugitz/Anhalt—Director.

Miscellaneous.—Continental Gummi-Werke A. G., Hannover (rubber articles)—Deputy chairman of the advisory board.

Mannesmann-Stahlblechbau A. G., Berlin (steel)—Deputy chairman of the advisory board.

Elektrizitäts-Lieferungs-Gesellschaft, Berlin (public utilities holding company)—Director.

Osnabrucker Kupfer- und Drahtwerk A. G., Osnabruck (wire and cable)—Director.

Westdeutsche Kaufhof A. G., Köln (wholesalers and department stores)—Director.

Wintershall A. G., Kassel (holding company for potash industry)—Director.

Koehlmann-Werke A. G., Frankfurt am Oder—Deputy chairman of the advisory board.

Prager Eisen-Industrie-Gesellschaft, Prague (iron and steel)—Member of the executive committee.

Hans Rummel

Hans Rummel has been a member of the management committee of the Deutsche Bank Berlin since 1931. He is also chairman of the Board of the Bank des Berliner Kassen-Vereins, Berlin.

Rummel's interests extend to many industrial fields, including machinery and porcelain manufacturing. He is chairman of the board of directors of Elektrische Licht- und Kraftanlagen A. G., Berlin, part of the Siemens & Halske A. G. combine.

Rummel was born on March 9, 1882, in Krautostheim/Mittelfranken. He is known as a bank technician who has specialized in the mechanization of the course of payments. He is said to be well versed in the internal organization of the Deutsche Bank, and is classed as a typical administrative official, without ambition, without marked political interests.

Rummel's last known address is 12 Arnimalle, Berlin-Dahlem. His financial and industrial affiliations in 1942 were as follows:

Banking and financial.—Deutsche Bank, Berlin—Member of the management committee.

Bank des Berliner Kassen-Vereins, Berlin—Chairman of the board of directors.

Deutsche Hypothekenbank A. G., Berlin—Member of the board of directors.

Insurance.—Allianz Lebensversicherungs A. G., Berlin—Director.

Industrial.—Porcelain: Porzellanfabrik Kahla, Kahla/Thuringen—Chairman of the board of directors.

Porzellanfabrik Lorenz Hutschenreuther A. G. Selb., Bayern—Chairman of the board of directors.

Machinery: Maschinenfabrik Augsburg-Nurnberg A. G., Augsburg—Director.

R. Stock & Co., Spiralbohrer, Werkzeug- und Maschinenfabrik A. G., Berlin. Marienfelde—Deputy chairman of the advisory board.

Vereinigte Kugellagerfabriken A. G., Schweinfurt—Chairman of the board of directors.

Bayerische Motoren-Werke A. G., Munchen—Deputy chairman of the advisory board.

Miscellaneous.—Deutsche Tafelglas A. G. (Detag), Furth (plate glass)—Chairman of the board of directors.

Elektrische Licht- und Kraftanlagen A. G., Berlin (part of Siemens & Halske A. G.; electric light and power)—Chairman of the board of directors.

Gebr. Junghans Uhrenfabriken A. G., Schramberg, Schwarzwald (watches)—Chairman of the board of directors.

Deutsche Telephonwerke und Kabelindustrie A. G., Berlin (telephones and cables)—Deputy chairman of the advisory board.

Gesellschaft für Electricitäts-Anlagen m. b. H., Berlin (investment in electrical concerns)—Deputy chairman of the advisory board.

Freiherrlich von Tucher'sche Brauerei A. G., Nurnberg (brewery)—Director.

Heliwatt Werke Elektrizitäts A. G., Berlin (electrical apparatus)—Director.

Württembergische Metallwarenfabrik, Geislingen-Staige (metalware)—Director.

Krauss-Maffei A. G., Munchen-Allach—Chairman of the board of directors.

Ernst Enno Russell

Ernst Enno Russell is the deputy chairman of the board of directors of the Deutsche Bank, Berlin, and the Deutsche Hypothekenbank, Weimar.

He was born on May 25, 1869, in Papenburg/Ems and is a doctor of jurisprudence. In 1940, he was a member of the management committee of the Rheinisch-Westfälisches Kohlen-Syndikat, but no longer held this position in 1942, probably due to his advanced age. He resides at 35 Mauerstrasse, Berlin W 8.

His financial connections as of 1942 were as follows:

Deutsche Bank, Berlin—Deputy chairman of board of directors.

Deutsche Hypothekbank (German Mortgage Bank), Weimar—Deputy chairman of board of directors.

Karl Schirner

Karl Schirner, a director of the Deutsche Bank, is a Leader in the German military-economic system (Wehrwirtschaftsführer) and holds prominent positions in two affiliates of the powerful German industrial combine, Vereinigte Industrie-Unternehmungen Aktiengesellschaft (VIAG). He is deputy chairman of the advisory board of Berliner Kraft und Licht A. G., (Bewag), Berlin, a light and power company, and is a member of the board of directors of Vereinigte Aluminium-Werke A. G., Berlin, both concerns being VIAG affiliates. His interests also include several firms in the German oil, coal, and paraffin industries.

Schirner was born on December 1, 1885, in Berlin. His last known address is 9 Karolingerplatz, Berlin-Charlottenburg. His financial and business connections in 1942 were as follows:

Banking.—Deutsche Bank, Berlin—Director.

Industrial.—Oil: Deutsche Erdöl A. G., Berlin (oil wells)—Chairman, bank committee.

Eeysche Erdöl A. G., Berlin—Chairman, board of directors.

Deutsche Viscobil 01—G. m. b. H., Berlin (motor oil)—Chairman, board of directors.

Kontinental Oel A. G., Berlin—Director.

Wax and paraffin: Compes & Cie., A. G., Dusseldorf—Chairman, board of directors.

Carl Rühmsam, Wachswarenfabrik A. G., Fulda—Chairman, board of directors.

Coal: "Briko" Brikett- und Kohlenhandel A. G., Leipzig—Chairman, board of directors.

Stöck & Fischer G. m. b. H., Mannheim—Chairman, board of directors.

Mitteldeutsches Braunkohlen-Syndikat 1936 G. m. b. H., Leipzig (lignite)—Director.

Miscellaneous.—Deutscher Eisenhandel A. G., Berlin (iron dealers)—Chairman, board of directors.

"Vaucefa" Vereinigte Chemische Fabriken A. G., Brandenburg/Havel (chemicals)—Chairman, board of directors.

Berliner Kraft und Licht A. G. (Bewag), Berlin (light and power; a VIAG affiliate)—Deputy chairman of the advisory board.

Berliner Maschinenbau A. G., vormals L. Schwartskopp, Berlin (machine fabrication)—Director.

Gebhardt & Koenig-Deutsche Schachtbau A. G., Nordhausen (borings, pits)—Director.

Vereinigte Aluminium-Werke A.G., Berlin (VIAG affiliate)—Director.
 Zellstofffabrik Waldhof, Mannheim (cellulose)—Director.
 Otavi Minen- und Eisenbahn-Gesellschaft, Berlin (mining and transportation)—Member of the executive committee.

Hermann Schmitz

Hermann Schmitz is one of the most important persons in Germany. He is chairman of I. G. Farbenindustrie and a director in Vereinigte Stahlwerke, the giant steel cartel. He is also a director in a string of I. G. Farbenindustrie subsidiaries as well as in other industrial concerns. He occupies a number of important positions in several leading banks including the bank of issue. He has been for several years a director of the Bank for International Settlements in Basel. He is a member of several political organizations and was made a Member of the Reichstag by the Nazis for his zeal in the service of the Nazi regime.

Background.—Hermann Schmitz, at the time of the Weimar Republic, was economic adviser to Chancellor Brüning, whom he accompanied to London in the summer of 1931. He became, however, an early supporter of Hitler, with whom he collaborated in making I. G. Farbenindustrie a vast spying organization under a commercial cloak. He also conceived a plan of having members of the families of I. G. Farbenindustrie officials emigrate to other countries and become citizens there in order to protect company interests in wartime. He was for a time, the head of the American I. G., the United States subsidiary of German I. G., which later became General Aniline Corp., headed for a time by his brother, Dietrich, a naturalized American citizen.

Hermann Schmitz has been characterized as "deserving a high place on the list of war criminals."

Towards the end of 1943 he was reported as having been in touch with Lisbon friends on behalf of Dr. Schacht. The Lisbon friends, in turn, were to get in touch with New York bankers in the interest of peace. Hermann Schmitz is 63 years old.

Holdings in the United States.—Hermann Schmitz was reported to own as of June, 1941, \$86,000 worth of the stock of General Aniline.

Hermann Schmitz's known connections are as follows:

Political.—Member of the Nazi Reichstag.

Doctor of laws, honoris causa.

Academy for German Law—Member.

Committee for Corporate Law, Berlin—Member.

Banking.—Bank for International Settlements, Basel—Director.

Deutsche Bank—Director.

Reich-Kredit-Gesellschaft—Director.

Deutsche Reichsbank—Member, advisory committee, and member, currency committee.

Deutsche Industriebank—Chairman.

Deutsche Landerbank—Chairman.

Insurance.—Allianz Versicherungs, A. G., Berlin—Director.

Industry.—I. G. Farbenindustrie—Chairman.

Vereinigte Stahlwerke (steel cartel)—Director.

Norske-Hydro, Oslo (synthetic nitrogen; subsidiary of I. G. Farben)—Director.

Ammoniakwerk-Merseburg, G. m. b. H. (ammonia; subsidiary of I. G. Farben)—Manager.

Leuna Werke-Merseburg (ammonia; subsidiary of I. G. Farben)—Manager.

A. G. für Stickstoffdünger, Knapsack/Köln (fertilizers; subsidiary of I. G. Farben)—Chairman.

Deutsche Celluloid Fabrik A. G. Eilenburg (subsidiary of I. G. Farben)—Chairman.

Dynamit A. G. vorm. Noble (subsidiary of I. G. Farben)—Chairman.

Rheinische Stahlwerke (steel works; subsidiary of I. G. Farben)—Chairman.

A. Riebeck'sche Montanwerke (mines; subsidiary of I. G. Farben)—Chairman.

Wolff & Co. Walzrode (chemicals; subsidiary of I. G. Farben)—Chairman.

Kalle & Co. A. G. Wiesbaden (cellulose; subsidiary of I. G. Farben)—Director.

Metallgesellschaft, A. G. (subsidiary of Gold and Silber Scheideanstalt; I. G. Farben has minority interest)—Director.

Bochum-Gelsenkircher Bahngesellschaft (streetcars)—Manager.

Rheinische Gummi und Celluloid Fabrik, Mannheim (rubber and celluloid)—Director.

Stickstoff Syndicat, G. m. b. H. (nitrogen syndicate)—Director.

Max H. Schmid

Max H. Schmid, a director of the Deutsche Bank, is predominantly associated with the paper and cellulose manufacturing, and the machinery and motors industries of Germany.

He was born on June 30, 1891, in Hof/Saale, and on October 27, 1932, he married Miss Lee Boemer in New York City. He was associated with the Deutsche Bank at the time of his marriage.

Schmid's latest known address is listed as 10 Bayernallee, Berlin-Charlottenburg. His financial and business connections in 1942 were as follows:

Banking.—Deutsche Bank, Berlin—Director.

Insurance.—Berlinische Feuer Versicherungs-Anstalt, Berlin—Director.

Industrial.—Paper and cellulose manufacturing: Natron-Papier-Industrie A. G., Wien—Chairman of board of directors.

Papierfabrik Krappitz A. G., Berlin—Chairman of board of directors.

Natronzellsteff- und Papierfabriken A. G., Berlin—Deputy chairman of advisory board.

Neusiedler A. G. für Papierfabrikation, Wien—Member of board of directors.

Zellstoff- und Papierfabrik Frentschach A. G., Berlin (cellulose and paper manufacturing)—Chairman of board of directors.

Zellstofffabrik Waldhof, Berlin (cellulose manufacturing)—Chairman of bank committee; technical director.

C/Y Waldhof A/B, Helsingfors (possibly Finnish subsidiary of Gellstofffabrik Waldhof, Berlin)—Deputy chairman of advisory board.

Machinery and motors: Heinrich Lanz A. G., Mannheim (machines)—Deputy chairman of advisory board.

Bayerische Motorenwerke A. G., Munich (possibly connected with Bayerische Wasserkraftwerke A. G., Munich (VIAG))—Director.

Daimler-Benz A. G., Stuttgart-Unterturkheim (automobiles, airplane motors)—Director.

Deutsche Niles Werke A. G., Berlin (machine and machine parts)—Director.

Schnellpressenfabrik A. G., Heidelberg (printing machinery)—Director.

Miscellaneous.—Minimax A. G., Berlin (fire-fighting apparatus)—Chairman of board of directors.

N. V. Handel-en Transport Mij. Waldhof, Rotterdam (import and export, transportation)—Chairman of board of directors.

J. D. Riedel-E. de Haën A. G., Berlin (chemicals and drugs)—Deputy chairman of advisory board.

N. V. Stuwadoors Mij. "Neptunus," Rotterdam (stevedores)—Deputy chairman of advisory board.

Deutsche Gold- und Silberscheideanstalt vorm. Boessler, Frankfurt am Main (fine metals; gold- and silver-smiths)—Member of board of directors.

Ernst Schoen von Wildenegg

Von Wildenegg is a member of the advisory board of the Deutsche Reichsbank, a director in the Deutsche Bank, a director in the Bayerische Hypotheken- und Wechsel-Bank, the most important Bavarian institution, and in several other banking institutions. He is chairman in three insurance companies and appears on the management of a large number of industrial companies, principally in the metallurgical and textile fields.

Von Wildenegg was born August 22, 1877. He holds the degree of doctor of jurisprudence. His last known address was given as 2 Wilhelm-Seyffert-Strasse, Leipzig, and his known connections are as follows:

Political.—Zulassungsstelle für Wertpapiere an der Mitteldeutschen Borse zu Leipzig (Committee on Admission of Securities on Leipzig Stock Exchange)—Deputy member of management committee.

Banking.—Deutsche Reichsbank, Berlin—Member of advisory board.

Deutsche Reichsbank, Leipzig—Member of district advisory committee.

Deutsche Bank, Berlin—Director.

Allgemeine Deutsche Credit-Anstalt, Leipzig—Member of management committee.

Bayerische Hypotheken- und Wechsel-Bank, München (mortgage bank)—Director.

Sächsische Bodenkreditanstalt, Dresden (mortgage institution)—Deputy chairman.

Deutsche Hypothekenbank, Weimar (mortgage bank)—Director.

Insurance.—Alte Leipziger Lebensversicherungsgesellschaft A. G. Leipzig (life insurance)—Chairman.

Leipziger Feuerversicherungs-Anstalt, Leipzig (fire insurance; subsidiary of Alte Leipziger Lebensversicherungsgesellschaft A. G.)—Chairman.

Leipziger Allgemeine, Transport- und Rückversicherungs- A. G., Leipzig (insurance and reinsurance; subsidiary of Leipziger Feuerversicherungs-Anstalt, Leipzig)—Chairman.

Industrial.—Vomag Maschinenfabrik A. G., Plauen (machinery; jointly owned by Allgemeine Deutsche Credit-Anstalt-Sächsische Bank, Deutsche Bank, Dresdner Bank)—Chairman.

Vogtländische Metallwerke G. m. b. H., Plauen (metals; affiliated with Vomag Maschinenfabrik A. G.)—Member of advisory committee.

Kammgarnspinnerei Stöhr & Co. A. G., Leipzig (yarns, textile mills; subsidiary of Spinnerei Cossmansdorf)—Deputy chairman.

Vaterländische Kammgarnspinnerei und Weberei A. G., Budapest (yarns and textiles; affiliated with Kammgarnspinnerei Stöhr & Co. A. G.)—Director.

Leipziger Wollkämmerei, Leipzig (wool; subsidiary of Kammgarnspinnerei Stöhr & Co. A. G., and Thüringer Wollgarnspinnerei A. G.)—Deputy chairman.

Elberfelder Textilwerke A. G., Wuppertal-Elberfeld (textile mills; subsidiary of Kammgarnspinnerei Stöhr & Co. A. G.)—Director.

C. F. Solbrig Söhne A. G., Chemnitz (cotton yarn mills; subsidiary of Kammgarnspinnerei Stöhr & Co. A. G.).

Mansfeld A. G. für Bergbau u. Hüttenbetrieb, Berlin (copper, brass, etc.)—Chairman.

Kurhessischer Kupferschieferbergbau G. m. b. H., Eisleben (copper mining; subsidiary of Mansfeld A. G., für Bergbau u. Hüttenbetrieb)—Director.

Mansfeldscher Kupferschieferbergbau A. G., Eisleben (copper mining; subsidiary of Mansfeld A. G. für Bergbau u. Hüttenbetrieb, Berlin)—Director.

Riebeck-Brauerei A. G., Leipzig (brewery)—Chairman.

Aktien-Brauerei Neustadt-Magdeburg, Magdeburg (holding company of breweries; subsidiary of Riebeck-Brauerei A. G.)—Director.

Hugo Schneider A. G., Leipzig (copper, aluminum wares; subsidiary of Dresdner Bank)—Chairman.

Thüringer Wollgarnspinnerei A. G., Leipzig (woolen yarn mills)—Chairman.

Leipziger Baumwollspinnerei, Leipzig (cotton mills, textiles)—Deputy chairman.

Eisen- und Hüttenwerke A. G., Köln (iron and coal mining)—Director.

Salzdetfurth A. G., Berlin (potash; jointly owned by a consortium of large German banks)—Director.

Studiengesellschaft Deutscher Kupferschieferbergbau G. m. b. H., Eisleben (copper laboratories)—Director.

Herman von Siemens

Hermann von Siemens, a director of the Deutsche Bank, is closely identified with the giant Siemens electrical concern. He is a rarity among important German industrialists insofar as, outside the above, he is not connected with any institutions other than those owned and managed by the Siemens concern, and even in those he has only three official positions, namely, the board chairmanships in the companies discussed below:

Siemens & Halske A. G., a RM. 107,000,000 company which challenges the position of the General Electric Co. as the largest manufacturer of electrical equipment in the world. Within Germany, responsibility for meeting the major shares of the electrical requirements of the German war machine has been delegated by the German Government to this concern. In spite of the fact that it is predominantly an electrical concern, it also rates as Germany's third largest producer of airplane motors. In comparison with the large Allgemeine Elektrizitäts Gesellschaft, partly American-owned combine, it may be stated that Siemens produces 35 percent, whereas Allgemeine Elektrizitäts Gesellschaft produces only 25 percent of the total output of electrical goods.

Siemens Planiawerke, another Siemens Halske subsidiary of which Hermann von Siemens is the head, is a large enterprise engaged primarily in the production of carbon and graphite electrodes and allied products. It originated from an amalgamation of Gebrüder Siemens & Co. with the Rutgerswerke A. G. in 1928. Today these two companies own all the shares in the Planiawerke.

Another major entity in the Siemens combine is the Siemens-Schuckert-Werke, capitalized at RM. 120,000,000, with far-reaching international agreements. Westinghouse Electrical & Manufacturing Co., of New York, and Brown Boveri & Cie., of Switzerland, are but a few of the companies participating in these agreements. Like "Halske," it maintains its own agencies, factories, and offices in every country of the world.

Both Siemens-Schuckert and Siemens & Halske have interlocking directorships with Vereinigte Stahlwerke, often referred to as the German Steel Trust.

Hermann von Siemens was born September 8, 1885. He resides in 5 am Kleinen Wannsee, Berlin-Wannsee.

His financial and industrial connections are:

Banking.—Deutsche Bank, Berlin—Director.

Industrial.—Siemens & Halske A. G., Berlin (light electrical equipment)—Chairman of the board of directors.

Siemens-Schuckert-Werke A. G., Berlin (heavy electrical equipment)—Chairman of the board of directors.

Siemens-Planawerke A. G. für Kohlefabrikate, Berlin (coal-tar derivatives)—Chairman of the board of directors.

Dr. Karl Ernst Sippell

Dr. Karl Ernst Sippell (doctor of jurisprudence), member of the management committee of the Deutsche Bank, Berlin, and chairman of the board of directors of Deutsche Centralbodenkredit A. G., Berlin, a mortgage banking concern, was formerly a director of the Deutsche Bank und Diskonto-Gesellschaft.

Sippell's other interests appear to be distributed widely between insurance concerns, mining and machinery firms, and utilities. In the latter category, he is a director of Hochtief A. G. für Hoch und Tiefbauten, Essen, a firm engaged in telegraph construction which is affiliated with the large electrical combine, Allgemeine Elektrizitäts Gesellschaft (AEG). He is also associated, as a member of the board of directors, with Deutsche Edelstahlwerke A. G., Krefeld, an affiliate of Vereinigte Stahlwerke Aktiengesellschaft (VS), the German steel combine.

Dr. Sippell was born on February 4, 1889, in Bad Sooden-Allendorf/Werra. He is described as "of good family, politically conservative, a man of no special stamp, no leading personality." His last known address is 22 Wildpfad, Berlin-Dahlem.

His financial and business connections in 1942 were as follows:

Banking.—Deutsche Bank, Berlin—Member of management committee.

Deutsche Centralbodenkredit A. G., Berlin (mortgage banking)—Chairman of the board of directors.

Insurance.—Berlinische Feuer-Versicherungs-Anstalt, Berlin (fire insurance)—Director.

Magdeburger Feuerversicherungs-Gesellschaft, Magdeburg (fire insurance)—Director.

Union und Rhein Versicherungs, A. G., Berlin—Director.

Industrial.—Mining: Bergwerksgesellschaft Gluckauf-Sarstedt m. b. H., Berlin—Chairman of the board of directors.

Otavi Minen- und Eisenbahngesellschaft, Berlin (mining and railroads)—Chairman of the executive committee.

Gewerkschaft Deutschland, Berlin—Chairman of a mining management committee.

Gewerkschaft Westfalen/Ahlen—Member of a mining management committee.

Felten & Guilleaume Carlsberg A. G., Köln (general trade, particularly in mining products)—Member of the board of directors.

Machinery: Heinrich Lanz A. G., Mannheim—Chairman of the board of directors.

Sächsische Textilmaschinenfabrik vorm. Rich. Hartmann A. G., Chemnitz (textile machinery)—Deputy chairman of the advisory board.

Utilities: Rheinische Elektrizitäts A. G., Mannheim (utility)—Director.

Deutsche-Atlantische Telegraphengesellschaft, Berlin (wire and telegraph service)—Chairman of the board of directors.

Hochtief A. G. für Hoch- u. Tiefbauten, Essen (telegraphy construction, an AEG affiliate)—Board of directors.

Miscellaneous.—Deutsche Linoleum-Werke A. G., Bietigheim (flooring and linoleum)—Chairman of the board of directors.

Kali-Chemie A. G., Berlin (fertilizers)—Chairman of the board of directors.

Salzbergwerk Neu-Stassfurt, Berlin (salt)—Chairman of the board of directors.

Salzbergwerk Neu-Stassfurt II, Löderburg (salt)—Chairman of the board of directors.

Zellstofffabrik Waldhof, Berlin (artificial cellulose, fibers)—Chairman of the board of directors.

Deutsche Continental-Gas-Gesellschaft, Dessau (gasoline)—Deputy chairman of the advisory board.

Siddentsche Zucker A. G., Mannheim (sugar)—Deputy chairman of the advisory board.

Deutsche Edelstahlwerke A. G., Krefeld (steel)—Member of board of director (member of VS combine).

Deutsche Erdöl A. G., Berlin (petroleum)—Member of board of directors.

Rudolf Stahl

Rudolf Stahl, a member of the advisory board of the Deutsche Reichsbank and a director of the Deutsche Bank, Berlin, is a Leader in the German military-economic system ("Wehrwirtschaftsführer"). He is deputy manager of the Reichsgruppe Industrie, Berlin, the official industrial association; he is also a member of the advisory board of the Reichswirtschaftskammer, Berlin, German Chamber of Commerce.

Stahl's predominant position in the German economic system has apparently been gained in part through his success in the mining field in his connection with the Salzdettfurth concern in particular.

Stahl was born on April 20, 1884, in Barmen. After engaging in law practice for several years he entered business in 1919 at the age of 35, and after 10 years in business, took over the leadership of Mansfeld A. G. für Bergbau und Hüttenbetrieb in Eisleben, a mining concern. He became associated in the early stages of his business career with the Salzdettfurth group and later took over the large mining and smelting works controlled by a banking group which includes the Deutsche Bank. In 1942 he was chairman of the board of directors of this concern and was also chairman of the bank committee of Salzdettfurth-Konzern Berlin, a potash company he organized by uniting three large potash firms.

After buying control of Mansfeld A. G., Stahl effected an exchange with the Goering Werke of anthracite mines in the Ruhr for coal mines in central Germany, where the Mansfeld anthracite mine holdings are located. From this exchange, for which Stahl is highly praised, the Kali-Jupfer-Kohle-Konzern developed.

Rudolf Stahl's last known address is 18 Tauberstrasse, Berlin-Grünswald. His financial and business connections in 1942 were as follows:

Banking and financial.—Deutsche Bank, Berlin—Director.

Deutsche Reichsbank, Berlin—Member of advisory board.

Deutsche Industriebank—Member of board of managers.

Allgemeine Deutsche Creditanstalt, Leipzig—Director.

Insurance.—Gerling-Konzern Lebensversicherungs A. G., Köln (life insurance)—Director.

Industrial.—Mining and foundry: Salzdettfurth A. G., Berlin—Chairman of board of directors.

Mansfeld A. G. für Bergbau und Hüttenbetrieb, Berlin—General manager.

Preussische Bergwerke und Hütten A. G., Berlin—Director.

Stalberger Zink A. G. für Bergbau und Hüttenbetrieb, Aachen—Director.

Miscellaneous.—Salzdettfurth-Konzern, Berlin (phosphates and fertilizers)—Chairman of the bank committee.

Demag A. G., Duisburg (machinery)—Director.

Deutsche Gold- und Silber-Scheidenstalt, vorm Noessler, Frankfurt am Main (precious metals, chemicals)—Director.

Mannesmannrohren-Werke, Düsseldorf (steel tubes)—Director.

Westfälisch-Anhaltische Sprengstoff A. G., Berlin (ammunition)—Director.

Erich Tgahrt

Erich Tgahrt, who holds membership on the board of directors of Deutsche Bank, Berlin, is also on the board of directors of the Gerling-Konzern Lebensversicherungs, A. G., Dortmund (life insurance). He is chairman of the management committee of Hoesch Köln Neuessen A. G. für Bergbau und Hüttenbetrieb, Dortmund (acquisition and operation of mines, foundries, and rolling mills). In addition he is a director in several subsidiaries of that company as well as other organizations in which the Vereinigte Stahlwerke combine has an interest. He is reported to be chairman of the supervisory board of Maschinenbau und Bahnbedarf A. G., Berlin, of which General Joachim von Stulpnagel has become a member.

Erich Tgahrt, who is 62 years, old is reported to reside at 30 Holmannstrasse, Dortmund. His banking, insurance, and industrial connections are as follows:

Banking.—Deutsche Bank, Berlin—Director.

Insurance.—Gerling-Konzern Lebensversicherungs A. G., Dortmund—Director.

Industrial.—Iron and steel: Hoesch Köln Neuessen A. G., für Bergbau und Hüttenbetrieb, Dortmund (acquisition, erection, and operation of mines, foundries, and rolling mills)—Chairman of management committee and manager.

F. Küppersbusch & Sohne A. G., Gelsenkirchen (manufacture and sale of stoves, ovens, central heating plants, and similar metal castings; affiliated with Hoesch Köln Neussen A. G. and Küppersbusch family)—Chairman of board of directors.

Schmiedag A. G., Hagen, Westfalen (manufacture and sale of forged products of iron, steel, etc.; subsidiary of Hoesch Köln Neussen A. G.)—Chairman of board of directors.

Trierer Walzwerk A. G., Trier (rolling mills; subsidiary of Hoesch Köln Neussen A. G.)—Chairman of board of directors.

Other metal companies: Maschinenbau und Bahnbedarf A. G., Berlin (machinery and railroad equipment)—Chairman of supervisory board.

Eisen- und Metall A. G., Essen (iron and metals)—Director.

Stahlwerke-Verband A. G., Düsseldorf (steel mills)—Director.

Miscellaneous companies (Vereinigte Stahlwerke A. G. or Hoesch Köln Neussen A. G. have an interest).—Rheinisch-Westfälisches Kohlen-Syndikat A. G., Essen (coal; Vereinigte Stahlwerke A. G.)—Director.

Rheinisch-Westfälische Kalwerke, Dornap (lime; Vereinigte Stahlwerke A. G.)—Chairman of board of directors.

Westdeutsche Kalk- und Portlandzementwerke A. G., Köln (lime and portland cement; Vereinigte Stahlwerke A. G.)—Director.

Westfälische Transport A. G., Dortmund (transport; affiliated with Vereinigte Stahlwerke A. G. and Hoesch Köln Neussen A. G.)—Director.

Seereederei "Frigga" A. G., Hamburg (steamship company; affiliated with Vereinigte Stahlwerke A. G. and Hoesch Köln Neussen A. G.)—Director.

Franz Urbig

In spite of the fact that Franz Urbig is 80 years old, he was very active in banking and industrial enterprises as late as 1942, which is the latest information we possess concerning him. At that time, he was chairman of the board of directors of the Deutsche Bank, Berlin, and director of the Sächsische Bodencredit Anstalt, Dresden. He was also director of the Vereinigte Industrie-Unternehmungen A. G. (VIAG), as well as various insurance, mining and aluminum companies. He was, in addition director of the Bergmann-Elektricitäts-Werke A. G., Berlin, principle stockholders of which are Siemens-Schuckertwerke A. G. (SS) and the Allgemeine Elektrizitäts Gesellschaft (AEG).

Franz Urbig was born on January 23, 1864, at Luckenwald. He has a long and important banking career behind him. He entered the Diskonto Gesellschaft in 1884. From 1894 to 1900, he was active in China, Japan, and India as a member of the management committee of the Deutsche Asiatische Bank, and was, from 1910 to 1935, chairman of its board of directors. In 1900, he again entered the Diskonto Gesellschaft as an alternate director and from 1902 to 1935, he was a personally responsible partner. In 1924, he was a member of the general council of Reichsbank, and in 1930 he became chairman of the board of directors of the Deutsche Bank und Diskonto Gesellschaft.

As early as 1923, Urbig's mentality appears to have been very Nazi-tainted. At that time he was already harping upon the ideas that the Nazis have been expounding ever since. He stated in Berlin at that time that Germany was battling imperialism in the west and communism in the east, and until she could free herself from French militarism, an unworkable peace treaty, and socialistic extremists at home, she could not recover. In January 1924 Urbig assured Hjalmar Schacht of loyal cooperation with respect to the reparations problem. In September 1925 he asserted in Berlin that German colonial expansion was of absolute necessity if Germany were to be free of complete dependence upon America.

He resides at 23 Ludwig-Frost-Strasse, Berlin. His financial and industrial affiliations as of 1942 were as follows:

Financial.—Deutsche Bank, Berlin—Chairman of the board of directors.

Sächsische Bodencredit-Anstalt (Saxon Land Mortgage Credit Institution), Dresden—Director.

Industrial.—Vereinigte Industrie-Unternehmungen A. G. (VIAG), Berlin—Director.

Vereinigte Aluminum Werke A. G. (United Aluminum Works, Inc.), Berlin—Director.

Berlinische Feuer-Versicherungs-Anstalt (Berlin Fire Insurance Co.), Berlin—Chairman of board of director.

Union und Rhein Versicherungen A. G. (Union and Rhine Insurance Corp.), Berlin—Director.

Magdeburger Rückversicherungs A. G. (reinsurance corporation), Magdeburg—Director.

Magdeburger Allgemeine Lebens und Rentenversicherungs A. G. (Magdeburg General Life Insurance and Annuity Insurance Corp.)—Deputy chairman of board of directors.

Bergmann-Elektricitäts-Werke A. G., Berlin—Director.

Otavi Minen und Eisenbahn-Gesellschaft (mining and railway company)—Chairman of board of directors.

Porzellanfabrik Kahla (porcelain factory), Kahla/Sachsen—Director.

Theodor Wiedemann

Theodor Wiedemann, a commercial privy counselor, is a director of the German Reichsbank, Berlin. His industrial interests are apparently confined to the manufacture and sale of textiles. He is chairman of the board of directors of Werdener Feintuckwerke A. G., Essen, a firm which manufactures cloth, and is deputy chairman of the board of directors of Haweco Heymann, Wetler & Co., A. G., Berlin, primarily concerned with trade in clothing materials.

Wiedemann was born on December 5, 1858, in Augsburg. His latest known address is Provinoststrasse, Augsburg.

Banking.—Deutsche Bank, Berlin—Director.

Industrial.—Augsburger Kammgarn-Spinnerei, Augsburg (worsted spinning mill)—Chairman of board of directors.

Werdener Feintuckwerke A. G., Essen (cloth manufacture)—Chairman of board of directors.

Augsburger Localbahn, Augsburg (railroad)—Deputy chairman, board of directors.

Haweco Heymann, Wetler & Co., A. G., Berlin (trade in clothing, piece goods, etc.)—Deputy chairman, board of directors.

Wilhelm Zangen

Wilhelm Zangen is prominent in the political, banking and industrial fields. He is a member of the group of leading German bankers who now control the German monopoly in European banking. This control is exercised by him through memberships in the board of directors of both the Deutsche Reichsbank and the Deutsche Bank. Zangen is chairman of the executive committee of Mannesmannröhren Werke, a tube and pipe factory with several subsidiaries. This group, known as the Mannesmann combine, is apparently closely connected with Vereinigte Stahlwerke through representation on its board. Zangen is also a director in Deutsche Revisions und Treuhand A. G., an auditing company affiliated with the Government-owned VIAG. He is a director of Salzdettefurth A. G., which is a subsidiary of a group of the largest German banks. Another company in which he is a director is Schiess A. G., which is controlled by the Deutsche Bank. Another important connection is director in Demag A. G., Duisburg, in which the board membership indicates close relationship with Vereinigte Stahlwerke and the Flick combine.

On the political side Zangen occupies a number of important posts, some of which are the vice presidency of the Düsseldorf Chamber of Commerce, membership in the management committee of the Düsseldorf Stock Exchange and membership in the Association of Germany Foundry Men in Düsseldorf.

Background.—Zangen was born September 30, 1891. At an early age he worked as an apprentice in the August Thyssen Huette at Duisburg and other metallurgical concerns. He became intimately connected with the Nazi leadership and it is to this connection that he owes his present position of power.

Wilhelm Zangen's known connections are as follows:

Political.—Düsseldorf Chamber of Commerce and Industry—Vice President.

Rheinisch-Westphalian Stock Exchange, Düsseldorf—Member of management committee.

Academy for German Law, Berlin—Member.

Southeast Europe Company, Vienna—Member of executive board.

Association of German Iron Foundry Men, Düsseldorf—Member.

Banking.—Deutsche Reichsbank, Berlin—Member of advisory committee.

Deutsche Bank, Berlin—Director.

Insurance.—Allianz Versicherungs A. G., Berlin—Director.

Industry.—Allgemeine Elektrizitäts-Gesellschaft, Berlin (General Electric Co.)—Director.

Mannesmannröhren-Werke, Düsseldorf (tube and pipe works)—Chairman of management committee.

Mannesmannröhren-Werke Komotau A. G., Komotau (tube and pipe works in Czechoslovakia; subsidiary of Mannesmannröhren-Werke, Düsseldorf)—Chairman of board of directors.

Mannesman Stahlblechbau A. G., Berlin (steel plate construction; subsidiary of Mannesmannröhren-Werke, Düsseldorf)—Chairman of board of directors.

Maschinenfabrik Meer A. G. M., Gladbach (machinery factory; subsidiary of Mannesmannröhren-Werke, Düsseldorf)—Chairman of board of directors.

"Kronprinz" A. G. für Metallindustrie, Solingen-Ohligs (metal industry; subsidiary of Mannesmannröhren-Werke, Düsseldorf)—Chairman of board of directors.

Prager Eisen-Industrie-Gesellschaft, Prag (Prague Iron Industry Co.)—Deputy chairman of advisory board.

Demag A. G., Duisburg (machine factory)—Director.

Deutsche Revisions und Treuhand A. G., Berlin (auditing and trust company; subsidiary of VIAG)—Director.

Salzdetfurth A. G., Berlin (subsidiary of several large German banks)—Director.

Schiess, A. G. Düsseldorf (machine factory; controlled by Deutsche Bank)—Director.

Schwabenbrau A. G., Düsseldorf (brewery)—Director.

Westfälisch-Anhaltische Sprengstoff A. G. Chemische Fabriken, Berlin (Westphalia-Anhalt Explosive Corp., chemical plants)—Director.

DRESDNER BANK

A. LOCATION, BRANCH OFFICES, ETC.

Address: 35-39 Behrenstrasse, Berlin; 3 König-Johann-Strasse, Dresden.

Branches in Germany: At the end of 1941 the Dresdner Bank had 192 branches and 176 agencies, 82 of the latter being located in Berlin. During 1942, however, 12 branches and 25 agencies (9 in Berlin) were closed, and it was anticipated that there would be a further reduction in the number in operation.

Branches outside Germany: The Dresdner Bank has maintained, in recent years, the following branches in foreign, annexed and occupied territory: Belgium, Eupen (opened in 1940); Istanbul and Izmir, Turkey, operated by Deutsche Orientbank; Alexandria and Cairo, Egypt, (closed at the beginning of the war but later reopened and operated under supervision of the Egyptian Government); Austria, represented by its subsidiary, the Länderbank Wien, which has 12 branches in Austria and 36 agencies in Vienna; Sudetenland, 16 branches formed from the branches of three Czech banks; Poland, 7 branches (6 opened after the conquest of Poland); Danzig, branches in Danzig and Zoppot (established before 1938), branch in Memel opened in 1939; Alsace, 2 branches; Lorraine, 5 branches, formed from the branches of two French banks (Ste. Gen. Alsacienne de Banque and Banque Nationale pour le Commerce et l'Industrie).

B. DESCRIPTION OF BANK AND ITS BUSINESS

1. Character and importance

The Dresdner Bank ranks second only to the Deutsche Bank among the Berliner Grossbanken. Its present size has been built up over a period of years through the absorption of a number of other German banking institutions. Like the Deutsche Bank it belongs to the class of universal banks, carrying on both a general commercial and investment banking business.

2. Public ownership and reprivatization

The Dresdner Bank, lacking the hidden resources of the Deutsche Bank, was unable to weather the banking crisis of 1931 so successfully as did the latter. In this crisis, consequently, the Dresdner Bank was obliged to accept assistance from the Reich, and at the end of 1933 was 70 percent owned by the Reich Government and 20 percent by the Deutsche Golddiskontbank, subsidiary of the Deutsche Reichsbank, the central bank of Germany. In 1937, however, the Dresdner Bank was "reprivatized", together with several other banks which had been in the same situation, since by this time banking legislation had been passed which gave the Reich a strong degree of control over the German banks and made it no longer necessary for the Government to obtain this control through stock ownership.

3. Close to Nazi Party

Possibly because of this period of public ownership, the Dresdner Bank, even since its reprivatization, is believed to have had closer connections with the Nazi Party than did the Deutsche Bank. The London Banker of February 1944, as proof of this theory, points to the names of Carl Lürer and Emil Meyer on the management committee of the bank, and to the more recent appointment of the politically prominent William Avieny, Walther Schieber, and Karl Heinz Heuser to its board.

4. Ties with German banks and industries

The Dresdner Bank has close affiliations with numerous banks and financial companies in Germany, maintaining close ties with German industries particularly in the fields of steel, heavy industry, and transportation, and is represented on the boards of many of the most important industrial enterprises. On its directorate are Karl Pfeiffer, of I. G. Farbenindustrie, the great chemical combine; Alfred Krupp von Bohlen und Halbach, owner of Krupp; and Friedrich Flick, the head of the vast Flick steel and coal interests. Through Hellmuth Röhner, one of its vice chairmen, the Dresdner Bank is associated with the great Hermann Göring combine and the great Junkers airplane works.

Industrial affiliations of the bank as indicated by two or more interlocking directors are shown under section C of this report. In this section, however, no mention has been made of a large number of additional enterprises with which the bank has connections through a single common director.

5. Foreign banking affiliations

Up to 1937, the Dresdner Bank had a limited number of foreign banking participations. Since the beginning of World War II, however, the foreign banking interests of the Dresdner Bank have been greatly expanded through the cut-throat competition with the Deutsche Bank into which it entered in penetrating the banking structures of conquered or annexed countries. In many areas the two great banks are active rivals, but, generally speaking, the Deutsche Bank's interests are more important in Austria, Serbia-Croatia, and the Netherlands, while the Dresdner Bank leads in Greece, Poland, and the Ostland.

Prior to the Anschluss, the Dresdner Bank was the sole shareholder in the medium-sized Mercurbank of Vienna. After the invasion the Dresdner Bank persuaded the other two important foreign banks with branches in Vienna, the Zivnostenska Banka of Prague (Gerwerbe Bank) and the Banque des Pays de l'Europe Central (Zentral-Europäische Länderbank) of Paris, to permit the absorption of these branches. These were combined with the Mercurbank to form the Länderbank Wien. This bank, entirely owned by the Dresdner Bank, is sufficiently large and important to challenge the position of the Creditanstalt Bankverein in Vienna.

The other important foreign acquisition by the Dresdner Bank was the Böhmische Escompte Bank of Prague, formerly controlled by the Zivnostenska Bank and Brufina (Ste. de Bruxelles pour la Finance et l'Industrie, large Belgian holding company).

6. Methods of banking penetration

Just as the Deutsche Bank worked through the Creditanstalt Bankverein of Vienna, and the Böhmische Union-Bank of Prague in the penetration movement, the Dresdner Bank spearheaded its activities in acquiring foreign banking participations, through its two newly gained subsidiaries, the Länderbank Wien and the Böhmische Escompte Bank. Methods employed by the two great German banks, however, varied greatly. The Deutsche Bank made a practice of ceding minority participations to its two principle foreign subsidiaries. The Dresdner Bank, on the other hand, kept most of the participations in its own portfolio, and even took under direct control participations held by its subsidiaries. It did, however, leave certain minority interests to the Länderbank Wien, which also represents the interest of the Dresdner Bank on various boards of directors.

7. Foreign industrial affiliations

Through interests acquired in foreign banking institutions, it is believed that the Dresdner Bank obtained direct or indirect interests in numerous foreign industrial enterprises. Definite information as to these possible industrial acquisitions is not available, and it is believed that many of them may have been gained in

moderate-sized local enterprises. It is known that the Länderbank Wien, the Dresdner Bank's Austrian subsidiary, served for the most part moderate-sized firms.

C. RELATION TO ENTERPRISES OR OTHER BANKING INSTITUTIONS IN GERMANY

1. Banks and financial companies

(a) *Deutsche Reichsbank:*

Address: Berlin.

Business: Central bank of Germany.

Interest: Four members of the directorate of the Dresdner Bank are members of the advisory board of the Deutsche Reichsbank. In addition, the two institutions have a common director in Carl Luer.

(b) *Diskont-Kompagnie:*

Address: 54/55 Jägerstrasse, Berlin W-8.

Capital: RM. 50,000,000 (one-quarter paid in).

Business: To discount bankers' acceptances and increase marketability of such paper by adding a third signature.

Interest: A bare majority of the capital held by the Deutsche Golddiskontbank (Reichsbank subsidiary) and the remainder by the Dresdner Bank, the other big Berlin banks, and the Deutsche Verkehrskreditbank, the Deutsche Industriebank, and others.

(c) *Deutsche Bank für Ostasien:*

Address: Berlin.

Capital: RM. 10,000,000.

Business: To finance trade with the Far East. Established a branch in Tokyo June 1943.

Interest: The Deutsche Bank together with the Dresdner Bank and the Reichskredit Gesellschaft are the most important stockholders, while the Commerz Bank and the Bank der Deutschen Arbeit hold small participations.

(d) *Sächsische Bodenkreditanstalt:*

Address: Dresden.

Capital: RM. 11,000,000.

Business: Mortgage bank. Mortgage loans outstanding at the end of 1942 reported as RM. 480,000,000.

Interest: The Dresdner Bank is the majority shareholder in this mortgage bank.

(e) *Nieder-Rheinische Bank, A. G.*

Address: Wesel.

Capital: RM. 1,200,000.

Business: Local banking.

Interest: The Dresdner Bank, together with Hardy & Co. (see below) owned a small participation in this bank. In 1944 the Nationalbank A. G. of Essen bought a majority of the stock of the Nieder-Rheinische Bank. The Nationalbank is believed to be controlled by the Deutsche Industrie bank, semipublic institution which has been financing the expansion in German war industries. It is not known whether or not the Dresdner Bank has retained its interest.

(f) *Hamburgische Baukasse A. G.*

Address: Hamburg.

Capital and reserves: RM. 1,100,000.

Business: Administers mortgages financed by long-term borrowings mainly from abroad (Netherlands and England). At the end of 1940 had total assets of RM. 41,400,000, of which RM. 39,900,000 were mortgages.

Interest: The capital of the institution is shared among the Dresdner Bank (40 percent) the Commerzbank (20 percent) and various private bankers.

(g) *Hardy und Co. G. m. b. H.*

Address: Berlin.

Capital: RM. 12,000,000.

Business: Formerly a private banking firm, and its business has kept this character. It has 20 subsidiaries.

Interest: As a result of two reorganizations, the Dresdner Bank until recently owned 90 percent of Hardy und Co.'s capital. During the Aryanization process the business of the private banking firms, Gebrüder Arnhold, of Dresden, and

Berlin and of S. Bleichroeder und Co., of Berlin, was taken over by the Dresdner Bank and Hardy und Co. The Dresdner Bank acquired especially the Dresden business of Gebrueder Arnhold, sharing the remainder with Hardy und Co. Early in 1943 the capital of Hardy und Co. was increased from R.M. 10,000,000 to its present figure of R.M. 12,000,000, and the Dresdner Bank's interest in the banking firm reduced to 25 percent. The greater part of the Dresdner Bank's interest was sold at that time to a group which included a number of German industrial firms and, according to report, some foreign banks.

(h) *Oldenburgische Landesbank (Spar- und Leihbank)*

Address: Oldenburgh.

Capital: R.M. 4,400,000; reserves R.M. 8,000,000.

Business: Regional bank in northwestern Germany. Has 28 branches, and holds a majority interest in the Dürer Bank in Dürer (between Aachen and Cologne).

Interest: The Dresdner Bank controls the Oldenburgische Landesbank, but the State of Oldenburgh also holds a participation in it.

(i) *Dürer Bank*

Address: Dürer (between Aachen and Cologne).

Capital and reserves: R.M. 6,400,000.

Business: General banking.

Interest: The Dresdner Bank has an indirect control over the Dürer Bank through the Oldenburgische Landesbank.

(j) *Sponholz, Ehestätt und Schröder*

Address: Berlin.

Business: Private banking firm.

Interest: The Dresdner Bank holds a participation in this banking firm.

(k) *Poensgen, Marz und Co.*

Address: Dusseldorf.

Business: Private banking firm.

Interest: The Dresdner Bank owns a participation in this firm. This interest may have been gained during Aryanization proceedings, as until 1941 Poensgen, Marx und Co. was known as B. Simons und Co.

(l) *Diskont und Kredit A. G.*

Address: Berlin.

Capital and reserves: R.M. 11,700,000 (1938).

Business: Discount and loan company.

Interest: This finance company was established by the Dresdner Bank in 1934.

(m) *Gebrueder Arnhold*

Address: Dresden and Berlin.

Business: Private banking firm.

Interest: During the Aryanization process the business of this firm was taken over by the Dresdner Bank and its (then) subsidiary, Hardy und Co. The Dresdner Bank acquired especially the Dresden business, sharing the rest with Hardy und Co.

(n) *S. Bleichroeder und Co.*

Address: Berlin.

Business: Private banking firm, closely associated with Gebrueder Arnhold.

Interest: During the aryanization process the business of this firm was taken over by the Dresdner Bank and Hardy und Co.

(o) *Bank für Brauindustrie*

Address: Berlin.

Capital and reserves: R.M. 16,500,000 (1942).

Business: Investment and holding company in the field of the brewing industry. It had belonged to the interests of the Aryanized firm Gebrueder Arnhold.

Interest: The Dresdner Bank holds controlling interest in this investment company.

(p) *Deutsch-Sudamerikanische Bank A. G.*

Address: Berlin and Hamburg.

Capital: R.M. 20,000,000.

Business: Organized for business in South America. In 1938 it had 9 branches in Spain, Argentina, Brazil, Paraguay, Chile, and Mexico, but the branches in Brazil and Mexico were liquidated in 1942.

Interest: This is a wholly owned subsidiary of the Dresdner Bank.

(q) Industrie-Werte G. m. b. H.

Address: Berlin.

Capital and reserves: RM. 2,400,000.

Business: Established to engage in stock-market operations. Developed into a holding company for industrial preferred shares endowed with special voting rights.

Interest: Controlled by the Deutsche Bank together with the Berliner Handels Gesellschaft and the Dresdner Bank.

(r) Industrie-Finanzierungs A. G., Ost (IFAGO)

Address: Behrenstrass 14-16, Berlin W-8.

Capital and reserves: RM. 625,000 (1938).

Business: Established to aid in financing German exports to Russia and has assumed considerable importance as an acceptance institution. Its acceptances, usually guaranteed by banking syndicates, the so-called IFAGO Konsortien led by the Deutsche and the Dresdner Bank, outstanding to the amount of RM. 176,000,000 at the end of 1939.

Interest: This is a joint enterprise of the Dresdner Bank, the other Berliner Grossbanken, and other credit institutions.

(s) Deutsche Ansiedlungsgesellschaft

Address: Berlin.

Capital: RM. 1,000,000.

Business: Mortgage company for financing farm property and small rural industries.

Interest: This mortgage bank is reportedly 50 percent owned by the Dresdner Bank.

2. Insurance companies

(a) Aachener Rückversicherungsgesellschaft

Address: Aachen.

Business: Large reinsurance company, member of the Aachener and Münchner group, a loosely connected group of large independent insurance companies, which coordinate their activities closely. Interlocks with other groups, notably the Nordstern insurance companies.

Interest: Interlocking directorates indicate that the Dresdner Bank is closely associated with this insurance company. Carl Arthur Pastor, a director of the Dresdner Bank, heads the insurance company's board. The two enterprises also have a common director in Georg Talbot.

(b) Aachener und Münchner Feuer-Versicherungs-Gesellschaft

Address: Aachen.

Business: Fire insurance company of the Aachener und Münchner group.

Interest: The Dresdner Bank is connected with this company through interlocking directorates in the persons of Georg Talbot and Carl Arthur Pastor. The latter heads the insurance company's board.

(c) Aachener und Münchner Lebensversicherungs A. G.

Address: Aachen.

Business: Life insurance company of the Aachener und Münchner group.

Interest: The fact that Carl Arthur Pastor, a director of the Dresdner Bank, heads the board of this insurance company would appear to indicate that this is another tie between the Dresdner Bank and the Aachener und Münchner insurance group.

(d) Hamburg und Bremer Feuer Versicherungs Gesellschaft

Address: Heuberg 4, Hamburg 36.

Business: Fire insurance company of the Aachener und Münchner group.

Interest: Interlocking directorates in the persons of Karl Lindemann and Carl Arthur Pastor indicate that the Dresdner Bank is closely associated with this insurance company.

(e) Münchner Rückversicherungsgesellschaft (Münchner Rück)

Address: Munich.

Capital: RM. 20,007,500 (1938).

Business: Reinsurance company of the Allianz and Stuttgarter Konzern which, during the German occupation, was most active in penetrating the insurance

business of occupied countries and consequently became the largest reinsurance company in the world.

Interest: The Dresdner Bank is connected with the Münchner Rück through interlocking directors. Carl Goetz, chairman of the bank, is a director of the insurance company; Wilhelm Kisskalt, vice chairman of the bank, is deputy chairman of the insurance company.

(f) *Hermes Kreditversicherungs A. G.*

Address: Berlin.

Capital: R.M. 5,005,000 (1938).

Business: Commercial credit; insurance; fidelity insurance. The Münchner Rückversicherungs is the principal stockholder.

Interest: The Dresdner Bank is connected with this insurance company through interlocking directors in the persons of Hugo Zinszer and Wilhelm Kisskalt. The latter heads the insurance company's board.

(g) *Allianz Versicherungs A. G.*

Address: Berlin.

Business: Insurance, member of the large and important group known as the Allianz und Stuttgarter Konzern. The above-mentioned company is one of the predominant companies in the group.

Interest: Interlocking directors in the persons of Friedrich Flick, Ernst Henke, Carl Goetz, and Wilhelm Kisskalt indicate that the Dresdner Bank may have a connection with this insurance company.

(h) *Allianz Lebensversicherungs A. G.*

Address: Berlin.

Business: Most important life insurance company in Germany. The Allianz Versicherungs (see above) holds a 30 percent interest in it.

Interest: The Dresdner Bank is connected with this life insurance company through interlocking directors in the persons of Emil Heinrich Meyer and Wilhelm Kisskalt.

(i) *Thuringia Versicherungs A. G.*

Address: 2/4 Schillerstrasse, Erfurt.

Capital: R.M. 6,000,000.

Business: Various types of risk and accident insurance.

Interest: The Dresdner Bank is connected with this insurance company through interlocking directors in the persons of Georg Talbot and Carl Arthus Pastor. The latter is deputy chairman of the insurance company's advisory board.

(j) *Colonia Kolnische Feuer und Kolnische Unfall Verischerungs A. G.*

Address: Cologne.

Capital: R.M. 8,000,000 (1938).

Business: Fire and casualty insurance. One of the leading companies of the Rheinische Interessengemeinschaft pool, a group of important insurance companies, largely independent from a financial and operating point of view, but with some measure of interlocking ownership.

Interest: The Dresdner Bank is connected with this insurance company through interlocking directors in the persons of Carl Arthur Pastor and Carl Wentzel.

3. Industrial and commercial enterprises

(a) *Electric power, utilities, equipment, installations, etc.*

(i) *Gesellschaft für Elektrische Unternehmungen A. G. (Gesfürel):*

Address: 35/37 Dorotheenstrasse, Berlin.

Capital: R.M. 80,010,000 (1939).

Business: Oldest and most important German electric holding company. Shares with International General Electric Co. the control of Allgemeine Elektrizitäts Ges. (AEG), each of the two holding a 25 percent stock interest in AEG. Gesfürel has important investments in the field of copper, cableworks, machinery, screws, porcelain, and airplane parts manufacturing.

Interest: Gesfürel is largely controlled by the Deutsche Bank and the Dresdner Bank. Carl Goetz, chairman of the Dresdner Bank is deputy chairman of Gesfürel's advisory board; August Goetz is a member of the management committee of the company's Ludwig subsidiary.

(ii) Allgemeine Elektrizitäts Gesellschaft (AEG):

Address: Berlin.

Capital: RM. 264,000,000 (1942).

Business: Large electrical equipment and power combine with participations in public utility companies and foreign power developments. At the outbreak of World War II the company's principal stockholders were International General Electric Co., New York (about 25 percent) and Gesellschaft für Elektrische Unternehmungen A. G. (Gesfürel) (about 25 percent).

Interest: The Dresdner Bank is connected with AEG through its interest in Gesfürel and through interlocking directors in the persons of Friedrich Flick and August Goetz. The latter is deputy chairman of AEG's advisory board.

(iii) Berliner Kraft- und Licht (Bewag) A. G.:

Address: Berlin.

Capital: RM. 240,000,000 (1938).

Business: Electric utility company of Berlin. Nearly its entire stock is owned by Berliner Elektrizitäts-Union G. m. b. H., in which Elektrowerke A. G., 100 percent owned by VIAG, the Reich holding company, holds a 26 percent interest.

Interest: The Dresdner Bank is connected with Bewag through interlocking directors in the persons of Hans Schippel and Hellmuth Röhnert.

(iv) Rheinisch-Westfälisches Elektrizitätswerk A. G. (RWE):

Address: 28 Hachestrasse, Essen.

Capital: RM. 1,169,206,480.

Business: RWE is the most powerful public utility holding company, possessing about 20 electric power works as well as gas and water works and extensive holdings in electric power, coal, and brown coal companies. Its stock is owned largely by states and communities, but VIAG, the Reich holding company, has a small participation.

Interest: The Dresdner Bank is connected with RWE through interlocking directorates. Ernst Henke, a director of the bank, is a member of RWE's management committee; Carl Goetz, chairman of the bank, is a director of RWE. The Dresdner bank is also represented on the boards of a number of RWE subsidiaries (see below).

(v) Elektrizitäts A. G., vormals W. Lahmeyer & Co.:

Address: Frankfurt.

Capital: RM. 22,000,000.

Business: Electrical construction. Rheinisch-Westfälisches Elektrizitätswerk A. G. is the major stockholder (see above).

Interest: The Dresdner Bank is connected with Elektrizitäts A. G. through interlocking directors. Carl Lüer, member of the advisory board of the bank, is a director of the company; Wilhelm Avieny and Ernst Henke, directors of the bank, are, respectively, deputy chairman of the board of directors and deputy chairman of the advisory board of the company.

(vi) Accumulatoren-Fabrik A. G.:

Address: Berlin.

Capital: RM. 21,250,000.

Business: Manufacture of storage batteries, etc.; holds participations in other electrical enterprises and has branches in Hungary, Sweden, Finland, Yugoslavia, and Holland. It is reported to be largely owned by Günther Quandt.

Interest: The Dresdner Bank is connected with Accumulatoren-Fabrik through interlocking directorates in the persons of Karl Rasche and Hellmuth Röhnert.

(vii) C. Lorenz A. G.:

Address: Berlin-Tempelhof.

Capital: RM. 9,500,000 (1938).

Business: Production of telephone and telegraph apparatus and installations. Has an interest in 7 companies, among which is the Dutch company N.V. Stabilovolt, The Hague, now in liquidation.

Interest: The Dresdner Bank is connected with this company through interlocking directors. Alfred Dufour von Feronce, of the Dresdner Bank, heads the company's board. The two enterprises also have a common director in Emil Heinrich Meyer.

(viii) Garbe Lahmeyer & Co.:

Address: 191 Fülcher Strasse, Aachen.

Capital: RM. 1,000,000.

Business: Engaged in the manufacture of machines, apparatus and installations of all kinds in the field of electrical engineering, motors, transformers, etc. Has small subsidiary company in the same field of activity, the Baugesellschaft für Elektrische Anlagen A. G. of Aachen. It also has a participation in Industrie-Finanzierungs A. G. Ost, (IFAGO) of Berlin, which had a capital of RM. 1,500,000 in 1938. The Dresdner Bank has an interest in IFAGO.

Interest: The Dresdner Bank is connected with this enterprise through interlocking directors in the persons of Carl Arthur Pastor and Georg Talbot.

(b) *Iron, steel, metals, machines, tools*

(i) Vereinigte Stahlwerke A. G.:

Address: Düsseldorf.

Capital: RM. 460,000,000.

Business: Steel combination.

Interest: The Dresdner Bank is connected with Vereinigte Stahlwerke through interlocking directors in the persons of Friedrich Flick, Georg Talbot, and Carl Goetz.

(ii) Friedrich Krupp A. G.:

Address: Essen.

Capital: RM. 160,000,000.

Business: Outstanding firm in the field of armaments and heavy industry, with numerous German and foreign subsidiaries and coal important interests.

Interest: Alfred Krupp von Bohlen und Halbach, owner of Krupps, is a director of the Dresdner Bank; Carl Goetz, chairman of the bank is on the Krupp directorate.

(iii) Rheinische Stahlwerke (Rheinstahl):

Address: Arenberghaus, Essen.

Capital: RM. 150,000,000 (1939); RM. 180,000,000 (1942).

Business: Formerly possessed important steel mills but these were given up to Vereinigte Stahlwerke, the steel trust, of which Rheinstahl is still one of the principal beneficiaries. Rheinstahl still has important lignite holdings, and through its interest in Riebeck'sche Montanwerke A. G. of Halle holds a major position in the German lignite industry. It supplies a substantial portion of I. G. Farben's coal requirements, and is an important link between Farben and the steel trust. I. G. Farben, with 47.7 percent stock interest, or over 50 percent with the exercise of an option, and the Waldthausen family, of Essen, are the principal stockholders.

Interest: The Dresdner Bank is connected with Rheinstahl through interlocking directors in the persons of Carl Goetz, chairman of the bank, and Karl Pfeiffer, a director of the bank, who is on the board of I. G. Farben, as well as on that of Rheinstahl.

(iv) Mitteldeutsche Stahlwerke G. m. b. H.:

Address: Riesa, Elbe.

Capital: RM. 28,000,000.

Business: Owns three famous old steel mills which have been of especial importance in the industry of Saxony; the Lauchhammer works; the Riesa works, and the Greditz works. The activities of these plants include blast furnaces, rolling mills, production of machinery parts, locomotive and ship boilers, sheet metal, etc. Lauchhammer also owns a large electric power plant. Mitteldeutsch has, in addition two important machinery manufacturing subsidiaries. It is 100 percent owned by the Flick interests. It was formerly organized as a corporation, but in 1943 was reorganized as a limited company (G. m. b. H.).

Interest: The Dresdner Bank appears to be closely associated with Mitteldeutsche Stahlwerke through interlocking directors. Friedrich Flick, who heads the steel company's board, is a director of the bank; the two organizations also have a common director in Heinrich Koppenberg.

(v) Allgemeine Transportanlagen G. b. m. H. (ATG):

Address: Leipzig.

Capital: RM. 4,000,000.

Interest: The Dresdner Bank is connected with this company (ATG) through interlocking directors in the persons of Friedrich Flick and Heinrich Koppenberg. Mitteldeutsche Stahlwerke, which itself is 100 percent owned by the Flick interests, is the majority stockholder in ATG.

- (vi) Waggon-und-Maschinenfabrik A. G., vorm. Busch:
 Address: Bautzen.
 Capital: RM. 22,950,000.
 Business: Manufacture of car bodies and machines. This is a subsidiary of Mitteldeutsche Stahlwerke.
 Interest: The Dresdner Bank is connected with Waggon- und Maschinenfabrik through interlocking directors in the persons of Carl Otto Schmelzer, Heinrich Koppenberg, and Friedrich Flick. The latter is deputy chairman of the machine company's board.
- (vii) Harpener Bergbau A. G.:
 Address: 14 Goldstrasse, Dortmund.
 Capital: RM. 60,000,000 (1939).
 Business: Described as the largest coal producer, its production exceeded only by that of the coal interests of Vereinigte Stahlwerke and those of the Reich (Saargrubben A. G. and Hibernia). It is very closely connected with the steel industry. Its majority stockholder is Eisenwerk Gesellschaft Maximilianshütte, which is controlled by Mitteldeutsche Stahl. It is also connected with Vereinigte Stahlwerke through eight interlocking directorships.
 Interest: The Dresdner Bank is connected with Harpener Bergbau through interlocking directors in the persons of Carl Goetz, chairman of the bank's board, and Friedrich Flick. The latter is chairman of the board of Harpener Bergbau. This appears to be another link between the bank and Flick's Mitteldeutsche Stahl interests.
- (viii) Metallgesellschaft A. G.:
 Address: Frankfurt am Main.
 Capital: RM. 42,000,000.
 Business: Organized for trade in nonferrous metals and developments of mining fields. Has developed considerable chemical interests in related fields and even in artificial rubber. Has participations in the banking firms, Delbrück Schickler & Co. and Delbrück von der Heydt & Co. Among the principal stockholders of Metallgesellschaft are: I. G. Farben, directly, and through the Gold- und Silber-Scheidenanstalt; British Metal Corp., London; and Schweizerische Gesellschaft für Metallwerke, Basle.
 Interest: The Dresdner Bank is connected with Metallgesellschaft through interlocking directorates. Wilhelm Avieny, a director of the bank, heads the metal company's management committee; Carl Luer, member of the bank's management committee, is chairman of the Metallgesellschaft board of directors; Karl Rasche, also on the bank's management committee, is a director of Metallgesellschaft.
- (ix) Hugo Schneider A. G.:
 Address: Leipzig.
 Capital: RM. 4,200,000 (1938).
 Business: Operates enterprises engaged in metal-processing industry and connected lines. Has three wholly owned subsidiaries: (a) Otto Müller A. G., Leipzig; (b) Hugo Schneider A. G. Vereinigte Glühlampenwerke G. m. b. H., Leipzig; and (c) Thermos A. G., Leipzig.
 Interest: The Dresdner Bank holds the controlling interest, about 51 percent, in the Hugo Schneider enterprise.
- (x) Hirsch Kupfer- und Messingwerke A. G.:
 Address: Berlin.
 Capital: RM. 12,500,000 (1938).
 Business: Steel and products of copper and other metals. This company is 79.2 percent owned by Ges. für Elektrische Unternehmungen, A. G.
 Interest: The Dresdner Bank is connected with this company through interlocking directorates. August Goetz, of the Dresdner Bank, heads the metal company's board. The two organizations have a common director in Alfred Holling.
- (xi) Busch-Jaeger Lüdenscheider Metallwerke A. G.:
 Address: Lüdenscheid.
 Capital: RM. 1,500,000.
 Business: Manufacture of metal products.
 Interest: The Dresdner Bank is connected with this metal enterprise through two interlocking directors in the persons of Fritz Kranefuss, Heinrich Schmidt, and Hellmuth Röhnert. The latter serves on the metal company's management and technical committees.

- (xii) Alexanderwerk A. von der Nahmer A. G.:
Address: Remscheid, Westphalia.
Capital: R.M. 4,500,000.
Business: Mining, iron and foundry works.
Interest: The Dresdner Bank is connected with this company through interlocking directors. Gustav Overbeck of the bank's management committee is chairman of the Alexanderwerk; Hellmuth Röhnert, vice chairman of the bank, is deputy chairman of the iron company's advisory board.
- (xiii) Eisenwerk-Gesellschaft Maximilianshütte:
Address: Sulzbach-Rosenberg Hütte.
Capital: R.M. 26,250,000.
Business: Iron works, 80 percent owned by Mitteldeutsche Stalwerke A. G., which, in turn is entirely owned by the Flick interests.
Interest: The Dresdner Bank is connected with this enterprise through interlocking directors, Emil Heinrich Meyer, Heinrich Koppenberg, and Friedrich Flick. The last-named is chairman of the board of Maximilianshütte.
- (xiv) Pittler Werkzeugmaschinenfabrik A. G.:
Address: Leipzig-Wahren.
Capital: R.M. 5,000,000.
Business: Machine tool works. Before the war had a manufacturing agreement with the National Acme Co. of Cleveland, Ohio, and had that company's president on its board, along with notables of the Dresdner und Deutsche Bank, and the Junker General Joachim von Steulpnagel.
Interest: The majority of the stock of the Pittler company is owned by the Commerz Bank and the Dresdner Bank.
- (xv) Waggonfabrik Jos. Rathgeber, A. G.:
Address: Munich.
Capital: R.M. 2,138,000.
Business: Manufacture and sale of vehicles, machines, and apparatus of various kinds.
Interest: In 1938 the Dresdner Bank was the principal stockholder in this company.
- (xvi) G. Karger, Fabrik für Werkzeugmaschinen A. G.:
Address: Berlin.
Capital: R.M. 1,800,000 (1938).
Business: Manufacture of machinery for production of precision instruments.
Interest: The Dresdner Bank is connected with this company through interlocking directorates in the persons of Bruno Claussen and Hugo Zinszer. The former is chairman of the company's board of directors, the latter, deputy chairman of the company's advisory board.
- (xvii) Magdeburger Werkzeugmaschinen Fabrik G. m. b. H.:
Business: Manufacture of machine tools.
Interest: The Dresdner Bank is connected with this company through interlocking directorates. Hellmuth Röhnert, a vice chairman of the bank, is a chairman of the company's advisory board; Heinrich Koppenberg, a director of the bank, is a member of the company's advisory board.
- (c) *Chemicals, munitions*
 - (i) Wintershall A. G.:
Address: Kassel.
Capital: R.M. 150,000,000.
Business: The largest German potash concern and the largest factor in the German potash syndicate, after I. G. Farben, the largest German chemical concern. The owners of Wintershall are the Rosterg family, Günther Quandt, and others, who hold their interest through the holding company, Gewerkschaft Wintershall, the principal stockholder in Wintershall A. G.
Interest: The Dresdner Bank is connected with Wintershall through interlocking directors in the persons of Karl Rasche and Heinrich Schmidt. The latter is head of the Wintershall board of directors.
 - (ii) Bergbau A. G. Lothringen:
Address: Bochum.
Capital: R.M. 20,000,000.
Business: Mining company in which a 28 percent interest is held by Wintershall, the largest German potash enterprise.
Interest: The Dresdner Bank is connected with Bergbau A. G. Lothringen through interlocking directors in the persons of Gustav Overbeck and Heinrich Schmidt. The latter heads the mining company's board.

(iii) Dynamit A. G., vormalig Alfred Nobel & Co.:

Address: Troisdorf.

Capital: RM. 47,125,000 (1939).

Business: Leading European dynamite and explosives manufacturing concern. It has 10 important plants producing detonators, gunpowder, glycerine, chemical compounds, ammunition, etc., and has considerable participations in other firms in the same field of activity. I. G. Farben is the principal shareholder (44.5 percent with profit-sharing agreement) but the major German steel companies also appear to have an interest in Dynamit A. G.

Interest: The Dresdner Bank is connected with this enterprise through interlocking directors in the persons of Friedrich Flick and Karl Pfeiffer.

(iv) Deutsche Gold- und Silber-Scheideanstalt, vorm. Roessler (Degussa):

Address: 9 Weissfrauenstrasse, Frankfurt am Main.

Capital: RM. 35,600,000 (1939).

Business: Has been for years the leading concern in the field of precious metals, and has built up, at first for its own use, then in connection with Henkel und Co. and I. G. Farben, who are its principal stockholders, a considerable production and business in certain chemical fields, particularly in cyanides and sodium. Has extensive holdings in other technical enterprises, and in companies manufacturing technical lamps and equipment. Degussa and I. G. Farben have about an equal interest in Metallgesellschaft A. G., another large metal concern, and through Metallgesellschaft an interest in the large potash and copper company, Salzdettfurth.

Interest: The Dresdner Bank is connected with Degussa through interlocking directors in the persons of Wilhelm Avieny and Carl Goetz. The latter, who is chairman of the bank, is deputy chairman of the Degussa advisory board.

(v) Chemische Fabrik von Heyden A. G.:

Address: Radebeul, near Dresden, Saxony.

Capital: RM. 13,700,000 (1938).

Business: Engaged in the construction and operation of chemical plants in Germany and abroad.

Interest: The Dresdner Bank is connected with this chemical company through interlocking directors in the persons of Gustav Herman, Erwin Dircks, and Otto Zinszer. The latter is deputy chairman of the chemical company's advisory board. Both Dircks and Zinszer are stockholders in Chemische Fabrik von Heyden.

(d) *Coal, mining, fuel oils*

(i) Braunkohlen und Briketwerke Roddergrube A. G.:

Address: 7-13 Comesstrasse, Brühl bei Köln.

Capital: RM. 36,000,000 (1939).

Business: Roddergrube together with Rheinbraun. (Rheinische A. G. für Braunkohlenbergbau und Brikettfabrikation) are the two main lignite subsidiaries of Rheinisch-Westfälisches Elektrizitätswerk-A. G. (RWE) the largest public utility holding company in Germany. R. W. E. owns 53 percent of the stock of Roddergrube; Roddergrube owns approximately 51 percent of the stock of Rheinbraun, which, in turn, owns nearly 46 percent of the stock of Roddergrube.

Interest: The Dresdner Bank is connected with Roddergrube through interlocking directors in the persons of Ernest Henke and Carl Wentzel.

(ii) Rheinische A. G.-für Braunkohlenbergbau und Brikettfabrikation (Rheinbraun):

Address: Cologne.

Capital: RM. 72,900,000.

Business: Lignite mining and briquet manufacture. Has substantial holdings in other lignite concerns, notably Roddergrube, its parent company, which, in turn, is a subsidiary of Rheinische Westfälisches Elektrizitätswerk A. G.

Interest: The Dresdner Bank is connected with this lignite mining company through interlocking directors, in the persons of Friedrich Flick and Ernst Henke.

(iii) Braunkohle-Benzin A. G.:

Address: Berlin.

Capital: RM. 100,000,000.

Business: This corporation was founded by the principal German lignite producers in conformance to Reich decrees of 1934 which required lignite

interests to form a corporation for the production of lignite-derivative fuel oils and lubricants.

Interest: The Dresdner Bank appears to have a close connection with this enterprise, as three officials of the bank hold high official positions in Braunkohle-Benzin: Fritz Kranefuss is a member of the management committee, Karl Rasche is a director, and Heinrich Schmidt heads the company's board of directors.

(iv) Essener Steinkohlenbergwerke A. G.:

Address: 92/94 Huyssenallee, Essen.

Capital: RM. 75,000,000 (1942).

Business: Coal mining, production of coke, ammonia, benzol, and briquets. Holds fifth place in the German coal syndicate from point of view of production. Owns eight active coal mines, numerous byproduct plants, and has extensive participations in other enterprises in the same field. The principal shareholder is the Flick group, which through Harpener Bergbau A. G. controls nearly 38 percent of the capital of Essener Steinkohlenbergwerke.

Interest: The Dresdner Bank is connected with this company through interlocking directorates: Friedrich Flick, a director of the Dresdner Bank, is head of the coal company's board; Karl Rasche, member of the bank's advisory board, is a director of the coal company.

(e) *Airplanes and motors*

(i) Junkers Flugzeug- und Motorinwerke A. G.:

Address: Dessau.

Capital: RM. 130,000,000.

Business: Largest airplane manufacturing concern, with connections with the Government, commercial air lines, and other manufacturers, which place it in the central position in the German industry.

Interest: The Dresdner Bank is connected with this company through interlocking directors in the persons of Emil Heinrich Meyer and Hellmuth Röhnert. The latter is the chairman of Junkers board of directors.

(ii) Arado Flugzeugwerke G. m. b. H.:

Address: Potsdam-Babelsberg.

Capital: RM. 30,000,000.

Business: Airplane factory.

Interest: The Dresdner Bank is connected with this airplane company through two interlocking directors, Emil Heinrich Meyer and Fritz Kranefuss. The latter is a member of the advisory board of Arado Flugzeugwerke.

(f) *Miscellaneous*

(i) Süddeutsch Zucker A. G.:

Address: Mannheim.

Capital: RM. 30,000,000.

Business: Sugar company.

Interest: The Dresdner Bank is connected with this sugar company through interlocking directors in the persons of Gustav Dircks and Hugo Zinsser.

(ii) Zuckerraffinerie Hildesheim G. m. b. H.:

Address: Hildesheim.

Capital: RM. 2,000,000.

Business: Sugar refinery. Has 11 subsidiaries.

Interest: The Dresdner Bank is connected with this company through interlocking directorates in the persons of Georg Talbot and Carl Wentzel. The latter is chairman of the sugar refinery's board.

(iii) Gemeinnützige Baugesellschaft für Aachen und Burscheid A. G.:

Address: Aix-la-Chapelle.

Capital: RM. 90,000.

Business: Public building construction.

Interest: The Dresdner Bank is connected with this construction company through interlocking directorates. Carl Arthur Pastor, a director of the bank, heads the company's board of directors. The two organizations also have a common director in Georg Talbot.

(iv) Westdeutsche Kaufhof A. G.:

Address: Cologne.

Capital: RM. 27,000,000.

Business: Wholesalers and owners of department stores.

Interest: The chief stockholders in this enterprise, according to latest available information, were the Deutsche Bank, the Dresdner Bank, and the Commerzbank. The Dresdner Bank is connected with the company

through interlocking directors in the persons of Bruno Claussen and Gustav Overbeck. The latter is deputy chairman of the company's board.

(v) Dortmund Ritterbrauerei A. G.:

Address: Dortmund.

Business: Brewery.

Interest: The Bank für Brauindustrie, an investment and holding company in the field of the brewing industry, in which the Dresdner Bank holds a participation, owns 25 percent of the stock of this brewing company. The Dresdner Bank is also connected with Dortmund Ritterbrauerei A. G. through interlocking directors in the persons of Gustav Overbeck and Wilhelm Meinberg.

(vi) Radeberger Exportbierbrauerei A. G.:

Address: Radeberg.

Capital: RM. 6,000,005.

Business: Engaged in the acquisition, lease, and operation of breweries in Germany and abroad and in connected transactions. Has one subsidiary, the Stadtbrauerei Hainschen.

Interest: The principal shareholder in this company is the Bank für Brauindustrie of Berlin, an investment and holding company in which the Dresdner Bank holds the controlling interest.

D. RELATION TO ENTERPRISES OR OTHER BANKING INSTITUTIONS OUTSIDE OF GERMANY

1. Banks and financial companies

(a) *Länderbank Wien, A. G.*

Address: Vienna, Austria.

Capital: RM. 20,000,000.

Business: Second largest commercial bank in Austria, but greatly exceeded in size and importance by the Creditanstalt-Bankverein, Vienna subsidiary of the Deutsche Bank. It has 12 branches in Austria and 36 agencies in Vienna. It finances, for the most part, firms and enterprises of medium size.

Interest: This is a wholly owned subsidiary of the Dresdner Bank; it was formed following the Anschluss by combining the Mercurbank of Vienna, in which the Dresdner Bank was the sole shareholder, with the Vienna branches of the Zivnostenska Banka of Prague and the Banque des Pays de l'Europe Centrale. According to report the Bank of England, which before the war was said to be the largest stockholder in the Banque des Pays de l'Europe Centrale, is seeking to have that institution regain complete or partial control over Austrian and Czech interests which it formerly held.

(b) *Eisenstadler Bank*

Address: Niederdonau, Eisenstadt, Austria.

Capital: RM. 200,000.

Business: Commercial banking.

Interest: This is a wholly owned subsidiary of the Länderbank Wien, and through this last-mentioned bank is controlled by the Dresdner Bank.

(c) *Bohmische Escompte-Bank-"Bebca" (Ceska Eskomptni Banka)*

Address: Prague, Protectorate Bohemia-Moravia (Czechoslovakia).

Capital: RM. 15,000,000.

Business: Commercial and investment banking.

Interest: This is a subsidiary of the Dresdner Bank. It was formerly controlled by the Zivnostenska Banka of Prague and the Belgian holding company Brufina (Ste. de Bruxelles pour la Finance et l'Industrie), with the former the controlling influence. It was strengthened by the absorption of the Bank für Handel und Industrie ehemals Länderbank in Prague, formerly owned by the Banque des Pays de l'Europe Centrale, and several lesser institutions. It also obtained part of the assets of the Prager Kreditbank (formerly Anglo-Prager Kreditbank) which was liquidated.

(d) *Prager Kreditbank (formerly Anglo-Prager Kreditbank)*

Address: Prague, Protectorate Bohemia-Moravia (Czechoslovakia).

Business: This was the fourth largest commercial bank in Prague.

Interest: During the nationalization of banking which followed the German conquest of Czechoslovakia this bank was liquidated and its assets divided among the Deutsche Bank, the Böhmisches Union Bank and the Dresdner Bank's subsidiary, the Böhmisches Escompte-Bank.

(e) *Deutsche Handels- und Kreditbank A. G.*

Address: Bratislava, Slovakia (formerly Czechoslovakia).

Capital: RM. 2,600,000.

Business: General banking. Acting in financing barter transactions chiefly with Germany, but also with other countries such as Turkey. Ten branches in Slovakia.

Interest: In 1939 the Länderbank Wien took over this bank from the Böhmsche Escompte-Bank. It was a small, rather weak bank, but was built up by absorbing from the Escompte-Bank its industrial interests in Slovakia, and taking over various local banks (Bankhaus Frankl, Sillein; Cerehater Bank, Unter-Metzen-seifen; and the Zipser Bank, A. G., Käsemarkt). The Dresdner Bank apparently took over most of the new shares issued during this operation while the Länderbank became the minority holder and a small interest was given to the Böhmsche Escompte-Bank.

(f) *Kroatische Landesbank A. G.*

Address: Zagreb (Agram), Croatia (Yugoslavia).

Capital: RM. 5,000,000.

Business: General banking. Has four branches in Croatia.

Interest: This bank was formerly controlled by the Zivnostenska Banka in Prague which owned the majority of its capital. In 1941 the Dresdner Bank acquired most of the shares held by the Zivno, and at the same time strengthened its interest by doubling the capital of the bank. The Zivno still has an interest of 25 percent.

(g) *Süd-Bank, A. G.*

Address: Belgrade, Serbia (formerly included in Yugoslavia).

Capital: 12,000,000 dinars.

Business: General banking.

Interest: Early in 1944 the Dresdner Bank, together with the Länderbank Wien, established the Süd-Bank A. G. to take over the Belgrade branches of the Kroatische Landesbank. The Dresdner Bank has a two-thirds interest, and a one-third interest was given to the Länderbank Wien.

(h) *Bankverein A. G.*

Address: Belgrade, Serbia (formerly included in Yugoslavia).

Capital: RM. 5,000,000.

Business: Finance international trade.

Interest: The Deutsche Bank controls the Bankverein A. G. of Belgrade through a 13 percent direct interest and through indirect interests of 51 percent held by the Creditanstalt Bankverein of Vienna and 7 percent by the Böhmsche Union-Bank of Prague. The two last-mentioned institutions are subsidiaries of the Deutsche Bank. Small participations in the Bankverein A. G. of Belgrade are also held by the three large Berlin banks, the Dresdner Bank, the Commerzbank, and the Reichs-Kredit-Gesellschaft. This was formerly a branch of the Allgemeine Yugoslavischer Bankverein A. G.

(i) *Banque d'Athènes*

Address: Athens, Greece.

Capital and reserve: 176,000,000 drachmas.

Business: Second largest commercial bank of Greece.

Interest: In 1941 the Dresdner Bank concluded an agreement with the Banque d'Athènes with a view to closer cooperation. Dr. Hans Pilder, of the Dresdner Bank, became a member of the Greek bank's board, although so far as is known the Dresdner Bank did not participate in the capital of that institution. The Banque d'Athènes is still controlled by Greek-Egyptian interests, in particular the Greek banking family, Eliasco. The French bank, the Banque de l'Union Parisienne, holds a minority participation.

(j) *Griechisch-Deutsche Finanzierungs-Gesellschaft A. G. (Ste. Financiere Greco-Allemande S. A.)*

Address: Athens, Greece.

Capital: 35,000,000 drachmas.

Business: Established for the purpose of fostering trade between Greece and Germany. In 1942 was entrusted with the function of cashier or transfer agent of the Deutsche-Griechische Warenausgleichsgesellschaft. This last-mentioned institution fixed the premiums to be paid by Greek importers on imports from Germany, and utilized the funds received for the cheapening of Greek imports

to Germany, a procedure which became necessary because of the rapidly rising price level in Greece, and the unchanged clearing rate of the drachma. The Griechisch-Deutsche Finanzierungs had branches in 120 Greek cities, 3 branches in Egypt, 2 in Cyprus, and an office in London. It owned the Bank of Athens Trust Co., in New York, as well as half the capital of the French-Hellenic Mortgage Bank, in Athens.

(k) *French-Hellenic Mortgage Bank (Banque Hypothecaire Franco-Hellenique)*

Address: Athens, Greece.

Business: General banking.

Interest: The Dresdner Bank would appear to have an indirect interest in this institution through the Griechisch-Deutsche Finanzierungs Ges. (see above).

(l) *Ungarische Allgemeine Kreditbank (Magyar Allános Hitelbank)*

Address: Budapest, Hungary.

Capital: RM. 32,400,000.

Business: Important commercial bank with extensive interests in textile, machinery, electrical and leather industries. As of 1942 it had a large system of branches and controlled 12 Hungarian banks.

Interest: The Dresdner Bank owns a considerable interest in the Ungarische Allgemeine Kreditbank but the exact size of the participation is not known. The bank, established in 1867 by the Rothschild banking group, had come under French influence in 1920 when the Schneider group acquired a considerable block of its shares. In 1941, the Dresdner Bank took over from the Banque des Pays du Nord, Paris, and the Union Europeenne Industrielle et Financiere (both of the Schneider group) their interest in the institution, amounting at that time to 16 percent of the bank's capital. Since the Dresdner Bank had some participation before the acquisition of the French interests and since the Böhmsche Escompte-Bank (controlled by the Dresdner Bank) owned a minority interest in the institution, it is possible that the present participation of the Dresdner Bank group may amount to a majority of the capital. The bank is said to be the main representative of the Dresdner Bank's interests in Hungary.

(m) *Wechselstuben A. G. "Mercur"*

Address: Budapest, Hungary.

Capital: RM. 400,000.

Business: General banking.

Interest: The Dresdner Bank has an indirect interest in this bank through the Länderbank, Austrian subsidiary of the Dresdner Bank which controls Wechselstuben A. G.

(n) *Rumänische Bankanstalt (Societatea Bancara Romana)*

Address: Bucharest, Rumania.

Capital: RM. 5,000,000.

Business: Has been especially active in the financing of German-Rumanian trade. It was formed in 1929 when the Dresdner Bank, in cooperation with associated banks and bankers, transformed its Bucharest branch into a separate corporation under this name. In 1942 the Rumänische Bankanstalt took over the Bucharest branch of the Prager Kreditbank. Has several branches in Rumania.

Interest: The Dresdner Bank has a majority interest of 70 percent, while minority interests are held by the Commerz Bank, of Berlin, and by J. H. Stein, of Cologne.

(o) *Rumänische Kreditbank (Banca de Credit Romana)*

Address: Bucharest, Rumania.

Capital: RM. 10,000,000.

Business: General banking.

Interest: It is believed that the Dresdner Bank holds a small participation in the Rumänische Kreditbank, and that a larger interest is held by the Reichs-Kredit-Gesellschaft.

(p) *Bulgarische Handelsbank (Banka Bulgarski Kredit)*

Address: Ruse, Bulgaria (legal address); Sofia, Bulgaria (head operating office).

Capital: RM. 1,800,000.

Business: Third largest commercial bank in Bulgaria. Besides two Sofia branches it maintains branches in 16 provincial towns. It exercises considerable influence over the national economy, controlling, among others, two provincial

banks, the Banque Commerciale de la Bulgarie du Sud and the Banque Commerciale Vidine, as well as a series of enterprises in the coal mining, textile, electrical and cement industries.

Although the bank is said to be Government-controlled, the financially powerful Bulgarian family, the Gubidelnikous, among the most important financial and industrial groups in southeastern Europe, are believed to be the principal stockholders. It is estimated that about one-third of the bank's capital is on deposit with the French investment bank, Banque de Paris et des Pays Bas (Paribas), which is said to have owned, since the early twenties, a minority interest in the Bulgarian institution. The Bulgarische Handelsbank suffered considerable losses, however, in the banking crisis of the early thirties, and Paribas withdrew as an active stockholder without relinquishing its participation.

Interest: In December 1941 the Dresdner Bank and its subsidiary, the Länderbank Wien concluded a "friendship agreement" with the Bulgarische Handelsbank with a view to closer cooperation. The Dresdner Bank is believed to have bought up some minor Bulgarian holdings in the Bulgarische Handelsbank, and to have made an arrangement with Paribas, allowing the Dresdner Bank to exercise the Paribas rights without acquiring the Paribas participation in the Bulgarian bank.

(g) *Deutsche Orientbank*

Address: Istanbul and Izmir, Turkey.

Business and interest: The Deutsche Orientbank was organized in 1906 by a group of German banks but control was eventually gained, through mergers, by the Dresdner Bank. In 1931 the Dresdner Bank took over in its own name the two Egyptian branches of the Orientbank, and later absorbed the Orientbank, which retains the name, Deutsche Orientbank, and under that title operates the two Turkish branches of the Dresdner Bank.

(r) *Kommerzialbank A. G.*

Address: Cracow, Government General (Poland).

Capital: RM. 2,500,000.

Business: General banking. Has branches in Cracow and Lwow, Poland.

Interest: This bank was owned by the Länderbank Wien (a successor to the Mercurbank) until 1940 when the Dresdner Bank took over the participation.

(s) *Ostbank A. G.*

Address: Posen, Wartheland (Poland).

Capital: RM. 3,000,000.

Business: Regional bank with a series of branches.

Interest: Prior to 1940 the Dresdner Bank had an interest of 30 percent in this bank. This interest was considerably increased in 1940 and the Ostbank became a subsidiary of the Dresdner Bank. It took over the Dresdner Bank's branch at Poznan in 1940.

(t) *Handels-und-Kreditbank A. G.*

Address: Riga, Ostland (Latvia).

Capital: RM. 1,000,000.

Business: Commercial banking.

Interest: This bank is a subsidiary of the Dresdner Bank. It was developed in 1941 through the merger of three pre-1939 participations of the Dresdner Bank: A. G. Libauer Bank, Riga (Liepajas Banka); Litauische Kommerzbank, Kovno, Lithuania (Lietuvos Komercijos Bankas); and the Dorpater Bank, Reval, Esthonia (A. S. Tartu Bank, Tallinn).

(u) *Handelstrust West N. V.*

Address: Amsterdam, Holland.

Capital: 1,000,000 gulden.

Business: General banking. Opened branch in The Hague in 1942. May have taken over the assets of the banking firm, Hamburger & Co., in which the Dresdner Bank formerly had an interest and which was liquidated because of its Jewish management.

Interest: This bank was established by the Dresdner Bank in 1939 and has been operated as a subsidiary.

(v) *Bank voor Noord Nederland*

Address: Groningen, Holland.

Capital: 100,000 gulden.

Business: Local institution, reportedly established for political purposes because of its strategic location close to the German border. It was hoped to bring the Dutch province of Groningen within the sphere of Nazi financial influence.

Interest: Established by the German bank, Oldenburgische Landesbank, a subsidiary of the Dresdner Bank.

(w) *Bank voor West-Europeeschen-Handel (Bank for West European Trade)*

Address: Amsterdam, Holland.

Business: This Dutch bank was founded in 1940 by the German "big banks" under the leadership of the Deutsche Bank and the Dresdner Bank. It is reported that its purpose was the financing of international trade.

Interest: Jointly controlled by the Dresdner Bank with other Berliner Grossbanken.

(x) *Continental Bank S. A./N.V.*

Address: Brussels.

Capital: 25,000,000 Belgian francs.

Business: Its main purpose was the financing of the international potash-syndicate. In 1942 it opened a branch in Antwerp. It is closely affiliated with the Dutch Bank of the same name.

Interest: This Belgian bank was founded by the Dresdner Bank and its subsidiary. Since the liberation of Belgium its assets have been sequestered by the Belgian Government.

(y) *Internationale Bank Luxemburg A. G.*

Address: Luxemburg.

Capital: RM. 3,000,000.

Business: Commercial and investment banking.

Interest: The Dresdner Bank formerly held a minority participation which it increased in 1940 at the expense of the Banque de Bruxelles and the Banque de l'Union Parisienne, earlier majority holders. The Dresdner Bank now owns a 50 percent interest, while the German banking firms, Pferdmeiges und Co., of Cologne, and Delbrück, Schickler und Co., of Berlin, hold 13 and 5 percent respectively; 22 percent is held by Luxemburg citizens, while the Banque de Bruxelles and the Banque de l'Union Parisienne now own only 5 percent each.

(z) *Luxemburger Bank A. G.*

Address: Luxemburg.

Business: Holding company devised to administer capital participations in the banks which control the Internationale Bank.

Interest: The Dresdner Bank appears to have an indirect interest in this holding company through the Internationale Bank.

(a-2) *Banco Germanico de la America del Sur*

Address: Madrid, Spain.

Capital: 3,000,000 pesetas.

Business: This is a subsidiary of the Deutsch-Südamerikanische Bank, Berlin and Hamburg, German bank for South American trade.

Interest: The Dresdner Bank controls the Banco Germanico de la America del Sur through the Deutsch-Südamerikanische Bank, which the Dresdner Bank owns.

(b-2) *Bank of Athens Trust Co.*

Address: 205 West Thirty-third Street, New York, United States of America.

Capital: \$500,000.

Business: General banking administration of trusts, estates, etc.

Interest: The Dresdner Bank would appear to have an indirect interest in the Bank of Athens Trust Co. through the Griechisch-Deutsche Finanzierungs-Ges., which owns the Bank of Athens. The Dresdner Bank owns half the capital of the Griechisch-Deutsche Finanzierungs-Ges.

(c-2) *Deutsche Asiatische Bank*

Address: Shanghai, China (head office).

Capital: RM. 3,400,000 (1938).

Business: Finance trade with the Far East. In 1938 it had two branches in Germany (Berlin and Hamburg) and six in China.

Interest: This bank was established as a joint enterprise of the Dresdner Bank and the other Berliner Grossbanken.

*2. Industries**(a) Steyr-Daimler-Puch AG. (Steyr Werke)*

Address: Vienna, Austria.

Business: Largest Austrian automobile concern which during the war was engaged in the manufacture of armaments. It is controlled by the Hermann Göring combine.

Interest: The Dresdner Bank may have an indirect interest in this company through its subsidiary, the Länderbank Wien, which, since the beginning of World War II assisted the Creditanstalt Bankverein of Vienna in underwriting an issue of RM. 50,000,000 bonds of the Steyr enterprise.

(b) Kontinentale Rohstoff- und Papier-Industrie (Kontag)

Address: Austria.

Business: Cellulose and paper manufacturing enterprise, successor to the Aryanized Bunzl & Biach, which had been the largest cellulose concern in Austria.

Interest: During the Aryanization proceedings the Creditanstalt-Bankverein, Austrian subsidiary of the Deutsche Bank, acquired a majority interest in Kontag. At the same time the Länderbank Wien, subsidiary of the Dresdner Bank, acquired a smaller interest in the firm.

(c) Gebr. Boehler & Co. A. G.

Address: Vienna, Austria.

Business: Important Austrian steel company.

Interest: The Länderbank Wien, Austrian subsidiary of the Dresdner Bank, assisted in underwriting a bond issue of this firm in 1941.

E. MANAGEMENT PERSONNEL

Names of directors, etc. (1944)

Management committee:

Alfred Busch.
Alfred Hölling.
Carl Lüer.
Emil H. Meyer.
Gustav Overbeck.
Hans Alder.
Karl Rasche.
Hans Schippel.
Hugo Zinsser.

Board of directors:

Carl Goetz, chairman.
Wilhelm Meinberg, vice chairman.
Wilhelm Kisskalt, vice chairman.
Hellmuth Röhnert, vice chairman.
John von Berenberg-Gossler (died July 14, 1943).
Fritz Dreysel (died March 11, 1943).
Wilhelm Avieny.
Bruno Claussen.
Erwin Dircks.
Albert, Baron Dufour von Feronce.
Friedrich Flick.

Board of directors—Continued

August Goetz.
Werner Habig.
Ernst Henke.
Karl Heinz Heuser.
Otto Kämper (retired May 6, 1943).
Heinrich Koppenberg.
Fritz Kranefuss.
Alfred Krupp von Bohlen und Halbach.
Karl Lindemann.
Ewald Löser (retired May 6, 1943).
Carl Arthur Pastor.
Karl Pfeiffer.
Hans Carl Scheibler.
Walther Schieber.
C. Ottl Schmelzer.
Heinrich Schmidt.
Georg Talbot.
Hans Ullrich.
Hans Walz.
Carl Wentzel.
Joseph Wiehen.

Wilhelm Avieny

Wilhelm Avieny, prominently associated with the I. G. Farben affiliate, Metallgesellschaft A. G., Frankfurt am Main, in the capacity of chairman of the board of directors, a Nazi industrial profiteer in good standing with the party, is a member of the supervisory board of the Dresdner Bank (since May 1943), general director of the Nassau Landesbank in Wiesbaden, and a member of the supervisory board of the Deutsche Bank. He is active in the fields of banking and industry.

Avieny was born in the town of Wiesbaden on November 21, 1897. He is said to be a very aggressive type of individual, and a frequent spokesman for Nazi policies. His good standing with the party is evidenced by two important positions he holds, that of Wehrwirtschaftsführer (leader of the war economy program, and Reichswirtschaftsrichter (judge of the National Economic Court).

He is also Gau economic adviser of Hessen Nassau (Gauwirtschaftsführer). In 1938 Avieny was proposed by Hitler as a member of the Reichstag.

Wilhelm Avieny's chief industrial connection is with Metallgesellschaft A. G., of which he is a director. This company is an outstanding German industrial concern, or Metal Trust, and holds a dominant position in the nonferrous metals and related industrial spheres. Its position is analogous to that occupied by I. G. Farben in the domain of chemicals and general synthetic raw materials.

When the presidency in the Metallgesellschaft became vacant a few years ago, Avieny, a politically expedient party man, was put into the key position. Manifestly lacking in both executive ability and industrial training, serving merely in a minor clerical capacity in the pre-Hitler period, Avieny was looked upon by the industrial groups who put him into his position as a party stooge. It was agreed that he would be assisted in his duties by a trained industrialist named Kissel, son-in-law of the late Professor Bosch, and former head of I. G. Farben.

Wilhelm Avieny's address is 45 Anlarge, Bockenheimer. His political, banking, and industrial connections are as follows:

Political.—Wehrwirtschaftsführer—Leader in war economy system.

Reichswirtschaftsrichter—Judge of the National Economic Court.

Gauwirtschaftsführer—Gau economic adviser of Hessen Nassau.

Industrie und Handelskammer für das Rhein-Mainische Wirtschaftsgebiet, Frankfurt am Main (chamber of commerce)—Assistant director.

Akademie für Deutsches Recht, Ausschuss für G. m. b. H. Recht, Berlin (Academy of German Law and Corporate Law)—Member.

Reichsarbeitskammer, Berlin (Department of Labor)—Member.

Wirtschaftskammer Hessen, Frankfurt am Main (chamber of commerce)—Member of the advisory board.

Banking.—Deutsche Reichsbank, Berlin—Member of the advisory board.

Reichsgruppe Banken, Berlin (central body for banking supervision)—Member of the advisory board.

Dresdner Bank—Director (1944).

Reichsgruppe Banken, Bezirk, Hessen (arbitrator of the German banking group)—Regional chief.

Nassau Landesbank, Wiesbaden—General director.

Industry.—Metal: Metallgesellschaft A. G., Frankfurt am Main (large mining and metal-working combine)—Chairman of board of directors; member of advisory committee.

Norddeutsche Affinerie, Hamburg (subsidiary of Metallgesellschaft)—Chairman of board of directors.

Sachtleben A. G. für Bergbau und Chemische Industrie, Cologne (subsidiary of Metallgesellschaft)—Chairman of board of directors.

Vereinigte Deutsche Metallwerke A. G., Frankfurt am Main (subsidiary of Metallgesellschaft)—Chairman of board of directors.

Unterweser Reederei A. G., Bremen (subsidiary of Metallgesellschaft)—Deputy chairman of board of advisers.

Deutsche Gold- und Silver-Scheidenstalt vormals Roessler, Frankfurt am Main—Director.

Neue Baugesellschaft Wayes & Freytag A. G., Frankfurt am Main (construction company)—Deputy chairman of board of directors.

Vereinigte Aluminium Werke A. G., Berlin (subsidiary of Vereinigte Industrie-Unternehmungen A. G., Berlin (VIAG))—Deputy chairman of board of directors.

Public utilities.—Elektrizitäts A. G., vormals W. Lahmeyer & Co., Frankfurt am Main (electric public utility)—Deputy chairman of board of directors.

Telefonbau und Normalzeit G. m. b. H., Frankfurt am Main (telephone company, probably public utility)—Deputy chairman of board of directors.

Air lines: Südwestdeutsche Flugbetriebs A. G., Rhein Main, Frankfurt am Main—Deputy chairman of board of directors.

Miscellaneous: Ernest Leitz G. m. b. H., Wetzlar—Deputy chairman of board of directors.

Andreas-Noris Zahn A. G., Bremen—Director.

Alfred Busch

Alfred Busch, a member of the management committee of the Dresdner Bank, was formerly connected with the Deutsche Bank.

Busch is spoken of as an efficient man with political ambitions. It has also been said that he is not a Nazi, but there is no confirmation for this. The statement is possibly based upon the fact that he was originally sponsored by S. Ritscher, an outstanding Jewish banker.

Dr. Bruno Claussen

Dr. Claussen, formerly State Secretary in the Prussian Council, is now a privy counselor of the Government and is prominent in banking and industrial circles. He is a director of the Dresdner Bank, and is chairman of the boards of several companies engaged in such diverse activities as the manufacture of cement, machines, and combustibles.

Early background.—He was born in Itzehoe/Holstein in 1884 and attended local schools in Meldorf and Ratzeburg. He pursued his studies in law and political economy at the Universities of Grenoble, Tübingen, Berlin, and Kiel. His military service included action as first lieutenant of marksmen during the First World War.

His professional career has been as follows:

1911-14—Government lawyer in the subprefect's office at Kemper-on-the-Rhine.

1916—Attached to the War Food Supply Office.

1919-20—Representative of War Food Supply in Budapest and in the occupied Rhine territories.

1920—Ministerial adviser for the occupied Rhine territories.

1926—Entered the Reich Ministry of Economy.

1933—Secretary in the Prussian Ministry for Economy and Labor.

1934—Member of the Prussian Council. Retired temporarily. Nothing further is reported concerning him until 1942.

His financial and commercial affiliations were the following in 1942:

Banking.—Dresdner Bank, Berlin—Director.

Commerzbank, Berlin—Director.

Allgemeine Deutsche Credit-Anstalt, Leipzig—Director.

Commercial.—Trading companies: A. G. für Verkehrswesen, Berlin—Director.

Westdeutsche Kaufhof A. G., Cologne—Director.

Industrial.—Cement works: Dyckerhoff-Portland-Zementwerke A. G., Mainz-Amoenburg—Chairman of board of directors.

Machine tools: G. Karger, Fabrik für Werkzeugmaschinen A. G., Berlin—Chairman of board of directors.

Combustibles: Deutsche Zundwaren-Monopol-Gesellschaft, Berlin—Chairman of board of directors.

Gustav Herman Erwin Dircks

Gustav Herman Erwin Dircks, a member of the board of directors of the Dresdner Bank, the second largest bank in Germany, is connected with the corn products refining and cement industries. He is chairman of the management committee of the Deutsche Maizena Werke A. G., and also a director of W. A. Scholten Starke und Syrup Fabriken A. G., Finkenheerde Obstwerke R. Sonnenburg, A. G. fuer Maisverarbeitung and Norddeutsche Eiswerke A. G., subsidiaries of Deutsche Maizena Werke A. G.

Deutsche Maizena Werke A. G. is a large corn products company with factories and warehouses both in Germany and in a number of other European countries. Corn Products Refining Co. of New York is the majority stockholder in the company. One of the directors of Deutsche Maizena Werke is Count Bode von Alvensleben, a man with exceptionally close connections with German heavy industry. Von Alvensleben was in 1932 the president of the exclusive Herrenklub which counted as its members the high Junker nobility and the large German industrialists. Together with von Papen he is alleged to have brought Hitler and heavy industry together. Walter E. Dircks, who in 1941 gave the New York office of the Corn Products Refining Co. as his address, is probably a relative of Erwin Dircks, as the two appeared to maintain a close contact.

Erwin Dircks' interest in the portland cement industry is indicated by the fact that he is a director of Norddeutsche Portland-Cement-Fabrik Misburg A. G., and of its subsidiaries Portland Cementwerke Schwanebeck A. G., Misburger Portland-Cementfabrik Kronsberg A. G., and Portland-cementfabrik Alemannia A. G.

In 1941 Dircks has assets of \$6,186 in the United States representing mainly stock in Corn Products Refining Co.

Erwin Dircks was born on April 10, 1881, in Hamburg and resides at Heilwigstrasse 61, Hamburg. His financial and business connections are as follows:

Banking.—Dresdner Bank, Berlin—member, board of directors.

Gesellschaft fuer Industriebeteili m. b. H., Hamburg (industrial holding company)—Manager.

Industry.—Cement: Norddeutsche Portland-Cement-Fabrik Misburg A. G., Misburg; (cement)—Deputy chairman of the advisory board.

Portland Cementwerk Schwanebeck A. G., Schwanebeck, Kreis Oesherleben/Bode (cement)—Deputy chairman of the advisory board.

Portland-cementfabrik Alemannia A. G., Höver (cement)—Chairman, board of directors.

Misburger Portland-Cement Fabrik Kronsberg A. G., Misburg bei Hannover (cement)—Member, board of directors.

Chemicals: P. Beiersdorf & Co. A. G., Hamburg (chemical products)—Member, board of directors.

Chemische Fabrik von Heyden A. G., Radebeul (chemicals)—Member, board of directors.

Food products: Deutsche Maizena Werke A. G., Hamburg (corn products)—Chairman, bank committee.

Finkenheerder Obstwerke Richard Sonnenburg A. G. (sirup)—Chairman, board of directors.

W. A. Scholten, Starke und Syrup-Fabriken A. G., Brandenburg a. H. (starch and sirup)—Chairman, board of directors.

Aktien-Malsfabrik Landsberg bei Halle (malt)—Deputy chairman of the advisory board.

Münchner Export-Malzfabrik München A. G., Munech (malt export)—Deputy chairman of the advisory board.

A. G. fuer Maisverarbeitung, Bratislava/Slawakei (corn processing)—Member, board of directors.

Suddeutsche Zucker A. G., Mannheim (sugar)—Member, board of directors.

Mondemin, Berlin (pudding powders)—Directors.

Karl. Fr. Tollner, Nahrungsmittel-Fabrik, Bremen (sirups)—Director.

Saatzuchtwirtschaft C. Braune, Berneburg, Germany (beet-sugar seed)—Director.

C. H. Knorr A. G., Heilbornn/Neckoi (food and grocery products)—Deputy chairman of the advisory board.

Corn Products Co. S. A., Antwerp, Belgium (sales organization)—Director.

Akt. Corn Products Co., Copenhagen, Denmark (sale organization)—Director.

N. V. Corn Products Co., Amsterdam, Holland (sales organization)—Director.

Transportation: Transport und Lagerhaus, Barby, Germany (transport and warehouse Co.)—Director.

Miscellaneous.—Norddeutsche Eiswerke A. G., Berlin (ice works and refrigerated warehouses)—Deputy chairman of the advisory board.

Seidel & Naumann A. G., Dresden (special machinery, typewriters, bicycles)—Member, board of directors.

E. Gundlach A. G., Bielefeld (stationery, printing and wrapping paper)—Member, board of directors.

Ottensener Eisenwerke A. G., Hamburg, Ottensen (iron works)—Member, board of directors.

Maisena Haus G. m. b. H., Hamburg (warehousing)—Officer.

Baron Albert Dufour von Feronce

Baron Albert Dufour von Feronce is a director of the Dresdner Bank in Berlin and of the Deutsch-Südamerikanische Bank, A. G., which is a wholly owned overseas subsidiary of the Dresdner Bank. In addition he has several connections in industry in such fields as glass manufacture, brewing, textiles, etc.

Baron Feronce was born on May 14, 1868, in London, England, and his last known address is 7 Rauchstrasse, Berlin W-35. His affiliations as of 1942, were reported as follows:

Banking.—Dresdner Bank, Berlin—Director.

Deutsch-Südamerikanische Bank A. G., Berlin (capital R.M. 20,000,000, wholly owned by the Dresdner Bank; this bank was incorporated in Germany but does business in South America)—Director.

Industrial.—C. Lorenz A. G., Berlin-Tempelhof (production of telephone apparatus, telegraph installations, etc.; has interests in seven companies, among which is the Dutch company, N. V. Stabilovolt (in liquidation), The Hague; capital in 1938 R.M. 9,500,000; one of the members of the management committee of the Dresdner Bank is on the board of directors of this company)—Deputy chairman of the advisory board.

Engelhardt-Brauerei A. G., Berlin (production of beer; has nine subsidiaries, and the Dresdner Bank is its principal shareholder, with 50 percent interest)—Director.

Otto Stumpf A. G., Leipzig (wholesale trade in the manufacture of pharmaceutical biological and cosmetic preparations, medicinal and medical products; has branches in 10 cities; capital (1938), R.M. 700,000)—Director.

Neue Glasindustrie G. m. b. H., Wisswasser/O. L. (glass)—Member of the advisory board.

Woltex Woll- und Textilhandels A. G., Berlin (wool and textile trading)—Deputy chairman of the advisory board.

Treuhand-Vereinigung A. G., Berlin (trust and auditing business; has several branches; capital in 1938, R.M. 175,000; the chairman of the board of this company is a substitute member of the management committee of the Dresdner Bank)—Deputy chairman of the advisory board.

Friedrich Flick

Friedrich Flick, the creator and head of one of Germany's largest industrial concerns, established this gigantic combine through his money, speculation, and political influence. By dint of persistence in attempts to consolidate the iron industry he eventually brought under his control in 1926 the Vereinigte Stahlwerke, now Germany's largest industrial concern; and about the same time founded the Mitteldeutsche Stahlwerke, another large steel organization.

Individually, Flick now controls a very large proportion of the Reich's steel production as well as the country's biggest lignite fields; with Goering he rules the entire Ruhr coal region; and ever since the Nazi Party reportedly took over the vast Thyssen holdings, Flick became the latter's successor as the dominant power in the joint steel and coal combines.

Flick is a member of the advisory board of the Deutsche Reichsbank and a director of the Dresdner Bank. He is a director of the war economy program and holds a leading position in industries directly controlling production for the war machine. He is also a member of the Russland-Ausschuss der Deutschen Wirtschaft, presumably part of a premature plan to convert to Germany's use the tremendous natural resources of Russia's mines. In October 1943, on his sixtieth birthday, Flick was hailed in the Nazi press as a great industrial leader.

Collaboration with the Government.—(A) *Industrial transactions.*—1. Vereinigte Stahlwerke: In 1931, during the industrial crisis, the German Government was forced to purchase from Flick the most important firm of the Vereinigte Stahlwerke in order to prevent its falling into foreign hands. Apparently Flick had offered this firm to a French representative of heavy industry, presumably Schneider-Creusot, and had greatly enraged German political circles. The Government paid Flick 167 percent of the actual value of the firm in order to prevent the sale to a foreigner.

2. Goering exchange: In 1938 Flick was permitted by Goering to acquire the lignite mines in Germany which were being Aryanized and wrested from their former Jewish ownership, the prominent Czechoslovakian Petschek family. It is reported that this transaction cost Flick \$6,325,000, and was paid from the German Government's dollar funds in the United States. From this purchase Flick obtained controlling interest in Werschen-Weissenfelsen Braunkohlen A. G. and the Anhaltische Kohlen Werke A. G., together with their coal selling agency. (For some unaccountable reason these companies are not listed officially in 1942 with Flick's other connections. It may be that this information has been withheld from the public because the deal required payment by use of Government dollar assets in the United States.) In return for the right to purchase these mines Flick transferred to Goering one-third ownership of the important Harpener Bergbau coal mines, which are reported to be a coal foundation of the vast Goering Werke and of which he is chairman of the board.

3. Occupied countries: Following the Nazi invasion and occupation of the countries of Europe, Flick shared in the spoils of conquest, particularly in Lorraine, Austria, Belgium, and the Baltic countries. In addition, his other war gains have been Bergwerke und Hutten A. G., Austria, and Sud Chemie A. G., Munich, (in which he installed his nephew as chairman of the board of directors), neither of which is listed among his 1942 affiliations.

(B) *Political service.*—Politically, Flick has remained in the background. His name is hardly known, yet he is probably the greatest wire puller in Nazi Germany. Current rumors are that he is probably lying low hoping to pass as a moderate after the capitulation of Germany.

Before 1931, Flick financed the Deutsche Volkspartei and the Deutsche Nationale Partei. Utilizing his director, Steinbrinck (who was on excellent terms with Keppler and Himmler), and Ernst Tengelman (who was close to Goering), Flick won his way into the party. In addition, his money and industrial power paved the way for a complete understanding with the National Socialists.

It has been reported that with Krupp and Thyssen, Flick financed the German administrations' secret service by running it as a private enterprise (after the Versailles Treaty forbade its continuance) and by hiring its director, Colonel Nicolai, as a private employee.

His financial and industrial connections were the following in 1942:

Financial.—Banking: Dresdner Bank, Berlin—Director.

Deutsche Reichsbank, Berlin—Member of the advisory board.

Insurance: Allianz Versicherungs A. G., Berlin (capitalized at RM. 16,000,000, it is one of the largest insurance companies in Europe; allegedly controlled by Merck Finck & Co. (Hitler's private banker) through Münchener Rückversicherungs Gesellschaft)—Director.

Personal holding companies: Friedrich Flick K. G., Dusseldorf (personal property of Flick and holding company for all his major interests)—Owner.

Metafina: Holding company established after World War I in the Netherlands to protect his personal fortune. During the inflationary period in Germany in the twenties, he transferred considerable amounts to Holland and Switzerland. One of his intimate friends was Franz Koenigs, of Rhodius Koenigs Handelsmaatschappij in Amsterdam, with whom he succeeded in gaining control of a great number of old Rheinisch Westfälisches Werke.

Industrial.—Steel works: Vereinigte Stahlwerke A. G., Dusseldorf (German Steel Trust)—Director.

Mitteldeutsche Stahlwerke A. G., Riesa/Elbe (majority ownership held by Friedrich Flick K. G.; may be termed the No. 2 holding entity of the Flick enterprises; it is capitalized at RM. 28,000,000)—Chairman of board of directors.

Sächsische Guss-stahl Werke Döhlen A. G., Freital—Chairman of board of directors.

Hochofenwerk Lubeck A. G., Lubeck Herrenwyk (blast furnaces; regarded as one of Flick's war organizations. Its other directors include Thyssen, Tengelmänn, Kappenberg, and von Schroder)—Chairman of board of directors.

Rombacher Huttenwerke G. m. b. H., Rombach/Westmark (foundries; acquired after the Nazi occupation of Lorraine)—Chairman of board of directors.

Mining—Iron and coal:

Eisenwerke-Ges. Maximilianshütte, Sulzback-Rosenberg-Hütte (iron works; 80 percent owned by Mitteldeutsche Stahlwerke, above)—Chairman of board of directors.

Harpener Bergbau A. G., Dortmund (subsidiary of Eisenwerke Ges. Maximilianshütte, above; one-third owned by Hermann Goering; its directorate includes some of Germany's most prominent industrialists: Kurt von Schroder; Kimmich; von Vlissingen, the notorious Dutch Nazi; and Ernst Tengelmänn who is alleged to have brought Goering and Flick together when the Nazis came into power)—Chairman of the board of directors.

Gewerkschaft des Steinkohlen- und Eisenstein-Bergwerks "Sieben-planeten", Dortmund (coal and iron mines)—Member of mining management committee.

Anhaltische Kohlenwerke, Berlin—Chairman of board of directors.

Essener Steinkohlenbergwerke A. G., Essen (reputedly bought by Flick from the Stahlverein)—Chairman of board of directors.

Rheinische A. G. für Braunkohlen-Bergbau u. Brikettfabrikation, Köln (coal and lignite; capitalized at RM. 72,900,000; other directors are Thyssen, Schroder, and Völger; affiliated with Rheinisch-Westfälisches Elektrizitäts-werke through one of its subsidiaries)—Director.

Heavy machinery: Linke-Hofmann-Werke A. G., Breslau (subsidiary of Mitteldeutsche Stahlwerke, above)—Deputy chairman of advisory board.

Siegener Maschinenbau A. G., Siegen (owned by the Weiss family; its total assets in 1937 were RM. 7,500,000; does not appear to be affiliated with Vereinigte Stahlwerke)—Deputy chairman of the advisory board.

Waggon- und Maschinenfabrik A. G., vorm. Busch, Bautzen (railroad cars and machinery; two other directors, Otto Steinbrinck and Friedrich Moller, are also on the board of Mitteldeutsche Stahlwerke, above)—Deputy chairman of advisory board.

Munitions: Dynamit A. G., vormals Alfred Nobel & Co., Hamburg (majority stock held by I. G. Farben; another director is Tengelmänn)—Director.

Electricity: Allgemeine Elektrische Gesellschaft (electrical combine with subsidiaries all over the world; in 1937 it was reputed capitalized at RM. 120,000,000, with total assets of RM. 431,000,000; at that time each of the following owned 25 percent of the stock of AEG: International General Electric of New York; Gesellschaft für Elektrische Unternehmungen; and Ludwig Lowe A. G.; its board

included Loser of the Krupp empire, Gunther Quandt, Otto Wolff, and Baldwin and Minor of International General Electrical)—Director.

Chemicals and pharmaceuticals: Schering A. G., Berlin (also owns 21.43 percent interest in Concordia Bergbau, majority control of which is vested in Vereinigte Stahlwerke, above)—Director.

Transportation: Allgemeine Transportanlagen G m b H., Leipzig—Director.

Political.—Wehrwirtschaftsführer—Leader of the war economy.

Carl Goetz

Carl Goetz, member of the advisory board of the Deutsche Reichsbank, and chairman of the board of the Dresdner Bank, is prominent in the implementation of the financial and industrial structure of the Nazi economy. In addition to his insurance and banking connections he is affiliated with almost every important financial combine operating on behalf of the German war machine.

Outstanding among those associations are: Vereinigte Stahlwerke, Allgemeine Elektrizitäts Gesellschaft (AEG), Friedrich Krupp, and Gesellschaft für Elektrische Unternehmungen. He is also affiliated with the directors of the above enterprises in numerous mutual undertakings which are basic to the war effort.

Goetz was born in 1885. He is reported to be an expert in international finance and at one time was in charge of the foreign business of the Commerzbank. His financial and industrial associations were the following in 1942:

Financial.—Banking: Deutsche Reichsbank—Member of the advisory board.

Dresdner Bank—Chairman of board of directors.

Deutsche-Südamerikanische Bank (wholly owned subsidiary of the Dresdner Bank, above; its assets in 1942 were reported as RM. 79,000,000; it maintains branches in South America and was regarded before the war as one of the most important German financial spearheads in South America)—Chairman of board of directors.

Sächsische Bodenkredit Anstalt (mortgage bank; majority control vested in the Dresdner Bank, above)—Chairman of board of directors.

International Bank in Luxembourg (50 percent owned by Dresdner Bank, above)—Vice president.

Insurance: Münchner Rückversicherungs-Gesellschaft, Munich—Director.

Allianz Versicherungs A. G., Berlin (50 percent owned by Münchner Rückversicherungs-Gesellschaft, Munich, above capitalized at RM. 60,000,000; the director is the industrialist, Friedrich Flick.)—Director.

Industrial.—Steel: Vereinigte Stahlwerke (steel trust; in 1939, capitalized at RM. 460,000,000, with total assets of RM. 1,864,014,000; its directorate includes some of the most important financiers and industrialists of the country)—Director (member of the executive council in 1938).

Rheinische Stahlwerke A. G., Essen (capitalized at RM. 150,000,000; it is a member of the Rheinisch-Westfälisches Kohlensyndikat and numbers among its directors Hermann Schmitz, of I. G. Farben, and Otto Wolff, of the Wolff enterprises.)—Director.

Armaments: Fried Krupp, Essen—Director.

Meuser Werke A. G., Oberndorf (fully owned by Deutsche Waffen und Munitionsfabriken A. G., allegedly affiliated with the Goering Werke.)—Director.

Electrical: Gesellschaft für Elektrische Unternehmungen A. G., Berlin (a large holding company, capitalized at RM. 80,000,000 and controls numerous important subsidiaries)—Deputy chairman of advisory board.

Allgemeine Elektrizitäts Gesellschaft, AEG (electric trust, 25 percent owned by Gesellschaft für Elektrische Unternehmungen, above, and 25 percent owned by International General Electric of New York)—Deputy chairman of advisory board.

Schlesische Elektrizitäts und Gas A. G., Gleiwitz (hydroelectric, and gas bombs; subsidiary of Gesellschaft für Elektrische Unternehmungen, above.)—Chairman of board of directors.

Rheinisch-Westfälisches Elektrizitäts werke A. G., Essen (capitalized at RM. 246,000,000; its directorate also includes Vögler and Thyssen, of Vereinigte Stahlwerke)—Director.

Mining: Harpener Bergbau A. G., Dortmund (one of the largest mining works in Germany; outstanding industrialists such as Flick, Kimmich, and Kurt von Schroder, comprises its directorate)—Director.

Machinery and construction: Alderwerke, vorm. Heinrich Kleyer A. G., Frankfurt (also has branch in South America)—Chairman of board of directors.

Grün und Bilfinger A. G., Mannheim (engineering and construction; also operates through its established offices in Belgium, Portugal, and Argentina)—Director.

Chemicals: Salzdefurth, A. G., Berlin (chemicals, potash, and salt enterprises controlled by Deutsche Bank, Dresdner Bank, and Deutsche Solvay Werke. Member of the Potash cartel)—Deputy chairman.

Deutsche Gold- und Silber-Scheideanstalt, vorm. Roessler, Frankfurt (fine metals and chemicals; sixth largest chemical producer in Germany; it maintains 53 plants in 5 countries. It is capitalized at RM. 76,500,000, half of which is invested in its subsidiaries)—Deputy chairman of the advisory board.

Cellulose: Zellstoffabrik Walhof, Berlin—Deputy chairman.

Political.—Gemeinschaftsrat der Gemeinschaftsgruppe Deutscher Hypothekenbanker, Berlin (mortgage bank association)—Member of executive committee.

August Goetz

August Goetz, a director of Dresdner Bank, is also deputy chairman of the advisory board of the large German electrical combine, Allgemeine Elektrizitäts Gesellschaft and connected with many other important electric companies tied together by common interests.

He is a member of the advisory board of Reichsautobahnen of Berlin, a governmental agency concerned with the administration of national motor roads.

Goetz's last known address is 10 Albrechtstrasse, Berlin-Lichterfelde. His commercial and financial affiliations were reported as follows:

Political.—Reichsautobahnen, Berlin (corporaion for the administration of national motor roads)—Member of the advisory board.

Banking.—Dresdner Bank—Director.

Industrial.—Allgemeine Elektrizitäts Gesellschaft, Berlin—Deputy chairman of the advisory board.

Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G., Berlin (company for electric enterprises)—Member of the management committee.

Hirsch Kupfer- und Messingwerke A. G., Berlin (copper and steel metal works, 79.2 percent owned by Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G.)—Chairman of the board of directors.

NSF Nurnberger Schraubenfabrik und Elektrowerke G. m. b. H., Nurnberg (production of screws of all kinds and radio parts; 100 percent owned by Gesellschaft für Elektrische Unternehmungen A. G.)—Chairman of the board of directors.

Typograph G. m. b. H., Berlin (94 percent owned by Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G.)—Chairman of the board of directors.

Vereinigte Isolatorenwerke A. G. (Viacowerke), Berlin (plastic material for insulation; 43.4 percent of common stock and 50 percent of preferred stock owned by Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G.)—Chairman of the board of directors.

Richard Weber G. m. b. H., Berlin (not listed)—Chairman of the board of directors.

A. G. für Elektrische und Verkehrs-Unternehmungen, Budapest, Hungary (electric company; 35 percent owned by Allgemeine Elektrizitäts Gesellschaft)—Deputy chairman of the advisory board.

Volta-Werke Elektrizitäts A. G., Berlin (electric company; 95 percent owned by Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G.)—Chairman of the board of directors.

Agg-Flugzeugwerke G. m. b. H., Oscherhalben/Bode (airplane works; 89 percent owned by Hirsch Kupfer- und Messingwerke A. G.)—Director.

Amperwerke Elektrizitäts A. G., Munich (electric power works; 53.88 percent owned by Gesellschaft für Elektrische Unternehmungen A. G.)—Director.

Innwerk A. G., Munich (power works of Inn River, aluminum production etc.; owned 90.91 percent by Vereinigte Industrie-Unternehmungen A. G. and 9.09 percent by the Bavarian State)—Director.

Koblenzer Elektrizitätswerk und Verkehrs A. G., Koblenz (electric streetcar company; owned 99.5 percent by Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G.)—Director.

Maschinenbau (machine and railways factory; not listed)—Director.

Neckawerke A. G., Esslingen (Electric power; belongs 50 percent to Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G.)—Director.

Norddeutsche Kabelwerke A. G., Berlin (cables factory; principal shareholders, Gesellschaft für Elektrische Unternehmungen Ludwig Loewe A. G., 55.23 percent, and Dresdner Bank, 27 percent)—Director.

Otavi Minen- und Eisenbahn-Gesellschaft, Berlin (South African mining and railway company and copper mines; RM. 2,000,000 shares owned by Hirsch Kupfer- und Messingwerke A. G., Berlin)—Member of executive committee.

Werner Habig

Werner Habig is a member of the board of directors of the **Dresdner Bank** and a member of the advisory board of the **Deutsche Bank**. He is also a member of the advisory board of the **Sudwestfälische Industrie und Handelskammer, Hagen**. In addition he and his family own **Heinrich Habig A. G., Herdecke/Ruhr**. He is also chairman of the board of directors of **Rameohl & Schmidt A. G., Oelde/Westf.**, a company manufacturing dairy machinery.

Background.—Werner Habig was born July 16, 1888, in **Herdecke/Ruhr** and graduated from **Gymnasium**. His education has been in the field of commerce and banking. His political, banking, and industrial connections are as follows:

Political.—**Sudwestfälische Industrie und Handelskammer, Hagen** (South Westfalian Chamber for Industry and Commerce)—Member of the advisory board.

Banking.—**Deutsche Bank, Berlin**—Member of the advisory board.

Dresdner Bank—Member of the board of directors.

Industrial.—**Heinrich Habig A. G., Herdecke, Ruhr** (textiles)—Stock of company family-owned.

Rameohl & Schmidt A. G., Oelde/Westf. (dairy machinery)—Chairman of board of directors.

Ernst Henke

Ernst Henke, director of the **Dresdner Bank**, Germany's second largest banking institution, is a member of the management committee of the **Rheinisch-Westfälisches Elektrizitätswerk, A. G., Essen**. This organization is a subsidiary of the **Vereinigte Industrie-Unternehmungen A. G.**, a German cartel which has considerable influence upon the German economy. Further evidence of Ernst Henke's prominence in Nazi industrial affairs is evidenced by his widespread connections in companies associated with public utility enterprises such as electricity, gas, waterpower, and railroads. He is also associated with the **Allianz Versicherungs A. G.** (insurance) in the capacity of director of the company.

Henke was born on September 1, 1881. His present address, according to the latest report received, is **Virchowstrasse 124, Essen, Germany**.

Ernst Henke's political, banking, and industrial connections are as follows:

Political.—**Landes-Ausschuss für Rheinland (Düsseldorf-Essen) der Dresdner Bank, Berlin** (Export Department for the Rhineland)—Member.

Zulassungsstelle der Rheinisch-Westfälischen Börse zu Düsseldorf (Committee on Admission to Düsseldorf Stock Exchange)—Member.

Banking.—**Dresdner Bank, Berlin**—Director.

Insurance.—**Allianz Versicherungs A. G., Berlin**—Director.

Industry.—Public utilities: **Rheinisch-Westfälisches Elektrizitätswerk A. G., Essen**—Member of the management committee.

Gas A. G. Ritter & Cie., Siegen i. W.—Chairman of the board of directors.

A. G. für Energiewirtschaft, Berlin—Deputy chairman of the advisory board.

Elektrizitäts A. G., vorm. W. Lahmeyer & Co., Frankfurt am Main—Deputy chairman of the advisory board.

Rheinische Elektrizitäts A. G., Mannheim—Deputy chairman of the advisory board.

Rheinkraftwerk Albbuck-Dogern A. G., Waldshut/Rh.—Deputy chairman of the advisory board.

Bayerische Wasserkraftwerke, A. G., Munich—Director.

Elektrowerke A. G. (Reichselektrowerke), Berlin—Director.

Isarwerke, A. G., Munich—Director.

Kraftwerk Altwürttemberg A. G., Ludwigsburg—Director.

Lech, Elektrizitätswerke, Augsburg—Director.

Main-Kraftwerke A. G., Frankfurt am Main-Höchst—Director.

Rheinisch-Westfälische Wasserwerke G. m. b. H., Mulheim/Ruhr—Director.

Schluchsewerk A. G., Freiburg/Br.—Director.

Vorarlberger Illwerke A. G., Bregenz—Director.

Railroad: Bochum-Gelsekirchener Bahngesellschaft G. m. b. H., Gelsekirchen—Director.

Süddeutsche Eisenbahn-Gesellschaft, Damstadt—Director.

Engineering: Hochtief A. G. für Hoch- und Tiefbauten vorm. Gebr.—Director.

Lignite.—Braunkohlen- und Briketwerke Roddergrube A. G., Brühl—Director.

Braunkohlen-Industrie A. G. Zukunft, Weisweiler—Director.

Rheinische A. G. für Braunkohlenbergbau und Brikettfabrikation, Cologne—Director.

Miscellaneous.—**Helfmann, Essen**—Director.

Alfred Hölling

Alfred Hölling, deputy member of the management committee of the Dresdner Bank, Berlin, since 1941, is a prominent figure in German industry and finance. Chairman of the board of directors of the Berlinische Boden-Gesellschaft, Berlin; he is also a director of the Getreide-Kreditbank A. G., Berlin, a grain financing bank, and chairman of the board of directors of the Diskont- und Kredit A. G., Berlin. His industrial interests vary widely, ranging from the construction field to the glass and machine tools industries.

Hölling worked his way up in the Dresdner Bank, and was appointed to the management committee in 1941. He is described as a great opportunist, without any particular political ambition, and especially clever. His latest known address is Berlin W-8, Behrenstrasse 37/39.

His financial and industrial affiliations in 1942 were as follows:

Banking and financial.—Dresdner Bank, Berlin—Deputy member of the management committee.

Diskont-und Kredit A. G., Berlin—Chairman of the board of directors.

Getreide-Kreditbank A. G., Berlin—Director.

Berlinische Boden-Gesellschaft, Berlin—Chairman of the board of directors.

Industrial.—Grundwert A. G., Hamburg (real estate)—Chairman of the board of directors.

Habermann & Guckes A. G., Berlin (construction)—Chairman of the board of directors.

Scheidemandel-Notard-Werke A. G., Berlin—Deputy chairman of the advisory board.

Auergesellschaft A. G., Berlin (construction for gas and chemical plants)—Director.

Bugsier-Reederei u. Bergungs A. G., Hamburg—Director.

Enrich & Graetz A. G., Berlin (management of industrial concerns)—Director.

Eisen-u. Rutenwerke A. G., Köln (iron and foundry)—Director.

Hirsche Kupfer-und Messingwerke A. G., Finow/Mark (copper and brass)—Member of the board of directors.

Pittler Werkzeugmaschinenfabrik A. G., Leipzig (machine tools)—Member of the board of directors.

Vereinigte Lausitzer Glasswerke A. G., Berlin (glass) Director.

Wilhelm Kisskalt

Wilhelm Kisskalt, deputy chairman of the Dresdner Bank, has important connections in the German insurance field.

Kisskalt was born on August 21, 1873, and was educated at the Universities of Würzburg and Berlin. He is a privy councillor at law, a member of the Academy for German Law, and has the honorary degree of doctor of political economy. His address is listed as 12 Georgenstrasse, Munich. In 1942, he had the following business and financial connections:

Banking.—Dresdner Bank—Deputy chairman.

Insurance.—Hermes Kreditversicherungs, A. G., Berlin—Chairman.

Karlsruher Lebensversicherungs A. G.—Deputy chairman.

Münchner Rückversicherungs Gesellschaft—Deputy chairman.

Allianz Lebensversicherungs A. G., Berlin—Director.

Allianz Versicherungs, A. G., Berlin—Director.

Industrial: Würzburger Hofbrau A. G., Würzburg (brewery)—Director.

Heinrich Koppenberg

Heinrich Koppenberg, managing director of the Dresdner Bank, exercises considerable influence in the implementation of the German war production program as Wehrwirtschaftsführer (leader of the war economy program). A complete list of his directorships has the aspect of a vertical combine in the motor and metal industries, extending from the raw materials to the finished products. He is associated as director with several of the Flick enterprises, is connected with the Vereinigte Stahlwerke combine, and is thought to be affiliated with the Goering Werke.

His spectacular progress in the light metal industry originated with the Nazis' coming to power. It has been reported that shortly after the occupation of Norway, Koppenberg headed an industrial delegation from the Goering group to Norway and subsequently became managing director for all Norwegian aluminum companies. The extensive plans for the expansion of this industry fell through however and the entire venture became notorious as the Nordag Schandel. Nevertheless, Koppenberg continues to hold a leading position in several aluminum companies one of which is prominent in the development of the Norwegian aluminum industry.

Koppenberg is also a director of Pittler Werkzeugmaschinenfabrik A. G., one of the large machine tool works which, before the war, had a manufacturing agreement with the National Acme Co. of Cleveland, Ohio, and included the latter's president on its directorate. It may be noted that the present directorate includes the prominent Herman J. Abs and the Junker General Joachim von Stulpnagel.

An unconfirmed report in the spring of 1942 alleged that Koppenberg had been placed in the concentration camp at Dachau because of his reputed comments to Hitler that the output of the Junker Flugzeug- und Motorwerke A. G., Dessau (of which he was chairman) could not be increased. However, indications are that Koppenberg was supporting the German war machine in 1943, latest available date.

Koppenberg was born in 1880. His last reported address was Berlin Grunewald, Taunusstrasse 7.

His political and commercial affiliations were the following in 1942:

Political.—Wehrwirtschaftsführer (war production program)—Official.

Reichsgruppe Industrie, Magdeburg—Member of advisory board.

Banking.—Dresdner Bank—Managing director.

Financial.—Gesellschaft Zur Verwaltung von industriellen Werten m. b. H., Berlin (administration of industrial assets)—Manager.

Industrial.—Airplane and automotive industries: Deutsche Versuchsanstalt für Luftfahrt e. V., Berlin (aircraft research)—Chairman of management committee.

Flugzeug- und Motorenwerke A. G., Dessau (airplanes, machine tools, etc.; capitalized at RM. 130,000,000, it is one of the largest German aluminum consumers)—Chairman of the management committee (not a director in 1936).

Hannoversche Maschinenbau A. G., vorm. Egestoff (Hanomag) Hannover-Linden (automobiles and machines; 100 percent owned by Bochumer Verein für Gusstahlfabrikation A. G., a member of the Vereinigte Stahlwerke group; it is capitalized at RM. 20,000,000 and its directorate includes Thyssen, von Flotow, and Vogler, of Vereinigte Stahlwerke)—Director.

Waggon- und Maschinenfabrik, vorm. Busch, Bautzen (automobiles, machinery)—Director.

Fahrzeug- und Motorenwerke G. m. b. H., vorm. Maschinenbau Linke-Hofmann, Breslau (automotive products; a Flick enterprise)—Member of advisory board.

Iron and Steel (Flick enterprises; Mitteldeutsche Stahlwerke A. G. Riesa Elbe)—Director.

Eisenwerk-Gesellschaft Maximilianshütte, Rosenberg (subsidiary of Mitteldeutsche Stahlwerke, above)—Director.

Light Metals: Durener Metallwerke A. G., Berlin-Barsigwalde (metals; 53 percent owned by Deutsche Waffen- und Munitionsfabriken A. G. and rumored to be affiliated with the Goering Works)—Director.

Mineralöl-Baugesellschaft m. b. H., Berlin (construction; believed to be prominent in the development of the Norwegian aluminum industry)—Chairman of board of directors.

Machine tools.—Pittler Werkzeugmaschinenfabrik A. G., Leipzig—Director (not on board in 1937).

Magdeburger Werkzeugmaschinenfabrik G. m. b. H. Magdeburg—Member of advisory board.

Transportation.—ATG Allgemeine Transportanlagen G. m. b. H., Leipzig—Director.

Fritz Kranefuss

Fritz Kranefuss is a member of the board of directors of the Dresdner Bank, Berlin, and a member of the management committee of the Braunkohle-Benzin A. G., and I. G. Farben subsidiary.

He is prominent in the Nazi economic organization, holding several semi-political posts as director of the organization concerned with public housing, and a member of the advisory board of the governmentally organized committee of the fuel industry.

His financial, industrial, and political connections in 1942 were as follows:

Political.—Gemeinnützige Siedlungsbau G. m. b. H., Berlin (public housing)—Director.

Wirtschaftsgruppe Kraftstoff-industrie, Berlin (economic group of the fuel industry)—Member, advisory board.

Akademie für Deutsches Recht, Berlin. Ausschuss für Rechtsfragen des Wirtschaftsaufbaues (Academy of German Law, Berlin; committee for legal questions concerning the economic development)—Member.

Banking.—Dresdner Bank, Berlin (Landesausschuss beider Zentrale der Dresdner Bank)—Director and member of the committee in Berlin office which is concerned with the bank's country-wide system of branches.

Industrial.—Braunkohle-Benzin A. G., Berlin (lignite-gasoline corporation, subsidiary of I. G. Farben and Vereinigte Industrie-Unternehmungen A. G.)—Member, management committee.

Arado Flugzeugwerke G. m. b. H. Potsdam-Babelsberg (airplane factory)—Member, advisory board.

Busch-Jaeger Lüdenschneider Metallwerke A. G. Lüdenschied (metal works)—Director.

Alfred Krupp von Bohlen und Halbach

Alfred Krupp, the 37-year-old owner of Germany's biggest industrial and war production enterprise, is also a director of the Dresdner Bank. Educated as an engineer, in 1942 he was a member of the management committee of Friedrich Krupp A. G., and one year later became the chairman of its board of directors.

It was reported early this year that the Krupp works had been reorganized in January 1944 for the purpose of its reconversion from a corporation to a privately owned firm headed by Alfred Krupp. The secret behind this return to private ownership is construed as an effort to prevent its confiscation by the Allies. It has been rumored in neutral countries of Europe that individual fortunes will presumably be spared because such confiscation would be contrary both to Anglo-Saxon principles and to general international legal conceptions. This move has therefore been regarded as an attempt to perpetuate Germany's armaments dynasty and her military potential.

Alfred, who was born in 1907, represents the fifth generation to be associated with the armaments organization, succeeding his father, Dr. Guatav Krupp von Bohlen und Halbach, who is credited with having been largely responsible for bringing Hitler to power.

Alfred Krupp's business connections are the following:

Banking.—Dresdner Bank—Director.

Industrial.—Friedrich Krupp A. G., Essen—Owner (1944).

Karl Lindemann

Karl Lindemann, a director of the Dresdner Bank, Germany's second largest banking institution, is also a member of the advisory board of the Deutsche Reichsbank. In addition to holding these important posts Lindemann is the owner of C. Melchers & Co., assumedly a private banking house.

Among his other financial directorships should be mentioned Norddeutsche Kreditbank A. G., a banking and brokerage house, successor to the J. F. Schröder Bank K. G. Although its capital is only RM. 12,000,000, it had assets of RM. 52,000,000 in 1936. Its importance is further indicated by its interest in a number of companies, including a small participation in Hamburg-Amerika Linie and in the German Government's propaganda news agency, Transocean. Hamburg-Amerika Linie, before the war, was extremely active in South America, the main field of Transocean's endeavor.

Lindemann is particularly prominent in the field of transportation, especially shipping and is recognized as one of the outstanding shipping experts in Europe. In June 1933 he was elected chairman of the governing board of the North German Lloyd. A little more than a month later he retired from the board, giving for his reason that the new shipping plans of the Hamburg and Bremen senate, at that time already under Nazi control, had not been made known to him. Be that as it may, the latest information indicates that he has reoccupied that position and still holds it.

Lindemann is also on the board of the Hamburg-America Line, which has cartel agreements with Norddeutsche Lloyd, with Deutsche Lufthansa A. G., large air transport corporation, and with Eckener's enterprise, Deutsche Zeppelin Reederi G. m. b. H.

According to a reliable source Karl Lindemann had on deposit in the United States, life insurance policies totaling \$100,000 with a surrender value of \$36,720 as of June 14, 1941. The beneficiaries of these policies are his estate.

General background.—Karl Lindemann, prominent in German shipping circles, is a State councillor of the Brunen district. He was born on April 17, 1881, in Goldberg/Mecklenburgh.

After having undergone secondary schooling he received 4 years of business training in Hamburg. By 1900 he had volunteered to participate in the Boxer rebellion in China where he subsequently remained to manage the agency of Melchers & Co. This company eventually elected Lindemann to a partnership in 1920.

After having accepted this partnership in Germany he interested himself in the shipping affairs of Bremen and by 1933 was elected a member of the foreign business council of that city.

Lindemann is active in various promotional and educational associations. Among these may be mentioned the Kaiser Wilhelm Institute for the Advancement of Science in Berlin; the Institute for World Economy and Sea Transport at the University of Kiel and the Bremen Chamber of Commerce.

His reaction to the Nazis when they came into power seemed to have been lukewarm, but when they manifested strength and staying power, he apparently ingratiated himself with the party.

By 1938 Lindemann was elected president of the German division of the International Chamber of Commerce. He is reported to reside at No. 76 Bachmann-Strasse in Bremen and his known financial and business associations are as follows:

- Banking and financial.*—Deutsche Reichsbank—Member of the advisory board.
- Dresdner Bank, Berlin—Director.
- Melchers & Company, Bremen (Private bankers)—Owner.
- Norddeutsche Kredit bank A. G., Bremen (connected with Norddeutsche Lloyd through interlocking directorate)—Director.
- Insurance.*—Assicurazioni Compagnie Mercur, Bremen (specializes in freight insurance; capital, Rm. 1,000,000; two insurance companies closely associated with Merck, Finck & Company, Allianz und Münchener Rückversicherungs Ges. each hold 38.83 percent interest)—Director.
- Hamburg-Bremen-Feuer-Versicherungs Gesellschaft, Hamburg (fire and reinsurance)—Director.
- Hamburg-Bremer Rückversicherungs, A. G. (fire and reinsurance)—Director.
- Shipping.*—Norddeutscher Lloyd, Bremen—Chairman of advisory Board.
- Hamburg-Amerika Linie, Hamburg—Director.
- Industrial.*—Vereinigte Industrie-Unternehmungen, A. G. "VIAG" (Rm. 180,000,000 Reich holding company)—Director.
- Norddeutsche Woll- und Kammgarn-industrie A. G., Delmenhorst (textiles)—Deputy chairman of advisory board.
- Wollgarnfabrik Tittel & Krüger u. Sternwoll-Spinnerei A. G., Leipzig (textiles)—Deputy chairman of advisory board.
- Mülheimer Bergwerksverein, Essen/Ruhr (utility holding company; Capital, Rm. 20,000,000, majority owned by Gewerkschaft Mathias Stinnes, Essen, of the Stinnes group)—Director.
- Atlas-Werke, A. G., Bremen (ship building; interlocking directorates with Mülheimer Bergwerksverein)—Chairman, board of directors.
- Deutsche-Amerikanische Petroleum A. G., Hamburg (oil products; majority owned by Standard Oil of New Jersey)—Director.
- Miscellaneous.*—Deutsche Revisions- und Treuhand A. G., Berlin (auditing; 70 percent owned by VIAG; 30 percent by the State of Prussia)—Director.
- Political.*—Akademie für Deutsches Recht, Berlin, Ausschuss für Seerecht (law association)—Member.
- Aussenhandelsausschuss Reichsbank (foreign trade council)—Member.
- Industrie und Handelskammer, Bremen (chamber of commerce)—Member.
- Deutsche Gruppe der Internationalen Handelskammer, Berlin (International Chamber of Commerce)—Chairman.
- Gesellschaft zur Förderung des Institute für Weltwirtschaft, Kiel (Institution for the Advancement of World Economy)—Chairman.
- Landesausschuss für Nordwestdeutschland, Bremen—Member.

Carl Lürer

Carl Lürer is a director of the Deutsche-Reichsbank, a member of the management committee of the Dresdner Bank, a director of the Adam Opel Corp., the largest automobile producers in Europe. In addition he occupies a number of important positions in industrial concerns as well as a series of important political posts. He is a leader of the Gau Economic Chamber of the Rhein-Main District; district leader in the Hitler Youth; president of the Rhein-Main diet of the Chamber of Industry and Commerce; member of the Academy for German law, etc. He has been a member of the Reichstag since 1933.

Background.—Carl Lürer was born August 14, 1897. He apparently did not receive more than a secondary education. In the First World War he served with a regiment of the guard and was wounded.

In the pre-Hitler period Lürer occupied only obscure positions but, following the establishment of the Nazi regime, his influence in private industry began to rise rapidly and he was elected to the directorate and management of important

corporations which began to secure his services due to the strong political influence he was able to exert in their interest, based upon his affiliation with the Nazi hierarchy. In 1934 he was given an honorary degree of professor at Frankfurt.

It is interesting to note that before the advent of the Hitler regime, Lürer was an outstanding exponent of the then favorite Nazi socialistic theories, and especially vehement in his denunciation of the practices of private capitalism such as the holding by one individual of directorships in several companies, concentration of industrial and financial power in a few closely held groups, etc. By his own acts, however, Lürer has become one of the greatest offenders against his own much publicized preachments and there are few people in Germany today who have accomplished more than he in the development and preservation of powerful industrial combinations.

Carl Lürer's known connections are as follows:

Political.—Industrie und Handelskammer für das Rhein-Mainische Wirtschaftsgebiet, Frankfurt am Main (Industry and Commerce Chamber for the Rhine-Main District)—President.

German-Italian Chamber of Commerce, Frankfurt—Honorary president.

Aussenhandelsstelle für das Rhein-Mainische Gebiet (Export Post for the Rhine-Main District)—Chairman, management committee.

Economic Chamber of Hesse, Frankfurt—Leader.

German group of the International Chamber of Commerce, Berlin—Member of the supreme council.

German Economic Chamber, Berlin—Member, council committee.

Academy of German Law—Member.

Banking.—Deutsche Reichsbank—Director.

Dresdner Bank—Member of management committee (1944).

Industry.—Adam Opel, A.G. (largest automobile producers in Europe, now manufacturing armaments; 100 percent owned subsidiary of General Motors)—Director.

Boden und Werkstoffforschungs, G. m. b. H., Frankfurt (research organization; subsidiary of Opel)—Director.

Brauerei-Schofferhof, Binding, A. G., Frankfurt (brewery)—Chairman of the board.

Deutsche Gold- und Silberscheideanstalt, vorm. Roessler, Frankfurt (fine metals)—Chairman.

Metallgesellschaft, A. G., Frankfurt (subsidiary of Deutsche Gold- und Silberscheideanstalt, partly owned by I. G. Farben)—Chairman.

Buderus'sche Eisenwerke, Wetzlar (metal construction)—Director.

Continental Caoutchouc Compagnie, G. m. b. H., Hannover (rubber)—Director.

Dyckerhoff Portland-Zementwerk, A. G. Mainz (cement)—Director.

Elektrizitäts A. G., vorm. W. Lahmeyer, Frankfurt (electrical construction)—Director.

Nassauische Heimstätte, G. m. b. H., Frankfurt (real estate)—Director.

Wilhelm Meinberg

Wilhelm Meinberg, who advanced from the rank and file of the Nazi Party to prominent political posts, appears to be a leading figure in German industry and economy. He is a leader in the War Economy Council, a director in the central National Socialist Party office, member of the National Labor Chamber, arbitrator in the National Food Agricultural Estate, and a special director in the 4-year plan for the transportation of coal. His banking and insurance affiliations include directorships in the Dresdner Bank A. G., Berlin, and Allianz und Stuttgarten Verein Versicherungs A. G., Berlin. In addition Meinberg serves on the board of directors of eight subsidies of the Hermann Göring combine. The two remaining industrial affiliations of Meinberg are a brewery and a street and viaduct construction company, the former being in Dortmund and the latter in Vienna. He has been characterized as "a typical industrialist who rose to economic power through political pull."

Background.—Wilhelm Meinberg was born March 1, 1898, in Wasserkurl, Kreis Unna, a descendant of an old landed family. He was educated in the secondary schools of Unna in Westphalia and served agricultural apprenticeships in Brandenburg and Mecklenburg. He served in the German Army in World War I, was captured by the English, and decorated with the Iron Cross.

Professional career.—In November 1919, after his release, Meinberg entered the Schutz und Trutzbund Völkischer (radical nationalist antisemitic militia group), where he became a leader in the Ruhrkampf. He founded the first Steel Helmet group in the industrial field. Since 1923 Meinberg has been a

farmer in addition to carrying on an active business career. His advancement in the field of industry appears to have kept pace with this political career for although his background was agricultural, his chief sphere of interest now is in public utilities, machinery, etc.

Political career.—In 1929 Meinberg joined the National Socialist Party. He was twice convicted by the German Government for his activities. Subsequently he became regional group leader (Landesgruppenführer) of the party, and in 1930 reorganized the agrarian policy in Germany. During the next few years he climbed the political ladder of success and by 1935 had become as SS Brigadeführer.

He was last reported to be residing at Kommandantenstrasse 14, Berlin-Lichterfelde-West. His known political, banking, insurance, and industrial connections are as follows:

Political.—Wehrwirtschaftsführer—Leader in the War Economy Council.
Hauptamtsleiter der NSDAP—Director in the central National Socialist Party office.

Reichsarbeitskammer, Berlin (National Labor Chamber)—Member.

Reichspost (national post office system)—Member of the advisory council.

Reichsnährstand (National Food Agricultural Estate)—Arbitrator.

Sonderbeauftragter für den Transport der Kohle (Vierjahresplan)—Special deputy for the transportation of coal under the 4-year plan.

Banking.—Dresdner Bank, Berlin—Director.

Insurance.—Allianz und Stuttgarten Verein Versicherungs A. G., Berlin (accident and liability insurance)—Director.

Industrial.—Subsidiaries and affiliates of the Hermann Göring combine: Wohnungs A. G. der Reichswerke "Hermann Göring," Berlin (cooperative dwellings for workers)—Chairman of management committee.

Wasser- und Energieversorgungsgesellschaft m. b. H., Göring Werke, Watenstedt/über Braunschweig (water and electric power)—Director.

Steinkohle-gewerkschaft der Reichswerke, "Hermann Göring," Hessen—Deputy chairman of board of directors.

Grossdeutsche Umsiedlungs G. m. b. H., Berlin (100 percent-owned)—Deputy chairman of board of directors.

Bayerischer Lloyd, Schifffahrts A. G., München (majority-owned)—Director.

Erste Donau-Dampfschiffahrts-Gesellschaft, Wien (steamship company, also railroad company, 97 percent-owned)—Director.

Deutsche Bergwerks- und Hüttenbau G. m. b. H., Berlin (coal and iron mining, 100 percent-owned)—Director.

Bergbau A. G. Ewald-König Ludwig, Hertern/westf. (coal mining, majority-owned)—Director.

Miscellaneous.—Stuag Strassen- und Tiefbau-Unternehmung A. G., Wien (street and viaduct construction company)—Chairman of board of directors.

Dortmunder Ritterbrauerei A. G., Dortmund (brewery, Bank für Brau-Industrie, Berlin, over 25 percent)—Director.

Emil Heinrich Meyer

Emil Heinrich Meyer, a member of the management committee of the Dresdner Bank and a director of a number of important industrial concerns, is stated to owe his career to his brother-in-law, Keppler, Secretary of State and economic adviser to Hitler. Although Meyer is reported to be an insignificant person of no decided attitude, he is identified with companies in diverse fields including banking, insurance, aircraft, communications equipment, and others.

Meyer was one of the leading officials in the organization of German cooperatives. Later he became the director of the cooperatives department of the Dresdner Bank and subsequently a member of the bank's management committee. He is reported also to be a director of Oldenburgische Landesbank and Deutsche Ansiedlungsgesellschaft, small banks connected with the Dresdner Bank. In addition, Meyer is deputy chairman of the advisory committee of the Frankfurter Hypothekenbank, the third largest private mortgage institution in Germany, and a director of the Bank des Berliner Kassen-Verein, a Government-owned bank created for the purpose of facilitating its participation in industrial enterprises. Another Government-controlled bank with which he is identified is Deutsche Bau- und Bodenkbank A. G., which is engaged in financing housing projects and acting as trustee and administrator of Reich funds. In the insurance field, Meyer is a director of Allianz Lebensversicherungs A. G., most important life-insurance company in Germany, controlled by the private banking house, Merck, Finck & Co.

It is significant that among his industrial affiliations, Meyer includes membership on the board of three aircraft manufacturing concerns and one air line, the Deutsche Lufthansa A. G. With respect to the aircraft manufacturers with which he is associated, Junkers Flugzeug- und Motorinwerke A. G. is one of the largest producers, Henschel Flugzeugwerke A. G., is reported to be owned principally by Henschel und Sohn, while little information is available concerning Arado Flugzeugwerke G. m. b. H.

Meyer is also connected with three companies engaged in manufacturing communications equipment, two of which were controlled by International Telephone & Telegraph Co. In the manufacture of pencils Meyer occupies an important position as chairman of the board of two of the more prominent companies, Bleistift-Fabrik, vorm. Johann Faber A. G. (of which Johann Faber Pencil Co., Inc., of Delaware is a subsidiary), and A. W. Faber-Castell-Bleistift-Fabrik A. G. (the majority of whose shares is owned by Roland Count von Faber-Castell). Another company of which Meyer is chairman of the board is the Mechanische Weberei zu Linden, a manufacturer of textiles. In the case of the large chemical company, Rutgerswerke A. G., Meyer may be its president.

Other companies with which Meyer is connected are Eisenwerk Gesellschaft Maximilianshütte, a subsidiary of Mitteldeutsche Stahlwerke; Deutsch-Ostafrikanische Gesellschaft, which owns a large plantation near Batavia in the Dutch East Indies; and Mercedes Büromaschinen-Werke A. G., which manufactures business machines.

Meyer, a professor of law and economics at the Berlin School of Economics, is president of the Deutsch-Yugoslavische Gesellschaft and a member of the Academy of German Law.

Emil Meyer was born on March 6, 1886, in Wiesbaden. He is reported to reside at Nussbaumallee 52, Berlin-Charlottenburg. His known political, educational, and business affiliations are as follows:

Political and educational.—Akademie für Deutsches Recht, Berlin, Ausschus für Genossenschaftsrecht (Academy of German Law, Division of Citizens' Rights)—Member.

Wirtschaftshochschule, Berlin (Berlin School of Economics)—Professor of law and economics.

Banking.—Dresdner Bank, Berlin—Member of the management committee. Oldenburgische Landesbank, Oldenburg 10 (subsidiary of Dresdner Bank, R.M. 4,400,000)—Director.

Deutsche Ansiedlungsgesellschaft, Berlin (mortgage bank, 50 percent owned by Dresdner Bank)—Director.

Frankfurter Hypothekbank, Frankfurt am Main (mortgage bank, R.M. 12,000,000)—Deputy chairman of advisory committee.

Bank des Berliner Kassen-Verein, Berlin, R.M. 4,500,000)—Director.

Deutsche Bau- und Bodenbank A. G., Berlin—Director.

Insurance.—Allianz Lebensversicherungs-A. G., Berlin—Director.

Industrial.—Aircraft manufacture: Junkers Flugzeug- und Motorinwerke A. G., Dessau (R.M. 130,000,000)—Director.

Henschel Flugzeugwerke G. m. b. H., Kassel—Director.

Arado Flugzeugwerke G. m. b. H., Potsdam-Babelsberg—Director.

Air line: Deutsche Lufthansa A. G., Berlin—Director.

Manufacture of communications equipment: Standard Elektrizitäts-Gesellschaft A. G., Berlin (financing; controlled by International Telephone & Telegraph Co. (R.M. 6,000,000)—Director.

Mix & Genest A. G., Berlin (94 percent owned by Standard Elektrizitäts-Gesellschaft A. G.; (R.M. 11,200,000)—Director.

C. Lorenz A. G., Berlin (R.M. 9,500,000)—Director.

Pencil manufacture: Bleistift-Fabrik, vorm. Johann Faber A. G., Nürnberg—Chairman of board of directors.

A. W. Faber-Castell-Bleistift-Fabrik A. G., Stein bei Nürnberg—Chairman of board of directors.

Miscellaneous.—Eisenwerk Gesellschaft Maximilianshütte, Sulzbach-Rosenberg-Hütte (mining and metallurgy; subsidiary of Mitteldeutsche Stahlwerke)—Director.

Mercedes Büromaschinen-Werke A. G., Berlin (business machines)—Director. Rutgerswerke A. G., Berlin (chemicals; (R.M. 27,800,000)—President (Meyer's position is not certain in view of conflicting information).

Mechanische Weberei zu Linden, Hannover-Linden (textiles)—Chairman of board of directors.

Other.—Deutsch-Ostafrikanische Gesellschaft, Berlin (plantation; R.M. 10,000,000)—Director.

—Deutsch-Yugoslavische Gesellschaft, Berlin—President.

Gustav Overbeck

Gustav Overbeck is a member of the management committee of the Dresdner Bank and has numerous industrial affiliations, particularly in the fields of mining and foundry works, chemical enterprises, and brewery concerns.

Overbeck is considered to be an efficient official with no marked political attitude. Soon after the occupation of Czechoslovakia, the Dresdner Bank sent him to Prague where he was very active in matters pertaining to Aryanization and Germanization. Overbeck was appointed manager in the Dresdner Bank in 1941.

His banking and industrial connections are as follows:

Banking.—Dresdner Bank, Berlin—Member of the management committee.
Bank für Brau-Industrie, Berlin—Director (Bank for Brewery Industry; the Dresdner Bank is the chief shareholder).

Industry.—Mining, iron, and foundry works: Alexanderwerk A. G., Remscheid—Chairman of the board of directors (capitalized at R.M. 4,500,000, this company has a branch in London).

Eisenwerk Wulfel A. G., Hannover—Deputy chairman.

Erste Brünner Maschinen-Fabrik-Gesellschaft, Brunn—Deputy chairman.

Berg- und Hüttenwerk Gesellschaft Karwin-Trzynietz A. G., Teschen/O. S.—Director.

Bergbau A. G. Lothringen; Bochum—Director (this company is capitalized at R.M. 20,000,000; over 25 percent of the interest of this firm is held by the Wintershall A. G., Berlin, of which the majority shareholder is Wintershall Gewerkschaft, Lothringen).

Schlesische Bergwerke- und Hütten A. G., Beuthen—Director (this organization is capitalized at R.M. 16,200,000; its largest stockholders are the Schweizerische Gesellschaft für Metallwerte, Basel, and the Metallgesellschaft A. G., Frankfurt; the latter is largely controlled by I. G. Farbenindustrie A. G. and the Deutsche Gold- und Silber Scheideanstalt).

Vereinigte Oberschlesische Hüttenwerke A. G., Gleiwitz—Director.

Chemical works: Chemische Fabrik Grünau A. G., Berlin—Deputy chairman (this company is capitalized at R.M. 2,000,000; its chief stockholder is the Deutsche Gold- und Silber Scheideanstalt).

Burbach-Kallwerke A. G., Magdeburg—Director.

Brewery: Malzbierbrauerei Groterjan & Co., Berlin—Chairman of the board of director (52 percent of the interest of this company is owned by Engelhardt Brauerei A. G., Berlin, which in turn is controlled by the Dresdner Bank).

Engelhardt-Brauerei A. G., Berlin—Deputy chairman (see note above).

Dortmunder Ritterbrauerei A. G., Dortmund—Director (the Bank für Brau-Industrie holds more than a 25 percent interest in this company, which in turn is controlled by the Dresdner Bank; it is capitalized at R.M. 3,200,000).

Lindener Aktienbrauerei, Hannover-Linden—Director.

Miscellaneous.—Brandenburgische Grundwert A. G., Berlin (real estate)—Chairman of the board of directors.

Neudecker Wollkämmerei und Kammgarnspinnerei A. G., Neudeck (woolen textiles)—Chairman of the board of directors.

Vereinigte Böhmisches Glasindustrie A. G., Teplitz-Schöner (glass factory)—Chairman of the board of directors.

Westdeutsche Kaufhof A. G., Köln (trading company)—Deputy chairman (the chief stockholders of this firm are the Deutsche Bank, Dresdner Bank, and the Commerz und Privat Bank A. G.; it is capitalized at R.M. 27,000,000).

Sudentenländische Treibstoffwerke A. G., Brück (fuel)—Director.

Carl Arthur Pastor

Carl Arthur Pastor is a director of the Dresdner Bank, Berlin, and has extensive connections in the field of insurance. He is chairman of the board of directors in five insurance companies and deputy chairman in seven others. He also holds important positions in the large Röchlung iron and steel works and the Westdeutsche Bodenkreditanstalt, a mortgage bank in Cologne.

He was born on July 24, 1885, in Aix-la-Chapelle. His financial and industrial connections in 1942 were as follows:

Banking.—Dresdner Bank, Berlin—Director.

Westdeutsche Bodenkreditanstalt (mortgage bank), Cologne—Director.

Industrial—Iron and steel: Röchiung'sche Eisen und Stahlwerke G. m. b. H., Iklingen/Saar—Chairman, board of directors.

Gebr. Röchling K. G., Ludwigshafen/Rhine—Chairman, advisory board.

Gebr. Röchling, Eisenhandels-gesellschaft, Ludwigshafen/Rhine (iron trading)—Chairman, advisory board.

Miscellaneous.—Gemeinnützige Baugesellschaft für Achen und Burscheid A. G., Aix-la-Chapelle (public building construction)—Chairman, board of directors.

Rheinische Nadelfabriken Aachen, Aix-la-Chapelle (needle factory)—Deputy chairman, board of directors.

Baugesellschaft für elektrische Anlagen, Aix-la-Chapelle (construction of electric plants)—Director.

Gerbe, Lahmeyer & Co., A. G., Aix-la-Chapelle—Director.

Financial.—Insurance: Aachener Rückversicherungs-Gesellschaft, Aix-la-Chapelle (reinsurance)—Chairman, board of directors.

Aachener und Münchener Feuer-Versicherungs-Gesellschaft, Aix-la-Chapelle (fire insurance)—Chairman, board of directors.

Aachener und Münchener Lebensversicherungs-A. G., Potsdam (life insurance)—Chairman, board of directors.

Motag Versicherungs-A. G., Berlin (insurance)—Chairman, board of directors.

Nordstern Lebensversicherungs-A. G., Berlin (life insurance)—Chairman, board of directors.

Fortuna Rückversicherungs-A. G., Erfurt (reinsurance)—Deputy chairman, advisory board.

Nordstern Allgemeine Versicherung-A. G., Berlin (insurance)—Deputy chairman, advisory board.

Oldenburger Versicherungs-Gesellschaft, Oldenburg (insurance)—Deputy chairman, advisory board.

Rückversicherungs-Vereinigung-A. G., Berlin (reinsurance association)—Deputy chairman, advisory board.

Schlesische Feuerversicherungs-Gesellschaft, Breslau (fire insurance)—Deputy chairman, advisory board.

Silesia Allgemeine Versicherungs-A. G., Breslau (insurance)—Deputy chairman, advisory board.

Thuringia Versicherungs-A. G., Erfurt (insurance)—Deputy chairman, advisory board.

Colonia Kölnische Feuer- und Kölnische Unfall-Versicherungs-A. G., Köln (fire and casualty insurance)—Director.

Hamburg Bremer Feuer-Versicherungs-Gesellschaft, Hamburg (fire insurance)—Director.

Karl Pfeiffer

Karl Pfeiffer, a director of the Dresdner Bank, Berlin, is also on the directorate of Germany's extensive dye and chemical combine, I. G. Farbenindustrie, and is associated with numerous Farben-controlled companies. He is connected with the IGF bank, Deutsche Länderbank A. G., Berlin, and in addition, is a director of the Länderbank Wien A. G. which, as a subsidiary of the Dresdner Bank, has spearheaded Nazi economic penetration into southeastern Europe.

Pfeiffer was born on August 21, 1895, in Stockach/Baden. His address is given as Donnhäuser Strasse 18/20, Berlin-Schlachtensee.

His business and financial connections in 1942 were as follows:

Banking.—Dresdner Bank, Berlin—Director.

Deutsche Länderbank A. G., Berlin (I. G. Farben bank)—Member of the management committee and technical director.

Fugger Grundstücks A. G., Berlin (subsidiary of the above)—Member of the management committee and technical director.

Länderbank Wien A. G., Wien (subsidiary of Dresdner Bank)—Director.

Friedrichsberger Bank G. m. b. H., Berlin—Director.

Diskont-Kompagnie A. G., Berlin—Director.

Industrial.—I. G. Farbenindustrie A. G., Frankfurt am Main—Director.

Rheinische Stahlwerke A. G., Essen (IGF)—Director.

Wolff & Co. K. G. a. A., Walsrode (photographic supplies, rayon; IGF)—Director.

Dynamit A. G., vorm. Alfred Nobel & Co., Troisdorf (IGF)—Director.

Gustav Genschow & Co. A. G., Berlin (now merged with Dynamit)—Director.

Donau-Chemie A. G., Vienna—Director.

Universum-Film A. G. (Ufa), Berlin—Director.

Dr. Karl Rasche

Dr. Karl Rasche, member of the management committee of the Dresdner Bank, Berlin, since 1935, is a member of the new Free Masons, a political group built up around Himmler, and holds an influential position in the inner circles of the Nazi Party. He is a member of the board of directors of Accumulatoren-Fabrik A. G., Berlin, whose branches in Argentina and Brazil are on the Proclaimed List of Certain Blocked Nationals, and of Braunkohle-Benzin A. G., Berlin, which is connected with the I. G. Farbenindustrie and VIAG combines. Rasche is said to have authority to speak for the managing board of the Dresdner Bank.

Born in Westphalia on August 23, 1892, descended from an old Westphalian family, Rasche attended secondary school at Iserlohn in Westphalia and studied law, political economy, and history at the Universities of Münster, Munch, Berlin, Leipzig, and Bonn. He saw extensive service during the First World War on both the eastern and western fronts, and was awarded the Iron Cross and the Baltic Cross. After finishing his studies, he became an attorney in Düsseldorf and was active in several Westphalian courts. He later became a member of the board of directors of various west German companies. In 1933, he became a member of the management committee of the Westphalian Bank, Bochum. He is a member of the chief committee of the Central Union of Banks and Bankers, Berlin. He was politically active as a member of the Riga Legation, and recruiting officer for the Baltic troops. His special spheres of interest are publications on international law, export and import industries and their financing, the economy of the Rhine, the Westphalian industrial district, and regional bank questions. He is an expert as a bank examiner. Since 1935 he has been a member of the management committee of the Dresdner Bank, and he is believed to have been prominent in Aryanization matters.

His political, financial, and industrial affiliations in 1942, were as follows:

Banking and financial.—Dresdner Bank—Member of the management committee.

Industrial.—Cement: Perlmooser Zementwerke A. G., Wien—Chairman of the board of directors.

Dyckerhoff-Portland-Zementwerke A. G., Amoneburg—Deputy chairman of the advisory board.

Munitions: A. G. vormals Skodawerke in Pilsen, Prague—Member of board of directors.

Waffenwerke Brunn A. G., Prague—Director.

Iron: Eisen- und Hüttenwerke A. G., Bochum—Director.

Neunkircher Eisenwerk A. G., vorm. Gebr. Stumm Poldihutte, Prague—Director.

Mining: Sudetenlandische Bergbau A. G., Brussels—Director.

Mulheimer Bergwerks-Verein, Essen—Director.

Colliery: Essener Steinkohlenbergwerke A. G., Essen—Director.

Felten & Guillaume Carlswerk A. G., Köln—Director.

Miscellaneous.—Engelhardt-Brauerei A. G., Berlin (brewery)—Chairman, board of directors.

Rheinische Kunstseide A. G., Krefeld (artificial silk)—Deputy chairman of the advisory board.

Woll-Wascherei und Kammerei in Dohren, Dohren Bei Hannover (wool processing)—Deputy chairman of the advisory board.

Accumulatoren-Fabrik A. G., Berlin (storage batteries)—Director.

Braunkohle-Benzin A. G., Berlin (lignite and benzine; part of I. G. Farbenindustrie A. G. and VIAG combine)—Director.

Metallgesellschaft A. G., Frankfurt am Main (metals)—Director.

Rheinmetall Borsiz A. G., Berlin (heavy machinery)—Director.

Wintershall A. G., Berlin (potash)—Director.

Hellmuth Röhnert

Hellmuth Röhnert, director general on the board of the Dresdner Bank, although a comparative newcomer to German industry, is now one of the most prominent of the Nazi industrialists. He is general manager of the Hermann-Goering Werke, large armament and heavy industry combine. He is said to have profited largely from the German war production program.

Röhnert was born April 21, 1888. Very little is known about his early life. He is reported to have been a small industrialist who, facing bankruptcy in 1931, offered his services to the Vereinigte Stahlwerke (steel trust) and was rejected. Embittered by the refusal, he joined the Nazi Party, and his present career began with that event.

Röhnert's latest known address is Gruenwald, Berlin. In 1942 he had the following political, financial, and business connections:

Political.—Reichsgruppe Industrie, Berlin (industrial association organized by German Government)—Member of advisory board.

Banking.—Dresdner Bank, Berlin—Director.

Landesausschuss für Westfalen der Dresdner Bank, Berlin (Westphalian National Committee of the Dresdner Bank)—Member.

Insurance.—Friedrich Wilhelm Lebensversicherungs A. G., Berlin (life insurance)—Director.

Gerling Konzern Rückversicherungs A. G., Köln (reinsurance)—Director.

Industry.—Iron, steel, armaments: Rheinmetall-Borsig A. G., Berlin (iron and steel)—Member of executive committee.

Reichswerke A. G. "Hermann Goering," Berlin (iron and steel)—Member of management committee; member of technical committee.

Reichswerke A. G., Alpine Montanbetriebe "Hermann Goering," Linz/Donau (iron and steel)—Director.

Wohnungs A. G. der Reichswerke "Hermann Goering," Braunschweig (industrial housing)—Director.

Reichswerke-A. G. für Waffen- und Maschinenbau "Hermann Goering" (armament and machinery)—Chairman of board of directors.

Torpedo Werke A. G., Frankfurt am Main (torpedoes)—Chairman of board of directors.

Machinery and equipment: Alexanderwerk A. G., Remscheid (machinery)—Deputy chairman of advisory board.

Hermann Herzog & Co., A. G., Neugersdorf/Sachsen (trading in textile machinery)—Deputy chairman of advisory board.

Maschinenbau A. G., Balcke, Bochum (machines)—Director.

Accumulatoren-Fabrik (AFA), Berlin (storage batteries)—Director.

Kardex A. G. für Büreartikel, Saarbrücken (individual machines)—Chairman of board of directors.

Magdeburger Werkzeugmaschinen-fabrik G. m. b. H., Magdeburg (machine tools)—Chairman of advisory board.

Airplanes and motors: Junkers Flugzeug- u. Motorenwerke A. G., Dessau (airplanes and parts)—Chairman of board of directors.

Arado Flugzeugwerke G. m. b. H., Potsdam (airplanes)—Director.

Fahrzeug- und Motorenwerk G. m. b. H. vorm. Maschinenbau Linke-Hoffmann, Breslau (motors)—Chairman of advisory board.

Metal works: Busch-Jaeger, Ludenscheider Metallwerke A. G., Ludenscheid (metal works)—Member of management committee; member of technical committee.

Sächsische Metallwarenfabrik August Wellner Sohne A. G., Aue-Sachsen (metal products)—Chairman of board of directors.

Textiles: Deutsche Wollwaren-Manufaktur A. G., Gruenberg, Schlesien (woolens)—Deputy chairman of advisory board.

Public utilities.—Berliner Kraft- und Licht (Bewag) A. G., Berlin (power and light)—Director.

Navigation.—Reichswerke A. G. für Binnenschifffahrt "Hermann Goering," Berlin (inland navigation)—Chairman of board of directors.

Miscellaneous.—Kardex System G. m. b. H., Berlin (office equipment)—Chairman of board of directors.

Hardy & Co., G. m. b. H., Berlin—Director.

Gebr. Heyne G. m. b. H., Offenbach am Main—Member of executive committee.

Hans Carl Scheibler

Hans Carl Scheibler is a director of the Dresdner Bank, Berlin, and a member of the district committee for the Rhineland, Cologne, and Aachen of the Dresdner Bank. He is connected with three fertilizer firms, including the Thomasmehlgesellschaft m. b. H., Cologne, which produces fertilizers from the slag of the foundries August Thyssen A. G. and Dortmund Hoerder Huttenverein.

Scheibler was born on September 22, 1887. His last known address was 2 Breite Strasse, Cologne, and his known connections are the following:

Political.—Fachabteilung Thomasmehl in der Fachgruppe Kunstdünger der Wirtschaftsgruppe Gross-Ein- und Ausfuhrhandel, Berlin. (Professional Group of Artificial Fertilizer Producers in the Professional Group for Artificial Fertilizers of the Economic Group of the Wholesale Import and Export Business, Berlin)—Leader.

Financial.—Landesausschuss für Rheinland, Cologne, Aachen, **Dresdner Bank**, Berlin (District Committee for the Rhineland, Cologne, and Aachen, of the **Dresdner Bank**, Berlin)—Member.

Dresdner Bank, Berlin—Director.

Industrial.—Thomasmehlgesellschaft m. b. H., Cologne (produces fertilizers from slag of August Thyssen-Hütte A. G. and Dortmund Hoerder Huttenverein)—Manager.

Rheinische Presshefe und Spritwerke A. G., Monheim (yeast and distillery company; capital, RM. 2,000,000)—Deputy chairman of board of directors.

Dungerfabrik Euskirchen Scheibler & Co., Euskirchen (fertilizers)—Personally liable partner.

Chemische Fabrik Kalk G. m. b. H., Cologne (lime)—Partner.

Walther Schieber

Apparently Walther Schieber was one of the careerists within the **Nazi Party** who by his connections was able to gain prestige and influence in industrial circles.

It appears that Schieber gained the confidence and favor of outstanding **Nazi Party** members, for Funk is said to have appointed him to the position of Deputy Leader of the National Group for Industry, and Speer reportedly made him Chief of the Office for Delivery of Armament Goods in the Ministry for Armaments and Munitions. Other of his political appointments include the post of Leader of the Industrial Section of the Economic Chamber of Thuringia and membership on the advisory board of the Economic Chamber of Thuringia.

As an industrialist, Schieber appears to have been most successful. He started his business career in the **Gustloff Werke**, Weimar. This group which is owned by the **Nazi Party** is composed of five industrial corporations. One of these enterprises is the **Suhler Waffenwerke** (munitions factory) which was, reportedly, stolen from a Jewish family in 1933, and another is the **Hirtenberg Munitions factory** in Austria, which was incorporated into **Gustloff Werke** after the **Anschluss**. Subsequently Schieber became the leading figure in **Zellwolle und Kunstseide Ring**, which is considered the second largest synthetic fiber combine in Germany. He also was instrumental in the organization of **Thüringische Zellwolle A. G.** in Schwarzburg and as such is said to have brought **France Rayonne S. A.**, the French synthetic fiber combine, under control.

In the field of banking Schieber rose to the position of member of the supervisory board of the **Dresdner Bank** by 1944 from a membership on its provincial committee for central Germany, a position which he held in 1942.

Walther Schieber was born September 13, 1896, in Biermerstetten. He holds the degree of doctor of engineering. His address in 1942 was reported to be 5 Richard Wagner Strasse, Rudolstadt, Thuringia. His known connections, as of 1942, with certain specified exceptions, are listed below:

Political.—Gauwirtschaftsberater für Thuringia (Regional Adviser of Economics for Thuringia).

Wirtschaftskammer Weimar Thuringia (Economic Chamber of Thuringia)—Member of the advisory board.

Industrieabteilung der Wirtschaftskammer, Weimar, Thuringia (Head of the Industrial Division of the Economic Chamber of Thuringia).

Reichsgruppe "Industrie"—Deputy Chief.

Banking.—**Dresdner Bank** (in 1942 Schieber was a member of the provincial committee of the **Dresdner Bank** for central Germany; however by 1944 he had become a member of the **Dresdner Bank's** supervisory board)—Director.

Industrial.—**Gustloff-Werke**, Weimar (combine consisting of five industrial corporations which is reportedly owned by the **Nazi Party**; included the **Suhler Waffenwerke** and the Austrian **Hirtenberg Munitions factory** incorporated into the combine after the **Ausschluss**)—Chairman of the executive committee.

Zellwolle und Kunstseide Ring G. m. b. H., Berlin (Cell-Wool and Artificial Silk Group is considered second largest synthetic fiber combine in Germany)—General manager.

Thüringische Zellwolle A. G., Schwarzburg (acquisition and operation of enterprises for the manufacture, processing, and sale of textile fibers; capital RM. 10,000, 1938; the company has several affiliates and one subsidiary; Schieber is reported to have resigned as this company's works leader as of December 1943)—Chairman of the bank committee.

Lenzinger Zellwolle- und Papierfabrik A. G., Agerzell, Upper Danube, Austria (operates cell-wool and cellulose factories and a paper mill; capital, 1942, RM. 25,000; holds participations in a number of companies, included among which is **Westfälische Zellstoff A. G.**)—Chairman of the bank committee.

Schwabische Zellstoff A. G., Ehigen (Danube), Germany (construction and operation of cellulose factories, equipment, and byproducts; capital, 1938, R.M. 3,400,000)—Chairman of the bank committee.

Westfälische Zellstoff, Wildhausen, Westphalia (engaged in the construction and operation of a cellulose factory and in acquiring participations in enterprises in the same field; capital, R.M. 3,600,000; principal shareholders are L. und C. Steinmüller, Gummersbach)—Chairman of bank committee.

Spinnstoffwerk Glauchau A. G., Glauchau, Saxony (capital, 1938, R.M. 5,000,000; manufactures spun material (spinnstoffe) of all kinds and participates in similar enterprises; no principal shareholders listed; holds minority interests in two connected enterprises)—Director.

Spinnstoff-Gesellschaft G. m. b. H., Berlin-Schwarza (engaged in the manufacture of artificial fiber from casein; capital, 1938, R.M. 1,250,000)—Chairman of the advisory board.

Spinnstofffabrik Zehlendorf A. G., Berlin-Zehlendorf (capital, 1938, R.M. 3,160,000; manufactures and sells products in the field of chemical and textile industries)—Director.

Thüringer Rohstoff A. G., Weimar (this company is engaged in the surveying, exploitation, and utilization of mineral resources, especially within the scope of the second 4-year plan; capital, R.M. 1,000,000 as of 1938; holds a participation in the mining company Gevekschaft "Ottlar")—Deputy chairman of the advisory board.

Solanum G. m. b. H., Riesa Cottbus, Dresden-Peschelmühle—Chairman of the advisory board.

Schwarzenburger Saline Oberilm A. G., Stadtilm, Thüringia—Member of the supervisory board.

Alphalint Edelmetall G. m. b. H., Peschelmühle—Chairman of the advisory board.

Thüringer Porzellanmanufaktur, Rudolstadt-Volkstedt, Saxony (porcelain factory)—Director.

Dr. Hans Schippel

Dr. Hans Schippel is a member of the management committee of the Dresdner Bank, Berlin, a member of the management committee of the Berlin Stock Exchange, and deputy chairman of the Deutsch-Asiatische Bank, Berlin-Shanghai.

Schippel is also an important figure in the machinery and mining industries and has important public utility connections. He is a member of the board of directors of Klockner-Werke A. G., Duisberg, whose numerous branches throughout Latin America have been designated proclaimed-list nationals.

Schippel was born on December 22, 1880, in Potsdam. His career has included a widely diversified list of activities. He has served as temporary official at the Reich Ministry of Finance, was repeatedly sent abroad by the Reichsbank, and at one time was a member of a committee which was sent to China.

In 1931 Schippel was appointed one of the liquidators of the Danatbank, and subsequently became a member of the management committee of the Dresdner Bank. Reports conflict as to his political sentiments, but he is reported to have been responsible for the organization of the Dresdner Bank.

His financial and industrial affiliations in 1942 were as follows:

Banking and financial.—Dresdner Bank, Berlin—Member of the management committee.

Deutsch-Asiatische Bank, Berlin-Shanghai—Deputy chairman of advisory board.

Länderbank Wien A. G., Wien—Deputy chairman of advisory board.

Beamtenversicherungsverein des Deutschen Bank- und Bankiergewerbes A. G., Berlin—Member of board of directors.

Rheinisch-Westfälische Boden-Creditbank, Köln—Member of board of directors.

Rheinische Hypothekenbank, Mannheim—Member of board of directors.

Berliner Wertpapierbörse, Berlin—Member of management committee.

Insurance.—"Frankona" Rück- und Mitversicherungs A. G., Berlin—Chairman of board of directors.

Industrial.—Machinery: Maschinenbau und Bahnbedarf A. G., Berlin (machine and railway supplies)—Chairman of the board of directors.

Wanderer-Werke A. G., Siegmarschönau (machine and wheel factory)—Chairman of board of directors.

Bayerische Motorenwerke A. G., München (motor works)—Member of board of directors.

Brown, Boveri & Cie. A. G., Mannheim (electrical and other machinery)—Member of board of directors.

Daimler-Benz A. G., Stuttgart (motor company)—Member of board of directors.

Mining: Mansfeld A. G. f. Bergbau- u. Hüttenbetrieb, Eisleben (mining and foundry)—Deputy chairman of advisory board.

Klöckner-Werke A. G., Duisburg (mining)—Member of board of directors.

Utilities.—Berliner Kraft- und Licht (Bewag) A. G., Berlin (part of VIAG combine, power and light company)—Member of board of directors.

Deutsche Continental Gas A. G., Dessau (gas company)—Member of board of directors.

Miscellaneous.—Deutsch-Atlantische Telegraphengesellschaft, Berlin (telegraph company)—Deputy chairman of advisory board.

Koehlmann-Werke A. G., Frankfurt am Oder (starch and sugar factory)—Deputy chairman of advisory board.

Schultheiss-Brauerei A. G., Berlin (brewery)—Deputy chairman of advisory board.

Deutsche Erdöl A. G., Berlin (petroleum)—Member of board of directors.

Rabbethge & Giesecke A. G., Kleinwanzleben (sugar and byproducts)—Member of board of directors.

Berliner Wertpapierbörse, Berlin—Member of management committee.

Carl Otto Schmelzer

Carl Otto Schmelzer is a director of the Dresdner Bank, Berlin, and a member of that bank's provincial committee for Saxony. He also appears to hold a position of some importance in the Gerling Konzern, one of the leading German insurance groups, for he is an advisory board member of its provincial board for central Germany.

However, Schmelzer appears to be chiefly interested in the processing and manufacture of textiles. He holds directorial or supervisory positions with several of such companies. The most impressive of these enterprises appears to be Bremer Woll-Kammerei, Blumenthal, Lower Weser, Germany, capitalized in 1938 at RM. 10,400,000. In addition he is connected with several companies producing heavy machinery for the textile industry and railroads. Schmelzer also holds positions of importance in two political groups which operate to expedite the activity of the spinning and carding industry.

Schmelzer was born June 8, 1869, in Werdau, Saxony. In 1942 he was reported to be residing at Lichtentanne, Saxony, which is also the location of an enterprise operated by him and apparently owned by his family. His known connections as of 1942 are as follows:

Political.—Fachgruppe Kammgarnspinnerei und Lohn-Kämmerei, Berlin (Professional Group Worsted Spinning Mill and Wool Carding)—Member of advisory board.

Verein Deutscher Wolkämmer und Kammgarnspinner (Association of Representatives of the German Wool Carding and Worsted Mill Industries)—Chairman.

Banking.—Dresdner Bank (This bank is one of the Grossbanken)—Director.

Landes-Ausschuss für Sachsen der Dresdner Bank, Berlin (Provincial Committee for Saxony of the Dresdner Bank)—Member.

Insurance.—Landesbeirat für Mitteldeutschland der Gerling-Konzern A. G., Cologne (Provincial Advisory Board of Central Germany of the Gerling Konzern A. G., Cologne, one of the leading insurance groups in Germany)—Member.

Industrial.—Carl Schmelzer senior, Lichtentanne/Sachs—Coowner and technical director.

Geraer Strickgarnfabrik Gebr. Feistkorn A. G., Gera (engaged in the manufacture, processing, and sale of yarns of all kinds and in the participation and merger with other enterprises of the same textile branch; capital, 1938, RM. 3,015,000)—Chairman of the board of directors.

Bremer Woll-Kämmerei, Blumenthal/Unterweser, Lower Weser, Germany (engaged in washing and carding wool; capital, 1938, RM. 10,400,000)—Director.

Cammann & Co., A. G., Chemnitz (engaged in the manufacture of upholstering material and other products of the textile industry; capital, 1938, RM. 1,500,000; the shares are held by members of the Cammann family)—Deputy chairman of the board of directors.

Julius Römpler A. G., Zeulenroda/Thüringen, Saxony (engaged in the manufacture and sale of rubberized elastic and nonelastic knitted goods and textiles, bandages, dressings, and corsets; capital, 1938, RM. 1,008,000)—Deputy chairman of the board of directors.

Carl Hamel A. G., Siegmar-Schönau (produces textile machines and other machines and participates in similar enterprises; capital, RM. 1,963,200; this com-

pany holds two-thirds of the share-capital of the Carl Hamel Spinnund Zwimereimaschinen A. G., Arbon, Switzerland [Carl Hamel Spinning and Twisting Machinery, Inc., Arbon, Switzerland])—Director.

Waggon- und Maschinenfabrik A. G., vorm Busch, Bautzen, Saxony (engaged in the production and sale of railroad cars and machines of all kinds and in transactions connected therewith; capital, R.M. 3,500,000; subsidiaries are Scharfenberg Kupplung A. G., Berlin; capital, R.M. 400,000, participation 55 percent, and Seyboth-Feuerung G. m. b. H., Bautzen, Saxony, capital, R.M. 20,000, participation, 100 percent)—Director.

Dr. Heinrich Schmidt

Dr. Heinrich Schmidt (Doctor of Jurisprudence), a member of the board of directors of the Dresdner Bank, is associated with several German enterprises in the mining, fertilizer, and petroleum fields. He is chairman of the board of directors of Braunkohle-Benzin A. G., Berlin, manufacturers of synthetic gasoline, which is affiliated with the I. G. Farben and VIAG (Vereinigte Industrie-Unternehmungen Aktiengesellschaft) combines.

Dr. Schmidt was born on June 15, 1873, in Hildesheim. His present address is listed at 10 Prinzenstrasse (43 Georgstrasse), Berlin. His financial and business connections in 1942 were as follows:

Banking.—Dresdner Bank, Berlin—Director.

Industrial.—Mining: Bergbau A. G., Lothringen, Bochum—Chairman of the board of directors.

Bergbaugesellschaft Teutonia A. G., Hannover—Chairman of the board of directors.

Fertilizers and phosphates: Kali-Chemie, Berlin (fertilizers)—Director.

Wintershall A. G., Berlin (phosphates)—Chairman of the board of directors.

Petroleum and gasoline: Thüringer Erdöl A. G., Sondershausen (petroleum)—Director.

Braunkohle-Benzin A. G., Berlin (synthetic gasoline; affiliate of I. G. Farben-VIAG combines)—Chairman of board of directors.

Miscellaneous.—Deutsche Asphalt A. G. der Limmer u. Vorwohler (asphalt products)—Chairman of the board of directors.

Grubenfelder, Braunschweig—Chairman of the board of directors.

Voigt & Haefner A. G., Frankfurt am Main (electrical products)—Deputy chairman of the advisory board.

H. Bahlens Keksfabrik A. G., Hanover (biscuits, cookies)—Director.

Busch-Jaeger, Ludenscheider Metallwerke A. G., Ludenscheid (metal products)—Director.

Georg Talbot

Georg Talbot has a number of connections in industry as well as several in the fields of banking and insurance. His industrial connections include Vereinigte Stahlwerke A. G., Basalt A. G. Linz/Rhine, operating stone quarries throughout Germany, France, Holland, and Austria and capitalized in 1936 at R.M. 20,000,000; and a number of other enterprises engaging in such diversified fields of endeavor as the manufacture of vehicles for public and personal transportation, operation of local railways, and sugar refineries. In the field of banking, Talbot holds a directorship in the Dresdner Bank. His insurance affiliations include a leading member of the Rheinische Interessengemeinschaft as well as several other companies which are affiliated with that insurance group.

Georg Talbot was born February 16, 1864, in Aachen. He holds an honorary degree as doctor of engineering. In 1942 he was reportedly residing at Haus Grenzhof, Aachen. His known connections as of 1942 were as follows:

Banking.—Dresdner Bank, Berlin—Director.

Landes-Ausschuss für das Rheinland, Köln, Aachen der Dresdner Bank, Berlin (Provincial Committee for the Rhineland, Köln, Aachen region of the Dresdner Bank)—Member.

Industrial.—Vereinigte Stahlwerke A. G., Düsseldorf (steel trust; capitalized in 1939 at R.M. 460,000,000; total assets, December 1939, R.M. 2,277,994,000)—Director.

Deutsche Wagenbau-Vereinigung (Association of Transportation Vehicle Manufacturers)—Member of the management committee.

Waggonfabrik Talbot, Aachen (carriage factory)—Partner and manager.

Waggonfabrik Uerdigen A. G., Krefeld-Uerdigen (construction and utilization of railroad, street, and other cars. Capital, 1935, R.M. 3,636,000. The Eisenbahn-Verkehrsmittel holds almost 25 percent interest and Gustav Talbot & Cie. m. b. H., Aachen, has approximately a 14 percent interest)—Director.

Düsseldorfer Waggonfabrik A. G., Düsseldorf (manufacture of autos, railroad cars, streetcars, auto busses. Capitalized in 1936 at RM. 1,000,000, which is almost wholly owned by Waggon-Fabrik A. G.)—Director.

Aachener Kleinbahngesellschaft, Aachen (construction, purchase, and operation of narrow-gage and branch-line railroads; capital, 1935, RM. 6,000,000, of which the city of Aachen holds 50 percent and district of Aachen holds 25 percent)—Director.

Rhein. Elektrizitäts- und Kleinbahnen A. G., Aachen (operation of electric power stations and of the narrow-gage railroad in Aachen; capital, 1935, RM. 2,250,000; is wholly owned by the Aachener Kleinbahngesellschaft)—Director.

Basalt A. G., Linz/Rhine (purchase and lease of stone quarries; capital, 1936, RM. 20,000,000; has numerous subsidiaries in Germany, also France, Holland, and Austria)—Director.

Dessauer Werke für Zucker und Chemische Industrie A. G., Dessau (operation of sugar factories, distilleries, also production of chemical byproducts; capital, 1935, RM. 8,100,000)—Chairman of the board of directors.

Dessauer Zucker-Raffinerie G. m. b. H., Dessau (sugar refinery and production of chemical byproducts; capital, 1938, RM. 4,000,000; 99.85 percent controlled by the Dessauer Werke für Zucker- und Chemische Industrie A. G., Dessau)—Director.

Zucker-Raffinerie Hildesheim G. m. b. H., Hildesheim (sugar and distillery factory; capital, 1936, RM. 2,000,000, which is 50 percent owned by Dessauer Werke für Zucker und Chemische Industrie A. G., Dessau; has 11 subsidiaries)—Director.

Gemeinnützige Baugesellschaft für Aachen A. G., Aachen (small dwelling construction; capital, 1935, RM. 90,000)—Director.

Garbe, Lahmeyer & Co. A. G., Aachen—Director.

Insurance.—Aachener und Münchener Feuer-Versicherungs-Gesellschaft, Aachen (domestic and foreign insurance and reinsurance against all kinds of damages; capital, 1938, RM. 20,000,000; is a leading member of the Rheinische Interessengemeinschaft insurance group)—Director.

Aachener Rückversicherungs A. G., Aachen (reinsurance of all kinds; capital, 1935, RM. 5,000,000; Aachener und Münchener Feuer-Versicherungs-Ges. holds over 25 percent interest)—Director.

Versicherungs A. G., "Globus," Vienna (transport and damage insurance; capital, 1938, 300,000 Austrian schillings; premium receipts, 1937, 1,280,000 Austrian schillings; wholly owned by the Aachener- und Münchener Feuer-Versicherungs-Ges.)—Member of the management committee.

Thuringia Versicherungs A. G., Erfurt (domestic and foreign insurance and reinsurance against all kinds of damages; capital, 1935, RM. 9,000,000; premium receipts, 1934, RM. 16,664,864; Aachener und Münchener Feuer-Versicherungs-Ges. holds over 25 percent; Max Stürcke, director of the company, holds an unspecified interest)—Director.

Hans Ullrich

Hans Ullrich, general director of the Gothaer Lebensversicherungsbank A. G. (Gothaer Life Insurance Bank), and director of the Dresdner Bank, is actively engaged in the field of insurance. His close connection with the Nazi Party is evident from the fact that he was appointed by Staatsminister Dr. Franke as head of the Akademie für Deutsches Recht (Academy for German Law). He is also a member of the chairman's committee of the Reich Association for Private Insurance.

Hans Ullrich was born on March 15, 1889, in Eisfeld (District of Hildburghausen, in Thuringia). He is said to be descended from an old Frankish family. His father, Ernst Ehrhardt Ullrich, who was a school director, gave him a thorough education. After attending the Gymnasium (classical state school) at Eisenach, Ullrich studied law and political economy at the Universities of Göttingen, Munich, and Jena.

In 1911, Hans Ullrich successfully passed his first state examination in law. The following year, he obtained his degree of doctor of jurisprudence. During the war, Ullrich served with distinction as a platoon leader, administrative officer, adjutant, and battery commander. He was given the Iron Cross first and second class, as well as the Meiningen Distinguished Service Cross, a decoration for wounds received.

In 1920, Ullrich passed his second state examination, and in July of that year entered the Gothaer Lebensversicherungsbank. Within a short space of time, he rose to be the general director with full power to represent the bank in all its activities.

Some of his more outstanding works in the field of insurance are the following publications: *Der Währungszerfall, die Aufwertung und der Wiederaufbau bei den Privaten Deutschen Lebensversicherungsgesellschaften* (The Deterioration of Currency, the Revaluation and Reconstruction in the German Life Insurance Companies), 1926; special volume of yearbooks on national economy and statistics; *On the History of the New Gothaer Lebensversicherungsbank*; *The Policies in Investment of Capital of the German Insurance Companies in the Years of Reconstruction, 1924-28* (special number of the publication for the Whole Insurance Economy); *The Legal Regulations on Investment of Capital of Private Insurance Companies in the Principal Civilized Countries of the World, 1934*.

Hans Ullrich is a frequent contributor to numerous German publications on matters pertaining to insurance.

His political, banking, and insurance connections are as follows:

Political.—Comite Permanent des Congres Internationaux d'Acturaires (Permanent Committee of International Congresses of Actuaries)—Member.

German Association for Insurance Economy, Berlin—Deputy Head.

Academy for German Law—Head of the Reich Committee on Insurance.

Banking.—Dresdner Bank—Director.

Gothaer Lebensversicherungsbank A. G., Gotha—General director.

Insurance.—Reich Association for Private Insurance—Member of the chairman's committee.

Association of German Life Insurance Companies—Member of the chairman's committee.

Hans Hermann Rudolf Walz

Hans Walz, director of the Dresdner Bank, Berlin, and the Reichs-Kredit-Gesellschaft A. G., Berlin, has been associated with Robert Bosch G. m. b. H., Elektrotechnische Fabrik, Stuttgart, since 1912, and is at present the managing technical director of this company. He is active both in the fields of business, particularly banking, industry, and insurance, and in politics. His political connections lead one to suspect that he is sympathetic to the Nazi Party, since he holds the position of district agent for the Wurtemberg Economic Association of the German Labor Front, and is a member of the board of experts of the southwest district of the German Labor Front.

He was born on March 21, 1883, in the city of Stuttgart. Hans Walz's father, Johannes, was a teacher by profession and of evangelical faith. His mother's maiden name was Christiane Henne. After attending Carls Gymnasium, a secondary school, Hans Walz went to the Superior Business School in Stuttgart. Upon completion of his business education, he obtained a 2-year apprenticeship in the banking profession. Subsequently, Hans Walz became active in the banking profession and the fields of wholesale business and factory management in Germany, procuring a number of leading positions.

In 1912, he became manager of the private secretariat of Dr. Robert Bosch's company in Stuttgart, handling matters pertaining to property management. Rising rather rapidly, Hans Walz became a member of the board of directors of the company by 1919. In 1921, he was a regular member of the management committee, and within a short time obtained the position of official manager of the property administration of the company Robert Bosch G. m. b. H. (limited) of Stuttgart, which position he has held as recently as 1942.

On May 29th, 1926, Hans Walz married Hildegard Kälher, the daughter of the Ministeriat Counselor, Gustav Kälher. He has four children: Reinhard, born October 17, 1927; Dorothee, born June 25, 1929; Friedman, born April 22, 1933, and Machtild, born August 1, 1934.

His political, commercial, and business connections are as follows:

Political.—Company for Promotion of World Economy, Kiel—Member of the management committee.

Wurtemberg Economic Co., Stuttgart—Alternate chairman.

Union for Improvement of the Peoples Education, Stuttgart—Member of the management committee.

Alliance of Wurtemberg Industries, Stuttgart—Member of the managing board.

Chamber of Commerce and Industry, Stuttgart—Vice president.

Wurtemberg Business and Industry Conference of Stuttgart—Vice president.

Wurtemberg Economic Association of the German Labor Front—District agent.

Board of Experts of the South West District of the German Labor Front—Member.

Akademie für Deutsches Recht, Berlin—Member.

Banking.—Dresdner Bank, Berlin—Director.

Reichs-Kredit-Gesellschaft A. G., Berlin—Director.

Württembergische Bank, Stuttgart—Director.

Handels und Gewerbebank Heilbronn A. G., Heilbronn—Director.

Industry.—Robert Bosch G. m. b. H., Elektrotechnische Fabrik, Stuttgart—Managing technical director.

Vermögensverwaltung Bosch, G. m. b. H., Stuttgart—Manager.

Teppich-Werke Berlin Trepton, A. G., Berlin (carpet factory)—Chairman of the board of directors.

Otto Ficker A. G., Kirchheim/Teck (manufacture and wholesale trade in paper, envelopes, cards, etc.)—Director.

Kolk & Schüle A. G., Kirchheim/Teck (spinning and weaving; has three mills which belong to various industrial groups)—Director.

Insurance.—Victoria Feuer-Versicherungs A. G., Berlin; Victoria zu Berlin Allgemeine Verischerungs A. G., Berlin; Victoria Rückversicherungs A. G., Berlin.

Carl Wentzel

Carl Wentzel is a director of the Dresdner Bank and has extensive connections in the field of industry, banking, and insurance. He is described as a chief official (Oberamtmann), presumably in the Nazi Government.

Wentzel was born on December 9, 1876, in the town of Brachwitz. He is reported to be a director of the Mannesmannröhren Werke, Düsseldorf. This company, which is engaged in the production of metal objects of all kinds, especially pipes or tubes, having nine plants and three mines, is closely associated with Nazi economic activities. It is said that one of its officials is a liaison officer between the SS, and the main company.

Carl Wentzel's banking and industrial connection are as follows:

Banking.—Dresdner Bank, Berlin—Director.

Hallescher Bankverein von Kulisch, Kaempt & Co., K. G. a. A., Halle-Saale—Director.

Zuckerkreditbank A. G., Berlin—Chairman of the board of directors.

Industry.—Sugar: Resistaer Zucker-Raffinerie, Rositz, Kr. Altenburg (sugar refinery)—Chairman of board of directors.

Zuckerraffinerie Halle, Halle/Saale (sugar refineries)—Chairman of board of directors.

Zuckervertriebesgesellschaft Halle A. G. Halle-Saale (sugar industry)—Chairman of the board of directors.

Landes-Ausschuss für Mitteldeutscher Rohzucker fabriken, Halle-Saale—Member.

Heavy metal: Mannesmannröhren Werke, Düsseldorf (pipes, tubes, etc.)—Director.

Lignite: Braunkohlen- und Briketwerke Roddergrube A. G., Bühl, Bez., Köhl—Director.

Plant breeding: Rabbethge & Giesecke A. G., Klein-Wansleben—Director.

Factories owned by Wentzel.—J. G. Boltz-Salamünde, Teutschenthal (Wentzel's wife is owner, but Carl Wentzel has full executive powers); C. Wentzel, Teutschenthal.

Insurance.—Colonia, Kölnische Feuerer und Kölnische Unfallversicherungs A. G., Köln—Director.

Miscellaneous.—F. von Lochow-Petkus, G. m. b. H., Berlin—Director.

Joseph Wiehen

Joseph Wiehen's sole reported connection is membership in the management committee of the Deutsche Centralbodenkredit A. G., Berlin. This bank is described as the leading bank of the Gemeinschaftsgruppe Deutscher Hypothekenbanken (Union of German Mortgage Banks), which was established in 1930 by the Deutsche Bank.

Joseph Wiehen was born March 19, 1900, in Münster/Westphalia. He holds the degree of doctor of political science. He was last reported to be residing at Hohenzollernstrasse 26, Berlin-Wanusee.

Hugo Zinnesser

As of 1944 Hugo Zinnesser was a member of the management committee of the Dresdner Bank, one of the so-called Berliner Grossbanken. He had other important, although perhaps not as impressive, banking affiliations which included the Diskont-Kompagnie A. G., Deutsche Hypothekenbank A. G., both in Berlin,

and Pfälzische Hypothekenbank, Ludwigshafen. The last-named bank is reportedly under the control of the Reich Ministry of Economics.

In addition Zinnesser is listed on the boards of numerous enterprises in diversified fields of industrial activity, with many of which he has been associated since 1938. These firms include such enterprises as Hugo Schneider A. G., Leipzig, engaged in metal processing, of which the Dresdner Bank holds the controlling interest; Riebeck'sche Montanwerke A. G., Halle/Saale, engaged in the acquisition and operation of mines and chemical plants etc., which is almost wholly owned by Rheinische Stahlwerke A. G., Essen; Chemische Fabrik von Heyden A. G., Radebeul near Dresden, operating chemicals plants in Germany and other European companies; Feldmühle Papier und Zellstoffwerke A. G., Stettin-Odermünde, with 33 affiliates and subsidiaries (one of which, Casco Bay Timber Co., is located in the United States) operating cellulose processing plants and several breweries. In addition he is listed on the directorate of a Czechoslovakian chemical company, Chemische Werke Aussig-Falkenau G. m. b. H.

Zinnesser was born January 7, 1900, in Pfaffenhofen. He was reported in 1942 to be residing at 35-39 Behrenstrasse, Berlin. His known connections as of 1942 were as follows:

Banking.—Dresdner Bank, Berlin (this bank is one of the Grossbanken)—Member of the management committee.

Diskont-Kompagnie A. G., Berlin (the company is engaged in ordinary banking transactions; capital, R.M. 50,000,000 in 1938; principal shareholder, Deutsche Golddiskont Bank, Berlin)—Director.

Pfälzische Hypothekenbank, Ludwigshafen/Rhine (a mortgage institution under the control of the Reich Ministry of Economics, capital R.M. 6,800,000; the bank holds participations in the following: (a) Lombardbank A. G., Berlin; (b) sudeutsche Festwertbank A. G., Stuttgart; (c) Internationale Bodenkreditbank Basel, Switzerland)—Director.

Deutsche Hypothekenbank A. G., Berlin (ordinary banking transactions; capital in 1938, R.M. 8,000,000; total assets, R.M. 155,158,778 in 1937. Reich Commissioner for this bank is Hans Ruecke, Upper Government Councilor in the Reich Ministry of Economics)—Director.

Insurance.—Hermes Kreditversicherungs A. G., Berlin (the company is engaged in the insurance of credits on merchandise, etc.; capital in 1938, R.M. 5,005,000; total assets, R.M. 9,039,869 in 1937; principal shareholders, Mühener Rückversicherungs Gesellschaft, Munich)—Director.

Industrial.—Hugo Schneider A. G., Leipzig (the company operates enterprises in the field of the metal processing industry and connected industries; capital, in 1938, R.M. 4,200,000; the Dresdner Bank, Berlin, holds the controlling interest of about 51 percent; these companies are wholly owned enterprises: (a) Otto Müller A. G., Leipzig; (b) Hugo Schneider A. G. Vereinigte Glühlampenwerke G. m. b. H., Leipzig; (d) and Thermes A. G., Leipzig)—Deputy chairman of the board of directors.

Metal industry.—Riebeck'sche Montanwerke A. G., Halle/Saale (the company is engaged in the acquisition and operation of mines, chemical plants, and other enterprises which extract, process, and sell and transport coal, other minerals, and oil, etc.; capital, R.M. 50,000,000 in 1938; is almost wholly owned by Rheinische Stahlwerke, Essen; the company has two affiliates and one subsidiary, one of which is Bituma Bergbau und Chemische Industrie A. G., Karlsbad, Czechoslovakia)—Director.

Oehringen Bergbau A. G. i. Abw., (in liquidation) Berlin (the company is engaged in mining operations of all kinds; capital, R.M. 5,000,000; among its participations are Oberschlesisches Steinkohlen Syndikat G. m. b. H., Gleiwitz, Montan Cement G. m. b. H., Hindenburg (Silesia); Wasserwerke Deutsch Oberschlesien G. m. b. H., Hindenburg, Upper Silesia)—Chairman of the board of directors.

Metallwarenfabrik, verm. H. Wissner A. G., Zella/Mehlis/Thür (the company is engaged in the manufacture and sale of metal wire, bells, bicycle parts, and related articles; capital, R.M. 3,125,000 in 1938; the company has three subsidiaries)—Chairman of the board of directors.

Gottfried Lindner A. G., Ammendorf/Saalkr (the company produces and sells railway equipment, streetcars, etc.; capital, R.M. 3,500,000 in 1938; the company has one subsidiary and holds minorities in three other small companies)—Chairman of the board of directors.

G. Kärger, Fabrik für Werkzeugmaschinen A. G., Berlin (the company manufactures tools; capital in 1938, R.M. 1,800,000)—Deputy chairman of the board of directors.

Superphosphates and other chemicals.—Chemische Werk Albert, Mainz-Amöneburg (the company is engaged in the production and sale of superphosphates and similar fertilizers; capital, RM. 9,492,750 in 1938; the company holds participations in the following enterprises: (a) Dr. Kurt Albert G. m. b. H. Chemische Fabriken, Mainz Amöneburg, wholly owned; (b) Duisburger Kupferhütte, Duisburg, small minority interest; (c) Aktiengesellschaft für Zellstoff und Papierfabrikation, Ascheffenburg, Bavaria, small minority interest; and (d) Mattax-happij voor Chemische Waren, Rotterdam, almost wholly owned)—Deputy chairman of the board of directors.

Chemische Fabrik von Heyden A. G. Radebuel (near Dresden, Saxony) (the company is engaged in the construction and operation of chemical plants in Germany and abroad; capital, RM. 13,700,000 in 1938)—Deputy chairman of the board of directors.

Chemische Werke Aussig-Falkenau G. m. b. H., Aussig, Czechoslovakia—Director.

Textiles and fiber.—Feldmühle, Papier- und Zellstoffwerke A. G., Stettin-Odermünde (The company is engaged in the manufacture and processing of cellulose, paper, chemicals, etc., and in their sale; capital, RM. 32,000,000 in 1938; the company has 33 affiliates and subsidiaries, three of which are located outside Germany; they are (a) Hollandsche Papier en Cellulosemaatschappij N. V. Amsterdam, which is wholly owned; (b) Nordiska Travaru Eseport A/B, Helsingfors, also wholly owned; and (c) Caseo Bay Timber Co., Portland (Maine), approximately 25 percent owned)—Director.

Gruschwitz Textilwerke A. G., Neuslitz/Oder (the company manufactures articles made from wool, hemp, jute, cotton, and their substitutes; no principal shareholders listed; Participations: The company has eight subsidiaries and affiliates in Germany; Franz Koenigs, a banker on the board of Rhoduis Handel Koenigs Handel-Maatschappij, Amsterdam was listed, in 1938, on the board of this company)—Director.

Breweries.—Freiherrlich von Tucher'sche Brauerei A. G., Nürnberg (the company is engaged in the brewing and malt industry and in the sale of its products; capital, RM. 4,500,000 in 1938; the company holds interest in four small domestic enterprises)—Deputy chairman of the board of directors.

Reichelbräu A. G., Kulmbach (the company is engaged in the brewing industry and connected side lines; capital, RM. 3,506,000 in 1938; has a participation in two domestic breweries)—Deputy chairman of the board of directors.

Radeberger Exportbierbrauerei A. G., Radeberg (the company is engaged in the acquisition, lease, and operation of breweries in Germany and abroad and in connected transactions; capital in 1938, RM. 6,005,000; principal shareholder: Bank für Brauindustrie, Berlin, whose capital, in turn, is RM. 10,000,000, and whose principal shareholder is the Dresdner Bank; the company has one subsidiary, the Stadtbrauerei Hainschen)—Director.

Miscellaneous.—Süddeutsche Zucker A. G., Mannheim (the company is engaged in the manufacture and sale of sugar, of its byproducts, and agriculture; Capital, RM. 30,000,000 in 1938; principal shareholders: Gruppe Deutsche Bank, Gruppe Dr. Montesi Padug; the company has 17 subsidiaries and affiliates, of which the following are located abroad: (a) Hotzemploetz Zuckerfabrik A. G., A. G. Hotzenplotz, Upper Silesia; (b) Ackerbau G. m. b. H., Probstdorf/Vienna, Austria; and (c) "Aguila" S. A. Teanico Industriale, Trieste, Italy (an oil refinery))—Director.

Pfälzische Mühlenwerke, Mannheim—The company is engaged in the processing and grinding of grain and other cereals; capital, RM. 5,000,000 in 1938; principal shareholders are the Auer Muhlengruppe (mill group) and a Clemens Auer of Cologne)—Director.

EXHIBIT No. 8

CABLE FROM FRANCE SHOWING GERMAN PLANS FOR UNDERGROUND

From: Paris

Date: February 13, 1945.

Newspaper, France-Soir, February 10, referring to Vansittart's statement House of Lords on false Nazi passports, contains dispatch from Swiss frontier by special correspondent on German flight capital. Following are main facts as cited:

1. In orders dated January 22, 1945, on letterhead of German Ministry of War, Himmler informed all Gauleiters that certain party men in whom Hitler had confidence would be sent abroad for special missions.
2. German news agency DNB sent new correspondent to Stockholm and Goteborg named Andreas Bitchailler. This man is actually Doctor Hans Sturmer, and assistant of Goebbels.
3. Other important Nazis who have left Germany are alleged to be Joseph Liedersterch, alias Doctor Popitz, passport 65432, who went to Ireland; Peter Kreuser, alias Obergruppenfuhrer Baur, who went to Sweden.
4. In February 345 party members received orders to prepare to leave Germany.
5. On February 7 and 8 the Gestapo arrested 60 Germans who were about to cross the Swiss frontiers near Basle. Among these persons it is reported were Hugenberg, former director of UFA, and Eberhart, director of Siemens factories.
6. On December 6, 1942, 50,000 kroner were deposited in Stockholm Bank Limited in name of a certain Herr Friedmann, industrialist from Dresden. These funds are alleged to be held in behalf of Goering, who is also reported to have deposited 10,000 pounds sterling in Argentina through an intermediary.
7. Goebbels is reported to have property in Spain valued at 10,000,000 pesetas.
8. Von Ribbentrop is alleged to have \$1,000,000 put aside in Argentina through an intermediary, Pedro Rodriques Panchino. Siegfried Mauser, German Consul in Spain, is reported.

EXHIBIT No. 9

STATEMENT OF GEORG VON SCHNITZLER (MEMBER OF CENTRAL COMMITTEE OF I. G. FARBEN BOARD OF DIRECTORS) ON FEBRUARY 1933 MEETING ON FINANCING OF THE NAZI PARTY BY GERMAN INDUSTRIALISTS

At the end of February 1933, four members of the Vorstand (board of directors) of I. G. Farben, including Dr. Bosch, the head of the Vorstand, and myself, were asked by the office of the President of the Reichstag to attend a meeting in his house. The purpose of this meeting was not given. I do not remember the two other colleagues of mine who were also invited. I believe the invitation reached me during one of my business trips to Berlin. I went to the meeting, which was attended by about 20 persons who, I believe, were mostly leading industrialists from the Ruhr.

Among them present I remember:

Dr. Schacht, who at that time was not yet head of the Reichsbank again, and not yet Minister of Economics.

Krupp von Bohlen, who in the beginning of 1933 presided the Reichsverband der Deutschen Industrie, which later on was changed in the semiofficial organization, Reichsgruppe Industrie.

Dr. Albert Vögler, the leading man of the Vereinigte Stahlwerke.

Von Löwenfeld, from an industrial work in Essen.

Dr. Stein, head of the Gewerkschaft Auguste Victoria, a mine which belongs to the I. G. Dr. Stein was an active member of the Deutsche Volkspartei.

I remember that Dr. Schacht acted as a kind of host. While I had expected the appearance of Göring, Hitler entered the room, shook hands with everybody and took a seat at the top of the table. In a long speech he talked mainly about the danger of communism, over which he presented that he just had won a decisive victory.

He then talked about the Bundis (alliance) into which his party and the Deutschnationale Volkspartei had entered. This latter party, in the meantime, had been reorganized by Herr von Papen. On the end, he came to the point which seemed to me the purpose of the meeting. Hitler stressed the importance that the two aforementioned parties should gain the majority in the coming Reichstag election. Krupp v. Bohlen thanked Hitler for his speech. After Hitler had left the room, Dr. Schacht proposed to the meeting the raising of an election fund of, as far as I remember, R.M. 3,000,000. The fund should be distributed between the two Allies according to their relative strength at the time being. Dr. Stein suggested that the Deutsche Volkspartei should be included, which suggestion, when I rightly remember, was accepted. The amounts which the individual firms had to contribute were not discussed.

I did not take part in the discussion but reported the matter the next day or the overnext to Dr. Bosch in Frankfurt, who, together with Gen. Rat. Schmitz,

had reserved exclusively for themselves the handling of distribution of money to political parties, the press, etc., and had made a special appoint of Vertraulichkeit (secrecy) in this respect.

Dr. Bosch did, as far as I remember, not make any remark to my report, but shrugged his shoulders.

I never heard again of the whole matter, but I believe that either the büro of Goering or Schacht or the Reichsverband der deutschen Industrie asked the office of Bosch or Schmitz for payment of I. G.'s share in the election fund. As I did not take the matter up again, I not even at that time know whether and which amount had been paid by the I. G. According to the volume of the I. G., I should estimate I. G.'s share being something like 10 percent of the election fund.

EXHIBIT No. 10

BIOGRAPHIES OF GERMAN INDUSTRIALISTS

COUNT HANS BODO VON ALVENSLEBEN

Count Hans Bodo von Alvensleben, a Junker nobleman and landowner, is regarded as one of the most influential of Hitler's backers. In 1932, as president of the Herren Klub of Berlin, he was in close contact with the Junker nobility and important German industrialists who frequented that exclusive meeting place.

In January 1933 von Alvensleben attended the meeting at Hitler's home, together with Kurt von Schroeder, partner of the banking firm, J. H. Stein & Co., and a leading spirit of the professional organization of Rhenish industry. Von Alvensleben represented the Junkers who were closely tied up with the industrialists of the Ruhr through similar militaristic and nationalistic concepts. At this meeting, which Hindenburg and von Papen also attended, a final promise was given to aid Hitler in his political ambitions.

For his cooperation with the party, von Alvensleben is reported to have received an estate in Poland from Himmler in the latter's capacity as Reichs Commissioner in charge of all estates in occupied Europe.

Count von Alvensleben is now 63 years of age. His industrial connections are the following:

Industrial

Hein, Lehmann & Co. A. G., Düsseldorf (manufacturer of railway safety devices, steel construction for bridges, etc.; this company had a capital, in 1938, of RM. 4,000,000 and an interest in two subsidiary companies; the Bank für Industrie und Verwaltung, which is owned by the Administration, holds more than 50 percent of the company's stock)—Chairman of the board of directors.

Hilgers A. G., Rheinbrohl/Rhein (manufacturer of conduits, pipes, reservoirs, bridges, etc.; this company operates two works, and in 1938 had a capital of RM. 1,800,000; the principal shareholders of the company are Hein, Lehmann & Co. A. G., who own 63.94 percent of the stock, and the Bank für Industrie und Verwaltung A. G.)—Chairman of the board of directors.

Zuckerfabrik Dröbel G. m. b. H., Bernburg-Dröbel/Anhalt (manufacturer of sugar)—Chairman of the board of directors.

A. G. für Kohlensaure-Industrie, Berlin (manufacturer of chemical products, especially liquid carbonic acid, nitrogen, etc.; this company has several subsidiaries, and in 1938 had a capital of RM. 2,230,000; the Bank für Industrie und Verwaltung A. G. holds over 75 percent interest in this company)—Deputy chairman of the board of directors.

Deutsche Maizena-Werke A. G., Hamburg (manufacture of and distribution of starch products; this company has an interest in seven other companies, and in 1938 had a capital of RM. 7,000,000; the majority interest in this company belonged to the Corn Products Refining Co., New York)—Member of the board of directors.

Financial

Deutsche Centralbodenkredit, A. G., Berlin (the Deutsche Bank was instrumental in the establishment, in 1930, of the Gemeinschaftsgruppe Deutscher Hypothekenbanken (Union of German Mortgage Banks), a step which was preceded by extensive mergers in the field of mortgage banking; the Deutsche Centralbodenkredit A. G., in the leading institution of the aforementioned Gemeinschaftsgruppe, has been represented, for many years, on the board of directors of the Deutsche Bank, and a representative of the Deutsche Bank is always chairman of

the board of directors of this institution; in 1942 the capital was R.M. 43,000,000, the reserves were R.M. 35,000,000, the mortgage loans were R.M. 1,275,500, and the municipal loans were R.M. 271,600)—Member of the board of directors.

Union Allgemeine Deutsche Hagelversicherungs-A. G., Weimar (insurers against hail; in 1938, the capital of this company was R.M. 3,600,000; its principal shareholders were Allianz und Stuttgarter Verein Versicherungs A. G., who held 49.08 percent of the stock, and Münchener Rückversicherungs Gesellschaft, who held 49.08 percent of the stock)—Director.

HERMAN BUECHER

Herman Beucher, associated with AEG and Krupp for more than 15 years, is a calculating industrialist who has served three opposing German governments in his efforts to strengthen his own personal position. Originally a career diplomat, Beucher served the monarchy on several continents. The First World War brought to a close his diplomatic service and Buecher, then 26 years of age, allied himself with the Weimar Republic, becoming one of the most influential members of the National Economic Council (Reichswirtschaftsrat).

Up to this time Buecher's industrial interests had been primarily theoretical and advisory. In the twenties, however, he began his career with the I. G. Farben, Krupp, and AEG concerns, the last of which he successfully reorganized and developed to its present importance among the leading German industrial combines.

In 1933, Buecher joined the Nazis, a move which benefited the party, the AEG combine, and Buecher, himself. He thereafter became intimately associated with the party's efforts and the Government's industrial and financial projects. For example, Buecher is a director of the Reichsbank and the Berliner Handelsgesellschaft; he has numerous important connections in the field of public utilities in Germany and abroad; and, among other political posts, is an economic warfare director (Wehrwirtschaftsführer)—a post analogous to the one he held under the Weimar Republic. In 1942, furthermore, he was a member of Göring's 12-man Armaments Council.

He is now 63 years of age.

His political and industrial connections are the following:

Political

Academy of German Law—Member.

International Chamber of Commerce—Member.

Berlin Industrie und Handelskammer, Berlin (Board of Commerce and Industry).

Banking

Handelgesellschaft (Berliner Handels-Gesellschaft)—Member of board of directors.

Deutsch-Sudamerikanische Bank, A. G., Berlin—Director.

Deutsche Reichsbank—Director.

Industry

Iron and steel.—Mitteldeutsche Stahlwerke A. G. Riesa (steel corporation)—Director.

Public utilities.—AEG (Allgemeine Elektrizitäts Gesellschaft; General Electric Co.)—Chairman of the management committee.

AEG subsidiaries.—AEG-Union Elektrizitäts Gesellschaft, Vienna—Chairman of board of directors.

Olympia Burenaschinenwerke A. G. Enfurt (Office Machine Works, Inc.)—Chairman of board of directors.

Osram G. m. b. H., K. G., Berlin (subsidiary of AEG and Siemens Halske, also General Electric Co. and Bergmaan Electric Co. reportedly have interests in the company, which manufactures incandescent lamps)—Chairman of board of directors.

AEG Elektrizitäts-Aktieselskabet, Oslo—Director.

Geathom Als Thom-I. G. & Co. (S. A.) Madrid (over 25 percent participation of AEG)—Director.

Papierfabrik G. m. b. H. vormals Brüdern Kämmer Osnabruck (paper factory)—Director.

Grundstücks A. G., Marwitz, Berlin (real estate corporation)—Chairman of board of directors.

Other public utilities

Elektricitäts-Lieferung Gesellschaft, Berlin (electric power company, holding company of public utilities)—Deputy chairman of board of directors.

"Chade" Compania Hispano-Americana de Electricidad, Barcelona (electric company, probably public utilities)—Director.

Gesellschaft für elektrische unternehmungen A. G., Berlin (electric enterprises)—Director.

Internationale AEG, Amsterdam (General Electric Co.)—Director.

Accumulatoren-Fabrik A. G., Berlin (electric equipment for power stations)—Director.

Fabrica de Lamparas Madud SS, Madrid (manufacturer of incandescent lamps)—Director.

Elektrotreuhand i. L., Hamburg (Electric Trust in Liquidation)—Director.

Gemeinnützige Bau-A. G., Oberschoneweide, Berlin (public utility construction company)—Director.

Vereinigte Glühlampen und Elektrizitäts A. G. Ujbert bei Budapest (United Incandescent Lamp & Electric Corp.)—Director.

Otavi Minen und Eisenbahn Gesellschaft, Berlin (mining and railway company)—Member of executive committee.

Büssing-Wag. Vereinigte Nutzdraftwagen A. G., Braunschweig (United Utility Motor Vehicles Corp.)—Chairman of board of directors.

Shipping

Deutsch Werft A. G., Hamburg (German Shipbuilding Corp.)—Chairman of board of directors.

Miscellaneous

Fried. Krupp A. G., Essen (munitions)—Director.

Schlesische Elektrizitäts und Gas A. G. Glewitz (Silesian Electric & Gas Co., affiliated with VIAG)—Director.

DR. FRIEDRICH FLICK

Dr. Friedrich Flick, creator and head of one of Germany's largest industrial combines, has reportedly financed several political factions since the 1920's, when he first achieved the consolidation and control of the Vereinigte Stahlwerke. Although he has never actually held Government posts he has financed such movements as the German Army Secret Service (in contravention of the Versailles Treaty), the Deutsche Volkspartei, and the Deutschnationale Party. In 1931, he reached an understanding with Goering and the Nazi Party. Thereafter, both Goering and Flick benefited tremendously through mutual favors and each acquired important properties and concessions in Germany and abroad, and shared in the spoils of the German conquest of Europe.

Flick, virtually alone, controls the entire steel production in the Reich and is a dominant power in the joint steel and coal combines as well as in other outstanding industrial works. He was officially hailed in the Nazi press as a great industrial leader on his sixtieth birthday, in 1943.

Flick has been characterized in the American press as shunning publicity and hoping to pass as a moderate after the crash, thus insuring his industrial niche.

His industrial and financial connections are the following:

Financial

Banking.—Dresdner Bank, Berlin—Director.

Deutsche Reichsbank, Berlin—Member of the advisory board.

Insurance.—Allians Versicherungs A. G., Berlin (capitalized at RM. 16,000,000, it is one of the largest insurance companies in Europe; allegedly controlled by Merck Finck & Co. [Hitler's private banker] through Münchener Rucksversicherungs Gesellschaft)—Director.

Personal holding companies.—Friedrich Flick K. G., Dusseldorf (personal property of Flick and holding company for all his major interests)—Owner.

Netafina (holding company established after World War I in the Netherlands to protect his personal fortune; during the inflationary period in Germany in the twenties, he transferred considerable amounts to Holland and Switzerland; one of his intimate friends was Fran Koenigs, of Rhodius Koeniga Handelsmaatschappig in Amsterdam, with whom he succeeded in gaining control of a great number of old Rheinisch Westfälisches Werks).

Industrial

Steel works.—Vereinigte Stahlwerke A. G., Dusseldorf (German steel trust)—Director.

Mitteldeutsche Stahlwerke A. G., Riesa/Elbe (majority ownership held by Friedrich Flick K. G.; may be termed the No. 2 holding entity of the Flick enterprises; it is capitalized at R.M. 28,000,000)—Chairman of board of directors.

Sächsische Guss-Stahl Werke Döhlen A. G., Freital—Chairman of board of directors.

Hochofenwerke Lubeck A. G., Lubeck Herrenwyk (blast furnaces; regarded as one of Flick's war organizations; its other directors include Thyssen, Tengelmänn, Kappenberg, and von Schroder)—Chairman of board of directors.

Rombacher Huttenwerke G m b H., Rombach/Westmark (foundries; acquired after the Nazi occupation of Lorraine)—Chairman of board of directors.

Mining, iron, and coal.—Eisenwerke-Ges. Maximilianshütte, Sulzback-Rosenberg-Hütte (iron works; 80 percent owned by Mitteldeutsche Stahlwerke, above)—Chairman of board of directors.

Harpener Bergbau A. G., Dortmund (subsidiary of Eisenwerke Ges. Maximilianshütte, above; one-third owned by Hermann Goering; its directorate includes some of Germany's most prominent industrialists: Kurt von Schroder, Kimmich, von Vlissingen, the notorious Dutch Nazi, and Ernst Tengelmänn, who is alleged to have brought Goering and Flick together when the Nazis came into power)—Chairman of the board of directors.

Gewerkschaft des Steinkohlen- und Eisenstein-Bergwerks "Siebenplantten," Dortmund (coal and iron mines)—Member of mining management committee.

Anhaltische Kohlenwerke, Berlin—Chairman of board of directors.

Essener Steinkohlenbergwerke A. G., Essen (reputedly bought by Flick from the Stahlverein)—Chairman of board of directors.

Rheinische A. G. für Braunkohlen-Bergbau u. Brikettfabrikation, Cologne (coal and lignite; capitalized at R.M. 72,900,000; other directors are Thyssen, Schroder, and Vogler; affiliated with Rheinisch-Westfälisches Elektrizitätswerke through one of its subsidiaries)—Director.

Heavy machinery.—Linke-Hoffmann-Werke A. G., Breslau (subsidiary of Mitteldeutsche Stahlwerke, above)—Deputy chairman of advisory board.

Siegener Maschinenbau A. G., Siegen (owned by the Weiss family, its total assets in 1937 were R.M. 7,500,000; does not appear to be affiliated with Vereinigte Stahlwerke)—Deputy chairman of the advisory board.

Waggon- und Maschinenfabrik A. G., vorm. Busch, Bautzen (railroad cars and machinery; two other directors, Otto Steinbrinck and Friedrich Moller, are also on the board of Mitteldeutsche Stahlwerke, above)—Deputy chairman of advisory board.

Munitions.—Dynamit A. G., vormals Alfred Nobel & Co., Hamburg (majority stock held by I. G. Farben; another director is Tengelmänn)—Director.

Electricity.—Allgemeine Elektrische Gesellschaft (electrical combine with subsidiaries all over the world; in 1937 it was reputed capitalized at R.M. 120,000,000 with total assets of R.M. 431,000,000; at that time each of the following owned 25 percent of the stock of AEG: International General Electric of New York; Gesellschaft für Elektrische Unternehmungen; and Ludwig Lower A. G.; its board included Loser, of the Krupp empire, Gunther Quandt, Otto Wolff, and Balwin and Minor, of the International General Electric)—Director.

Chemicals and pharmaceuticals.—Schering A. G., Berlin (also owns 21.43 percent interest in Concordia Bergbau, majority control of which is vested in Vereinigte Stahlwerke, above)—Director.

Transportation.—Allgemeine Transportanlagen G. m. b. H., Leipzig—Director.

Political

Wehrwirtschaftsführer—Leader of the War Economy.

ALFRED KRUPP VON BOHLEN UND HALBACH

Alfred Krupp, who was born in 1907, represents the fifth generation to be associated with Germany's greatest armaments organization. As head of the Krupp organization he succeeded his father, Dr. Gustav Krupp von Bohlen und Halbach, who is credited with having been largely responsible for bringing Hitler to power.

Alfred Krupp admitted joining the Nazi Party in 1936 and having become a standarten Fuehrer (colonel) in the Nazi-sponsored National Flieger Korps.

He was recently arrested and is still under investigation by Allied counter-intelligence.

Alfred Krupp's business connections are as follows:

Industrial.—Friedrich Krupp A. G., Essen—Owner (1944).

Banking.—Dresdner Bank—Director.

DR. GUSTAV KRUPP VON BOHLEN UND HALBACH

Dr. Gustav Krupp von Bohlen und Halbach owns the great majority of shares of the Krupp combine, Germany's largest industrial and war production trust, and is considered to be one of the small group of industrial leaders largely responsible for bringing Hitler into power.

Long before 1931, large sums of money were being spent to finance Hitler and his party. Already in 1919 paper bands on packets of 1,000-mark notes which were circulating in Munich reactionary circles had the name of the Krupp concern printed on them. In 1933 Gustav Krupp was still supporting the Nazi Party. He is said to have organized a scheme whereby industrialists contributed one-half percent of their pay rolls to the Nazis.

Since 1934 he has had no business connections other than his own family enterprise, which has been reported to be wholly at the disposal of the Nazi party. Krupp's reward for his whole-hearted cooperation with the Nazi Party was in the form of heavy armaments orders and, in the early years of the present regime, some political recognition. He was also said to have provided financial aid to the Fuehrer in return for which Hitler checked labor troubles which annoyed the heavy industrialists.

Dr. Gustav Krupp has demonstrated in numerous ways his willing cooperation with the Nazi regime. He sent one of the first messages of congratulations to Hitler on his breaking with Geneva, and kept close to the chancellor. He has in turn received party recognition, including personal visits from Hitler, and has held the following posts: President of the Reich Union of German Industry, and General Councilor of Economy with responsibility of setting up a special committee for labor problems.

Dr. Krupp was born in 1870 at The Hague. A short diplomatic career preceded his connection with German industry. In 1906 he married Bertha Krupp of the armaments family and assumed the management of the Krupp works.

As far as is known both Dr. Gustav Krupp and his wife Bertha are still alive.

HERMANN VON HANNEKEN

Hermann von Hanneken represents the type of prominent Prussian industrialist reportedly very close to Hitler, who also played an active role in the Nazi Party hierarchy. He is said to be one of Germany's outstanding economic and organizational experts and was one of the key planners of the German 4-year plan, particularly the iron and steel phase. He has also served the German Government as Under Secretary of State and Chief of the Industrial Division of the Ministry of Economics.

He is associated with mining and utilities enterprises dominated by Goering, or owned and controlled by the Government itself, such as VEBAG, VIAG, and others. He has long been identified as the "boss" of the iron and steel industries.

Now 65 years of age, von Hanneken has held military as well as industrial posts in the Hitler regime. He held the rank of lieutenant general in the German Army and recently served as commander in chief of the occupation troops in Denmark, where he distinguished himself as a ruthless dictator.

As of 1942, von Hanneken had the following connections:

Political

Unterstaatssekretär (Under Secretary of State).

Reichswirtschaftsministerium (Reich Ministry of Economics)—Chief of the Industrial Division.

Eisen- und Stahl-Bewirtschaftung bei dem Beauftragten für den Vierjahresplan (Iron and Steel Management under the Delegate for the Four-Year Plan)—Generalbevollmächtigter (delegate general).

Industrial

Göring combine.—Reichswerke A. G. für Bergbau und Hüttenbetriebe Hermann Göring, Berlin (holding and operating company in the field of mining and foundry, capitalized at RM. 560,000,000 (1941); controlled by the Reich Government through Aktiengesellschaft Reichswerke "Hermann Göring")—Director.

Sudetenländische Treibstoffwerke A. G., Brux, Czechoslovakia (synthetic oil producer; capitalized at RM. 100,000,000 (1940))—Chairman of board of directors.

Sudetenländische Bergbau A. G., Brux, Czechoslovakia (mining)—Chairman of board of directors.

VEBAG group.—Vereinigte Elektrizitäts u. Bergwerks A. G. (VEBAG), Berlin (holding company for electric utility and mining enterprises; capitalized at RM. 150,000,000 (1939); wholly owned by the Prussian State)—Director.

Preussische Elektrizitäts A. G., Berlin (holding company for electrical interests; capitalized at RM. 110,000,000 (1939); approximately 90 percent owned by VEBAG)—First deputy chairman of board of directors.

Preussische Bergwerks- und Hütten A. G. (Preussag), Berlin (mining, foundry, and chemical production; capitalized at RM. 120,000,000 (1942); wholly owned by VEGAB)—Second deputy chairman of board of directors.

Bergwerksgesellschaft Hibernia A. G., Herna/Westf. (mining, warehousing, and shipping company; capitalized at RM. 150,000,000 (1939); wholly owned by VEBAG)—Director.

Other.—Vereinigte Industrie-Unternehmungen A. G. (VIAG), Berlin (holding company in diverse industrial fields; capitalized at RM. 230,000,000 (1939); wholly owned by the Reich)—Director.

Saargruben A.G., Saarbrücken (coal company; capitalized at RM. 75,000,000 (1939); wholly owned by the Reich)—Second deputy chairman of board of directors.

Roges Rhostoff-Handelsgesellschaft m. b. H., Berlin—Chairman of board of directors.

DR. HUGO HENKEL

Dr. Hugo Henkel, who succeeded his father as sole manager of Henkel-Werke in 1908, has led his company through two wars. He typifies the German industrialist whose chief interest in the Government is that he be a power behind it. As a producer of chemicals, moreover, Henkel had even stronger personal reason for alining himself with the Government, particularly a war-making Government.

In the early thirties he became politically affiliated with the Nazi Party. Subsequently his official governmental and commercial importance increased to such an extent that he is now one of the leaders of German finance and industry. He is a director of the Deutsche Bank and an adviser of the Reichsbank at Düsseldorf. He is an official adviser to the chemical industry and serves as a director of an I. G. Farben subsidiary as well as serving in his own family enterprises.

Furthermore, he has numerous associations in such fields as coal mining, cellulose manufacture, heavy machinery construction, etc. Now 64 years of age, he has had considerable experience in aiding his Government during two world wars, and has three sons now in their twenties (Jose, Konrad, and Paul) who are probably in a position to carry on in the tradition of Hugo Henkel, who was only 24 years of age when he joined his father's firm in 1905.

His political, banking, and industrial connections are the following:

Political

Ratsherr der Stadt Düsseldorf (town councilor).

Industrie- und Handelskammer, Düsseldorf (Industrial and Commercial Chamber of Commerce)—Adviser.

Industrieabteilung der Wirtschaftskammer, Düsseldorf (Industrial Division of Düsseldorf Chamber of Commerce)—Adviser.

Deutsche Arbeitsfront, Fachast Chemie, Berlin (Labor Front, Chemical Division)—Chemical adviser.

Fachgruppe Verarbeitung von Walen der Wirtschaftsguppe Chemische Industrie (chemical association), Berlin—Chairman.

Wirtschaftsgruppe Chemische Industrie, Wirtschaftskammerbezirk, Düsseldorf (Economic Group of Chemical Industry)—General director.

Banking

Deutsche Bank, Berlin (one of the six big banks)—Director.

Rheinisch-Westfälische Boden-Credit-Bank, Köln (mortgage bank)—Director.

Reichsbankstelle, Düsseldorf (Division of the Reichsbank, Düsseldorf)—District adviser.

Industry

Chemical.—E. Matthes & Weber A. G., Duisburg (production and trade in chemicals of all kinds, etc.; is subsidiary of Henkel & Cie., G. m. b. H., which holds all shares; capital (1938), RM. 1,500,000—Chairman of the board of directors.

Henkel & Cie., A. G., Düsseldorf (trading company of Henkel & Cie. G. m. b. H., Düsseldorf-Holthausen)—Director (Henkel family has 100 percent interest; capital (1938), R.M. 1,000,000).

Henkel & Cie., G. m. b. H., Düsseldorf-Holthausen (chemical and soap-flakes manufacturing company (trade-mark "Persil") which has always been known to be a very substantial enterprise but was not generally known to be as large as it is; since the outbreak of the war it has recapitalized from R.M. 24,000,000 to R.M. 200,000,000. The company is said to have a connection with I. G. Farben and Deutsche Gold- und Silberscheide-Anstalt; has 21 subsidiaries and affiliations—Adviser.

Brewery.—A. G. Schwabenbräu, Düsseldorf (operation of breweries, etc.; capital (1938), R.M. 6,006,000; shareholders: Preferred shares held by a consortium of Düsseldorf branch of Deutsche Bank, members of the board of management committee of the Schwabenbräu, etc.; has an interest in Brauerei Tivoli G. m. b. H., Krefeld)—Director.

Brauerei Tivoli G. m. b. H., Krefeld, (production and sale of beer, etc.; shareholders: A. G. Schwabenbräu, above, holds approximately 75 percent of shares; capital (1938), R.M. 2,100,000—Director.

Heavy machinery, construction, and metals.—Büttner Werke A. G., Uerdingen (production and sale of machinery, etc.; has an Austrian affiliate holds 30 percent interest; capital (1938), R.M. 1,500,000; Henkel is not listed on board in 1938)—Director.

Deutsche Gold- und Silver Scheideanstalt, vorm. Roessler, Frankfurt/M. (DEGUSSA). For many years DEGUSSA has been the leading concern in the field of precious metals and has also, chiefly for its own use, developed certain chemical branches, particularly in cyanides and sodium. Thus connections were built up with the firm of Henkel & Cie., G. m. b. H. (Düsseldorf) and I. G. Farben, which produced surplus quantities. DEGUSSA's own sphere of production, besides the refining of gold and silver, includes a variety of chemical products and the manufacture of special metal products, etc. Its stockholdings extend to metal and metal refining, platinum, glue, wax, leather, wood carbon, and an important company manufacturing lamps, etc. DEGUSSA and I. G. Farben have about an equal interest in Metallgesellschaft A. G. and, through the latter, are connected with the potash and copper concern, Salzdetfurth. The Henkel interests and I. G. Farben appear to be the principal stockholders. Has numerous subsidiaries and affiliates, including several in Austria nad Czechoslovakia. Capital (1939) R.M. 35,600,000—Director.

Duisburger Kupferhütte, Duisburg (copper mine; production of special copper, zinc oxide, cobalt, copper sulphate, etc.; has interests in several companies, including a Dutch one; principal shareholder, I. G. Farben (90 percent); capital (1938), R.M. 12,000,000)—Director.

Gladbacher Wollindustrie A. G., vorm. L. Josten M. Gladbach (woolens; production of woolens, etc.; principal shareholders, Henkel & Cie. G. m. b. H. (or Dr. Hugo Henkel), Düsseldorf (apparently 44 percent interest); capital (1938), R.M. 4,000,000)—Director.

Fr. Hesser Maschinen-Fabrik A. G., Stuffart-Bad-Cannstatt (machines; production and sale of machines, etc.; has one subsidiary; capital (1938), R.M. 1,175,000; Hugo Henkel not listed on board in 1938)—Director.

Coal, paper, woolens, and candy.—Deutsche Hydrierwerke A. G., Chemnitz (coal; operation of plants which process and refine raw materials, especially coal; has a subsidiary; principal shareholder, Henkel & Cie., Düsseldorf; capital (1938), R.M. 4,000,000).

Deutsche Tafelglas A. G. (Detag), Fürth (glass; production, processing, and sale of glass, etc.; has two subsidiaries and two affiliates; shareholders, Vopelius-Wentzel (qualified minority interest); capital (1938), R.M. 6,000,000; Henkel not listed on board in 1938)—Director.

Feldmühle Papier- und Zellstoffwerke A. G., Stettin-Odermünde (paper and cellulose; production and sale of cellulose, paper, etc.; has interests in numerous companies, including a Dutch, Finnish, and American one; numerous important people on board, including representatives from Berliner Handels-Gesellschaft, Dresdner Bank, etc.; shareholders not listed; capital (1938), R.M. 32,000,000)—Director.

Gebrüder Stollwerk A. G., Köln (chocolate and confectionery; production and sale of chocolate, confectionery, etc.; has 8 subsidiaries, including companies in Austria, Czechoslovakia, Hungary, Rumania; capital (1938), R.M. 9,000,000; Henkel not listed on board in 1938)—Director.

Advertising.—Ala Anzeigen A. G., Berlin (advertising, etc.; capital (1938), R.M. 500,000)—Director.

Miscellaneous

Werberat der Deutschen Wirtschaft (National Advertising Council of German Economy, created by law of September 12, 1933, to supervise public and private advertisements, under supervision of the Propagandaministerium; functions as a kind of Werbekammer, or advertising chamber)—Member.

DR. ALFRED HUGENBERG

Dr. Alfred Hugenberg, leader of the nationalist industrialists and Junker groups, has been variously described as the "giant shadow over Hitler," the "most dangerous man in Germany," and the "greatest constructive force of his Nation."

While he was chairman of the board of Krupp Works during World War I, Hugenberg concentrated on propaganda media and politics in support of Imperial Germany, to a large extent through the agency of Krupp representatives abroad. He is said to have built up a world-wide espionage network for supplying the German General Staff with military intelligence. After the war he expanded his international moving-picture and publishing enterprises. During this period, through his Berlin publishing company, August Scherl, he acquired control, in 1926, of the New York book firm, B. Westermann, Inc., which German stockholders have subsidized for almost 20 years. The company, closed in 1941 by Foreign Funds Control, has supplied the Nazi Government with publications concerning strategic military information and has disseminated German propaganda in this country.

Hugenberg was a member of every Reichstag of the Republic since the first, and was imbued with monarchist, nationalist, and militarist ideas. A foe of Chancellor Bruening, he was an early supporter of Hitler. In 1930 he publicly declared, "I am happy to know that Hitler's party, which symbolizes the coming Germany, has won such a brilliant electoral victory * * *. Now we are close to our goal. It will not be long before Germany awakens." The following year, he allied himself with Hitler in the so-called Harzberg front, which had as its immediate objective the overthrow of Chancellor Bruening.

He entered the German Cabinet in January 1933, when Hitler formed his Government of National Revolution. He was also nominated by Hitler as a member of the Reichstag, and has held several political posts. It is reported that Hugenberg retired from active public life either because of differences with Hitler or for considerations of his advanced age (now 80 years of age). He has maintained, nevertheless, his association with Vereinigte Stahlwerke and branches of his extensive publishing and propaganda interests. Some of the latter, such as the powerful UFA Film Co., have passed into the hands of the Nazis.

His industrial connections are the following:

Industrial

Vereinigte Stahlwerke A. G., Düsseldorf (steel trust)—Director.

August Scherl Handels- und Verwaltungs A. G., Berlin (trading and management)—Partner.

August Scherl, Nachfolger, Berlin (publishing subsidiary of Opreiba Privatverwaltung A. G., itself a subsidiary of Aussendienst G. m. b. H.)—Partner.

Alterum Verwaltungs A. G., Berlin (management company; subsidiary of August Scherl Handels und Verwaltungs A. G.)—Chairman.

Deutsches Gewerbehaus A. G., Berlin (holding company for real estate and publication companies; subsidiary of Aussendienst G. m. b. H.)—Chairman.

Baustoffwerke Rohbraken Hugenberg & Co., Rohbraken (construction material)—Partner.

Tornado Fabrik Elektrischer Maschinen und Apparate G. m. b. H., Berlin (electrical machinery)—Chairman.

Wehrmacht Presse-Verlag, Berlin (Printing Press for the Armed Forces)—Chairman.

DR. MAX ILGNER

Dr. Max Ilgner, the shrewd foreign minister of I. G. Farben, is the nephew of the notorious Hermann Schmitz and son-in-law of Dr. Karl Duisburg. He was one of the important industrial figures behind the Nazi regime who not only financed the rise of Hitler but sought to weld the interests of I. G. Farben and Nazism into an instrument of world power.

As head of I. G. Farben's financial department, Ilgner was one of the original group which planned its world-wide organization. He was the specialist in world patent and cartel agreements, and organized foreign markets for I. G. Farben's development and penetration into other continents.

Soon after the accession of Hitler to power, it was realized that nazism would offer excellent potentialities for expanding the interests of I. G. Farben, both in Germany and throughout the world. Because of the success of his Berlin bureau, from which emanated espionage and propaganda material to every country of the world, Ilgner became I. G. Farben's representative in the Nazi Party. His office, with its wealth of useful politico-economic data was subsequently used not for I. G. Farben's interests alone, but for the Reich as well. It became an adjunct of both the German Foreign Office and the German Ministry of National Economy, and its functions became an integral part of the German scheme for world conquest. So successful was the diplomatic work of Ilgner's bureau that, under the 4-year plan, the party, the Army, and I. G. Farben were allied for mutual benefit and profit.

Ilgner is one of the younger industrial leaders. He is 46 years of age, reportedly maniacal on the subject of German domination, and is regarded as one of the men who has already planned for Germany's post-war economy.

His political and industrial connections are as follows:

Political

Working Committee of Reich Groups for Industry and Commerce—Member.

Advisory Council of the German Group of the International Chamber of Commerce, Berlin—Member.

Business Political Committee of the International Chamber of Commerce, Paris—Member.

Committee on Money, Banking, and Credit in the Reichstand (Reich Bureau) of German Industries—Vice president.

German-Mexican Chamber of Commerce, Berlin—President.

German Economic Union for South and Central America, Berlin—Vice chairman.

Praesidium of the German-American Economic Union, Berlin—Member.

Directorium of the Institute for Inquiry into Trade Fluctuations, Berlin—Deputy member.

German Automobile Club, Munich—Vice president.

Carl Schurs Union—President.

German-Bulgarian Chamber of Commerce—Deputy chairman.

Admissions Committee of the Stock Exchange—Member.

Banking

Creditanstalt-Bankverein, Vienna—Director.

Deutsche Überseische Bank, Berlin—Director.

Industry (chemical)

I. G. Farbenindustrie, A. G., Berlin—Head of financial department.

Stickstoff-Syndicate (Nitrate Syndicate)—Member of the governing board.

Buna-Werke G. m. b. H., Merseburg—Deputy manager.

Donau Chemie A. G., Vienna—First deputy chairman of the board.

Chemische Werk Aussig-Falkenau G. m. b. H., Aussig—Director.

Deutsche Gasolin A. G., Berlin—Director.

Dynamit Nobel, Pressburg—Vice chairman of the board.

HANS KEHRL

Hans Kehrl, president of the large Phrix synthetic textile combine, has been one of the keymen in the Nazi economy. After his father's death in the middle 1920's, Kehrl gradually gained control of approximately 10 Phrix corporations and their foreign subsidiaries, and established himself in his present position of prominence in the artificial silk and heavy industries.

Kehrl has played an active role in Nazi Party politics. He has served as president of the Chamber of Industry and Commerce for Niederlausitz; as economic adviser of the Gau Kurmark of the NSDAP; and as leader of the textile industry group.

In the spring of 1942, Kehrl was entrusted by Speer with the task of reorganizing the German economy, especially the allocation of raw materials. He was made chief of one of the most important divisions of the Ministry of Economics and was the creator of the Reichsvereinigungen or National Peak Cartels, which aimed to enlarge the powers of big business, and to substitute business organizations for governmental controls. He also served as Commissioner General for Armaments.

Kehrl was born on September 8, 1900, in Brandenburg. His known connections are as follows:

Political

Leader of the economic group of textile industry.
 Chief of the Department for Mining, Iron, and Energy in the Reich Ministry of Economics.
 President of the Chamber of Commerce and Industry for Niederlausitz.
 Economic adviser of the Gau Kurmark of the NSDAP.

Industry

Textiles.—Zellulose A. G., Berlin—Chairman.
 Rheinische Kunstseide A. G., Drefeld—Chairman.
 Rheinische Zellwolle A. G., Krefeld—Chairman.
 Rheinische Zellwolle A. G., Siegburg—Chairman.
 Spinnstoffwerk Glauchau A. G., Glauchau—Chairman.
 Süddeutsche Zellwolle A. G., Kelheim—Chairman.
 Thüringische Zellwolle A. G., Schwarzsa/Saalbahn—Chairman.
 Westfälische Zellstoff A. G., Arnsberg—Chairman.
 Zellstoff-Fabrik Küstrin A. G., Küstrin—Chairman.
 Zellstoff Lenzing A. G., Lenzing—Chairman.
 Spinnstoff G. m. b. H. Schwarzsa, Berlin—Adviser.
 Phrix combine in Hamburg—President.
Heavy industry.—Alpine Montan A. G. "Hermann Goring," Donau—Member of the supervisory board.
 Brüxer Kohlenbergbau-Gesellschaft, Brussels—Member of the supervisory board.
 Sudetenländische Bergbau A. G., Brussels—Member of the supervisory board.
 Sudetenlandische Treibstoffwerke A. G., Brussels—Member of the supervisory board.
 Nord Böhmisches Kohlenwerks Gesellschaft in Brussels—Member of the supervisory board.

WILHELM KEPPLER

Wilhelm Keppler is an outstanding politician and industrialist who was already a relatively successful businessman when he joined the Nazi Party.

Keppler was very close to Hitler, and in 1932 was appointed by Hitler to work on problems in political economy. In March 1933 Keppler was elected to the Reichstag and several months later, in July, became a representative of Hitler in matters pertaining to political economy in the Reich Chancellery.

Keppler preceded Schacht as a financial expert for the Government and, after irreconcilable differences with the latter, was despatched to Austria. Upon his arrival there in March 1938 he succeeded in obtaining a postponement of the plebiscite proposed by Schuschnigg, who thereafter resigned in protest. Keppler's reward for effective accomplishment in this matter was appointment as Reich Minister for Austria. Among other equally important political posts which he held is that of Under Secretary in the German Foreign Office.

Keppler, who is said to be utterly ruthless and arrogant, took an important part in the undermining of countries which the Nazis planned to invade. He also cooperated with the German Army in its plans for Iran, involving the transfer of several thousands of "experts" to that country. In 1942 he was present at a ceremony held by the Moslem Society of Berlin at which Rashid Ali al Gailam gave an address. In 1943 Keppler expressed, on behalf of Foreign Minister von Ribbentrop, best wishes for India's independence.

In the industrial field Keppler has numerous connections with important companies, some of which are affiliated with I. G. Farbenindustrie, Vereinigte Industrie Unternehmungen A. G. (VIAG), the Reich holding company, and the Hermann Göring combine. He has been associated at least since 1938 with these groups. In the case of two Farben and one Göring affiliate, he holds the position of chairman of the board. He is also a director of Hibernia Bergwerksgesellschaft and Junkers-Flugzeug und Motorenwerke Junkers & Co. G. m. b. H., the latter of which is a large airplane factory.

His political and industrial activities, as of 1942, were as follows:

Political

Reichs Commissar for Austria.
 Under Secretary in the Foreign Office.
 Zentralstelle für die Wirtschaftspolitischen Organisationen der NSDAP (Central Office for the Economic Political Organizations of the NSDAP)—Head.
 Reichsstelle für Bodenforschung (National Office for Soil Research), Berlin—Director.

Industrial

Braunkohle-Benzin A. G. (capital, R.M. 100,000,000; I. G. Farbenindustrie and VIAG have participations), Berlin—Chairman of board of directors.

Deutsche Revisions- und Treuhand-A. G. (Auditors and trustees; VIAG has a 70-percent interest), Berlin—Chairman of board of directors.

Reichswerke A. G. für Erzbergbau und Eisenhütten "Hermann Göring (the original Hermann Göring concern) Salzgitter-Berlin—Chairman of board of directors.

Kontinental Ol A. G. (organized in 1941, Wintershall, I. G. Farben have participations), Berlin—Deputy chairman of board of directors.

Reichswerk A. G. Alpine Montanbetriebe "Hermann Göring" Linz/Donau, Austria—Director.

Hamburg-Amerikanische Packetfahrt A. G. (Hapag) (shipping company)—Director.

Hibernis Bergwerksgesellschaft (mining and smelting), Herne/Westphalia—Director (all shares indirectly owned by Prussian State).

Junkers-Flugzeug- und Motorenwerke Junkers & Co. G. m. b. H. (airplane factory of Berlin), Dessau-Berlin—Director.

Norddeutscher Lloyd (shipping company), Bremen—Director.

Preussische Bergwerks- und Hütten A. G., Berlin (mine-coal, petroleum, limestone, etc.; capital, R.M. 80,000,000; owned 100 percent indirectly by the Prussian State; this company has a 100 percent interest in the Amber Mines Inc., New York, 51 percent in the Hugo Barth G. m. b. H. Danzig, and 100 percent interest in Mirafior, S. A. Romana Miniera, Bucharest, Rumania)—Director.

Deutsche Umsiedlungs-Treuhand G. m. b. H. (auditing company), Berlin—Chairman of board of directors.

Saargruben A. G. (Saar mines; German Reich has a 100 percent interest in capital amounting to R.M. 50,000,000), Saarbrücken—Director.

Steyr-Daimler-Puch A. C., Vienna, Austria (manufacturers of automobiles, trucks, light railways, ball bearings, motorcycles, etc.; it has the controlling interest in (1) Autopalast, A. G., Linz, Austria, (2) Jugoslavische Steyr-Werke G. m. b. H., Ljubljana, Yugoslavia, and (3) Steyr-Solothurn-Waffen-A. G., Zurich, Switzerland. In 1938, the majority of the shares of Steyr-Daimler were transferred to the Reichswerke A. G. für Erzbergbau und Eisenhütten "Hermann Göring," Berlin-Salzgitter)—Director.

Fahrzeug- und Motorenwerke G. m. b. H., vorm. Maschinenbau Link-Hofmann (production and sale of motor vehicles and machines), Breslau—Member of advisory board.

Hapro Handelsgesellschaft für Industrielle Produkte (sales agency for industrial products), Berlin—Member of advisory board.

Magdeburger Werkzeugmaschinenfabrik G. m. b. H. (machinery), Magdeburg—Member of advisory board.

PHILIPP KESSLER

Philipp Kessler has been for many years connected with the Siemens Schuckert group. He is chairman of the management committee of the Bergmann Elektricitäts-Werke A. G., an important electrical company affiliated with Siemens-Schuckert-Werke, and has several other connections in the fields of machinery, mining, and real estate.

Kessler joined the Nazi Party sometime between the years 1922 and 1926, and has apparently remained a staunch supporter of the party. This is evidenced by the large number of important political posts that he now holds. In 1942 he was a member of the Armament Council, headed by Goering, Speer, and Funk.

He was born October 21, 1888, and is a prominent electrical engineer. His last known address is given as 22 Cimbernstrasse, Berlin-Bokolassee.

Philipp Kessler's known connections are as follows:

Political

Industrie- und Handelskammer, Berlin (Industry and Commerce Chamber)—Assistant director.

Fachgemeinschaft der Kison- u. Metallindustrie (industrial section of iron and metal industry)—Leader.

Industrie-Abteilung der Wirtschaftskammer, Berlin-Brandenburg (Industrial Division of Economic Chamber, Berlin-Brandenburg)—Leader.

Deutsche Reichspost (German Postal Service)—Member of advisory committee.

Deutsche Gruppe der Internationalen Handelskammer (German Group of the International Chamber of Commerce)—Member of advisory committee.

Reichsgruppe Industrie, Berlin (German Group of Industry)—Member of advisory committee.

Reichswirtschaftskammer, Berlin (German Economic Chamber)—Member of advisory committee.

Wirtschaftskammer Berlin-Brandenburg, Berlin (Economic Chamber, Berlin-Brandenburg)—Member of advisory committee.

Wirtschaftsgruppe Elektroindustrie, Berlin (Economic Group of the Electrical Industry)—Member of advisory committee.

Aussenhandelsstelle für Berlin, West-Brandenburg, und Pommern (Export Association for Berlin, West-Brandenburg, and Pomerania)—Member of management committee.

Industrial

Bergmann Elektrizitäts-Werks A. G., Berlin (cables, wires, bulbs, etc.; affiliated with Siemens-Schuckert-Werke and AEG)—Chairman of management committee.

Porzellanfabrik J. Schachtel A. G., Sophienau, Post Charlottenbraunn/Schles (porcelain for electrical apparatus; affiliated with Bergmann Elektrizitäts-Werks and Gesellschaft für Elektrische Unternehmungen)—Deputy chairman.

Brandenburgische Heinstätten G. m. b. H., Berlin (dwellings)—Director.

Heliowatt-Werke Elektrizitäts A. G., Berlin (electrical machinery and apparatus)—Director.

Verwertungsgesellschaft für Montanindustrie, Berlin (exploitation of mines)—Director.

DR. FLORIAN KLÖCKNER

Dr. Florian Klöckner, a wealthy industrialist, prominent in the fields of coal and iron, was an early contributor to the Nazi Party. Active in the iron industry for more than 50 years, he has been a partner of the well-known Klöckner & Co. since 1917, and is an official of a number of its affiliates.

He was a member of the German Reichstag from 1920 to 1933, presumably a representative of the conservative Catholic Center Party. His financial support of the Hitler Party is said to have been occasioned by an address of Fritz Thyssen.

During the present war, Klöckner, along with Hugo Stinnes and Friedrich Flick, has had an important influence on the coal trade in Belgium, and the firm of Flick and Klöckner is one of the German concerns which penetrated European industry.

Klöckner had the following industrial and financial connections in 1942:

Industrial

Klöckner Flugmotorenbau G. m. b. H., Hamburg (airplane motors)—Director.

Klöckner-Werke A. G., Duisburg (metals, processing, trade)—Chairman of board of directors.

Klöckner Humboldt-Deutz A. G. Köln-Deutz (metals, processing, trade)—Chairman of board of directors.

Eckhardt & Co. A. G., Hamburg (trade in metals and byproducts)—Director.

Gewerkschaft Victor Stickstoffwerke Gastrop-Rauxel (synthetic nitrogen)—Chairman, mining management committee.

Banking

Deutsche Bank, Berlin—Director.

JOHANN AUGUST VON KNIERIEM

Johann August von Knieriem is a member of the I. G. Farben board, is officially connected with two Farben affiliates, and acts for the combine as chief counsel in charge of legal patent questions.

He has been officially affiliated with the Farben group at least since 1929, and thus was associated with it during the time when Farben officials were financing the rise of Hitler to power.

Von Knieriem, recently arrested in Frankfurt, was flown to the United States in June 1945 in the custody of the Allied Intelligence Service. He was brought as a surprise Government witness in the suit in which the Standard Oil Co. of New Jersey is attempting to recover 2,500 patents seized by the Alien Property Custodian because of alleged German interest.

Von Knieriem had the following connections as of 1942:

Political

Akademie für Deutsches Recht, Berlin (Academy for German Law)—Member.
Ausschuss für G. m. b. H.-Recht (Committee for Corporate Law)—Member.

Ausschuss für das Recht des Geistigen Schaffens (Committee for the Law of Cultural Achievements)—Member.

Deutsche Arbeitsgemeinschaft für Gewerblichen Rechtsschutz und Urheberrecht (German joint association for the legal protection of artisans and copyright law)—Chairman.

Industrial

I. G. Farbenindustrie A. G., Frankfurt/Main—Member of management committee.

Ammoniakwerk Merseburg G. m. b. H., Leuna Werks/Kreis Merseburg (explosives; 75 percent owned by the I. G. Farben combine)—Manager.

Stickstoff-Syndikat G. m. b. H., Berlin (explosives; has collaboration agreements with I. G. Farben)—Member of executive committee.

HEINRICH KOPPENBERG

Heinrich Koppenberg, associated with a number of airplane and automotive industries, is a director of several Flick enterprises, and connected with the Vereinigte Stahlwerke combine. Besides his industrial tie-ups, Koppenberg is a Wehrwirtschaftsführer, or leader in the German war production program.

Koppenberg rose to prominence in the industrial field soon after the Nazis came to power, and since that time has occupied a high place in the list metal industry. It was reported that shortly after the occupation of Norway, Koppenberg headed an industrial delegation from the Goering group to Norway. Subsequently, he became the managing director for all Norwegian aluminum companies. The extensive plans for the expansion of this industry, however, fell through, and the venture is identified as the notorious Nordag Schandel. Koppenberg, nevertheless, continued to hold a leading position in several aluminum companies, one of which is prominent in the development of the Norwegian aluminum industry.

Koppenberg is also a managing director of the Dresdner Bank, and director of Pittler Werkzeugmaschinenfabrik A. G., one of the large machine tool works which had a manufacturing agreement with the National Acme Co. of Cleveland, Ohio, before the war. The present directorate of the latter organization includes the prominent Nazi, Herman J. Abs, and the Junker General Joachim von Stulpnagel.

An unconfirmed report in the spring of 1942 alleged that Koppenberg had been placed in a concentration camp at Dachau, because of his reputed comments to Hitler that the Junker Flugzeug- und Motorwerke A. G., of which he is chairman, could not increase its output. Further reports, however, indicate that Koppenberg was actively supporting the German war machine in 1943.

Koppenberg was born in 1880. His last known address is Berlin Gruenewald, Taunusstrasse 7.

His political and commercial connections are as follows:

Political

Wehrwirtschaftsführer (war production program)—Official.

Reichsgruppe Industrie, Magdeburg—Member of advisory board.

Banking

Dresdner Bank—Managing director.

Financial

Gesellschaft zur Verwaltung von Industriellen Werten m. b. H., Berlin (administration of industrial assets)—Manager.

Industrial

Airplane and automotive industries.—Deutsche Versuchsanstalt für Luftfahrt e. V., Berlin (aircraft research)—Chairman of management committee.

Fluzeug- und Motorenwerke A. G., Dessau (airplanes, machine tools, etc.; capitalized at R.M. 130,000,000, it is one of the largest German aluminum consumers)—Chairman of the management committee (not a director in 1936).

Hannoversiche Maschinenbau A. G., vorm. Egestoff (Hanomag) Hannover-Linden (automobiles and machines; 100 percent owned by Bochumer Verein für Gusstahlfabrikation A. G., a member of the Vereinigte Stahlwerke group; it is capitalized at R.M. 20,000,000 and its directorate includes Thyssen, von Flotow, and Vogler of Vereinigte Stahlwerke)—Director.

Waggon- und Maschinenfabrik, vorm. Busch, Bautzen (automobiles, machinery)—Director.

Fahrzeug- und Motorenwerke G. m. b. H., vorm. Maschinenbau Linke-Hofmann, Breslau (automotive products; a Flick enterprise)—Member of advisory board.

Iron and steel (Flick enterprises).—Mitteldeutsche Stahlwerke A. G., Riesa Elbe—directors.

Eisenwerk-Gesellschaft Maximilianshütte, Rosenberg (subsidiary of Mitteldeutsche Stahlwerke, above)—Director.

Light metals.—Dürener Metallwerke A. G., Berline-Barsigwalde (metals; 53 percent owned by Deutsche Waffen- und Munitions-fabriken A. G., and rumored to be affiliated with the Goering Works)—Director.

Mineralöl-Baugesellschaft m. b. H., Berlin (construction; believed to be prominent in the development of the Norwegian aluminum industry)—Chairman of board of directors.

Machine tools.—Pittler Werkzeugmaschinenfabrik A. G., Leipzig—Director (not on board in 1937).

Magdeburger Werkzeugmaschinenfabrik G. m. b. H., Magdeburg—Member of advisory board.

Transportation.—ATG (Allgemeine Transportanlagen G. m. b. H.), Leipzig—Director.

CARL KRAUCH

Carl Krauch reported to be Hitler's right-hand man, is the head of the I. G. Farbenindustrie and a director of a number of its subsidiaries.

He has had leading positions with I. G. Farben since 1928 and is said to be responsible for bringing closer cooperation between I. G. Farbenindustrie and the Nazis.

Krauch was born April 7, 1887, in Darmstadt, and is a doctor of philosophy and political science.

His political and industrial connections as of 1942 were as follows:

Political

General-Bevollmächtigter für Sonderfragen der Chemischen Erzeugung Beim Beauftragten des Führers für den Vierjahresplan (agent for special problems in the manufacture of chemicals with the General Deputy of the Führer for the 4-year plan).

Reichsamt für Wirtschaftsausbau (National Office for Economic Development), Berlin—President.

Wirtschaftsgruppe Chemische Industrie (Economic Group of the Chemical Industry)—Member of advisory board.

Industrial

I. G. Farbenindustrie A. G., Frankfurt/Main—Chairman of board of directors. Ammoniakwerk Merseburg G. m. b. H., Leunawerke, Krs. Mersburg (IGF 100 percent interest)—Business manager.

A. G. für Stickstoffdünge, Knapsack, Cologne (manufacture and sale of nitrogen products and derivatives; other directors are Hermann Schmitz and E. Weber-Andrae; I. G. F. owns majority of shares)—Deputy chairman of board of directors.

Braunkohle-Benzin A. G., Berlin (affiliate of I. G. F. and VIAG; capital RM. 100,000,000; Kurt von Schroeder is also a director)—Director.

Braunkohlenprodukte A. G., Berlin (owned 50 percent by Petschek & Co., Prague, Czechoslovakia, a banking firm; its purpose is scientific work in connection with the manufacture and refinement of lignite and its products)—Director.

Deutsche Gasolin A. G., Berlin (acquisition of plants and enterprises connected with fuel of all kinds; RM. 11,000,000; other directors are Max Ilgner of I. G. F. and Christian Schneider (I. G. F.), thus making a total of three I. G. F. people. This firm may be considered an I. G. F. affiliate on account of above and because it sells I. G. F.'s "Leuna" products and those of Riebeck's Montanwerke A. G., an I. G. F. affiliate)—Director.

FRITZ LEHMAN

Fritz Lehman, an important industrialist, is associated with some 30 companies affiliated for the most part with Felten & Guillaume Carlswerke A.G., Cologne, which in turn is an important subsidiary of the Arbed Konzern, Luxembourg, the third largest steel combine on the Continent.

Lehman also holds a number of important political positions and is a leader of the war economy program. He apparently received these posts as recognition for his loyalty and support of the Nazi Party.

Lehman was born May 19, 1882, in Trier. He was last reported to be residing at Rickler Wall 2/4, Cologne.

His known connections are as follows:

Political

Wehrwirtschaftsführer—A leader of the war economy program.

Bezirksgemeinschaft Eisen- und Metallindustrie, Cologne (Regional Division of Iron and Metal Industry in Cologne)—Leader.

Industrieabteilung der Wirtschaftskammer, Cologne (Industry Section of the Economic Chamber of Cologne)—Leader.

Industrie- und Handelskammer, Cologne (Chamber of Industry and Commerce, Cologne)—President.

Technischer Ueberwachungs-Verein, Cologne (Technical Supervisory Union)—Member of management committee.

Industrial

Subsidiaries of Arbed-Konzern, Luxembourg.—Eschweiler Bergwerks-Verein, Kohlscheid/Aachen (mining and briquet production; 1936 capital was 22,800,000 R.M.; 92 percent owned)—Chairman of board of directors.

Felten & Guillaume Carlswerk A. G., Cologne-Mulheim (wire and cable company, also light metal work, electrical apparatus, machinery in 1936 capital was R.M. 64,500,000 and its assets totaled R.M. 128,164,700; majority of shares held by Arbed-Konzern, Luxembourg)—Chairman.

Subsidiaries and affiliates of Felten & Guillaume Carlswerk A. G., Cologne.—Felten & Guillaume Carlswerk Eisen und Stahl A. G., Cologne-Mulheim (iron and steel; in 1936 capital was R.M. 18,000,000; 100 percent owned)—Chairman of board of directors.

Felten & Guillaume Eschweiler-Braht A. G., Cologne-Mulheim (wire works; in 1936 capital was R.M. 1,000,000; 100 percent owned)—Chairman of board of directors.

Walzwerke A. G., vorm. E. Böcking & Co., Cologne-Mülheim (steel mills, rolling mills, wire, etc.; in 1936 capital was R.M. 3,000,000; principal shareholder is Felten & Guillaume Carlswerk Eisen und Stahl A. G., Cologne)—Chairman of board of directors.

Kabelwerk Wilhelminenhof A. G., Berlin (cable works; in 1936 capital was R.M. 2,000,000; 100 percent owned)—Chairman of board of directors.

Süddeutsche Telefon-Apparate-, Kabel- und Drahtwerke A. G., Nürnberg (telephone apparatus, cable and wire works, in 1936 capital was R.M. 3,000,000; 100 percent owned)—Chairman of board of directors.

Braunkohlenbergwerk und Brikettfabrik Liblar G. m. b. H., Liblar (lignite mines and briquet manufacture; in 1936 capital was R.M. 3,200,000; 100 percent owned)—Member of advisory committee.

Liblar Tiefbau G. m. b. H., Liblar (deep construction company; in 1936 capital was R.M. 2,020,000; 100 percent owned)—Member of advisory committee.

Land-und Seckabelwerke A. G., Cologne-Nippes (cable works; in 1936 capital was R.M. 3,200,000; 99.9 percent owned)—Chairman of board of directors.

Franz Clouth Rheinische Gummiwarenfabrik A. G., Cologne-Mülheim (rubber products; in 1936 capital was R.M. 2,250,000; 95 percent owned)—Chairman of board of directors.

Norddeutsche Seckabelwerke A. G., Hordenham/Wezer (cable company; in 1936 capital was R.M. 2,400,000; 50 percent owned by Felten & Guillaume Carlswerke A. G., Cologne, and 50 percent owned by Siemens & Halzke A. G., Berlin)—Director.

Papierfabrik G. m. b. H., vorm. Brüder Kämmerer, Osnabrück (paper factory; in 1936 capital was R.M. 3,000,000; 50 percent owned by Felten & Guillaume Carlswerk A. G., Cologne, and 50 percent by AEG combine)—Member of advisory committee.

J. Pohlig A. G., Cologne-Zollstock (cable railways; in 1936 capital was R.M. 3,000,000; principal shareholder is Felton & Guillaume Carlswerk A. G., Cologne)—Chairman of board of directors.

Its foreign affiliations

Felton & Guillaume A. G., Fabrik elektrischer Kabel, Stahlund Kupferwerke, Vienna (steel and copper electric cable works; in 1936 capital was 10,125,000 shillings; 61.25 percent owned by Felten & Guillaume Carlswerk A. G., Cologne)—Chairman, board of directors.

Felton & Guillaume Kabel-, Braht- und Drahtseilfabrik Ung., A.G., Budapest (Hungarian branch of Felton & Guillaume Carlswerk A. G.; in 1939 capital was 3,750,000 pengoes; has interest in Austrian branch; Novosadska Fabrika Kable-Draht- und Drehtseil Fabrik Ungarische A. G., has participation)—Director.

Other connections

Dielektra A. G., Porz/Rhein—Chairman of board of directors.

Gummiwerke "Elbe" A. G., Klein-Wittenberg/Elber (rubber products; in 1936 capital was RM. 1,240,000—Chairman of board of directors.

Union Rheinische Braunkohlenkraftstoff A. G., Cologne (production of fuels, lubricants, and related products; Rheinbrau-Roddergrube (RWE) are controlling interests; in 1936 capital was RM. 45,000,000; total assets, RM. 120,890,000)—Director.

Bleichert Transportanlagen G. m. b. H., Leipzig—Member of advisory committee.

Gesellschaft für Forderanlagen Ernst Heckel G. m. b. H., Saarbrücken—Member of advisory committee.

Gesellschaft zur Erforschung Ausländischer Erzvorkommen m. b. H., Berlin—Member of advisory committee.

Gummiwerk Bellenstedt G. m. b. H., Ballenstedt—Member of advisory committee.

A. W. Mackensen Maschinenfabrik und Eisengiesserei G. m. b. H., Magdeburg—Member of advisory committee.

Deutsche Atlantische Telegraphen-Gesellschaft, Berlin—Director.

Deutsche Fernkabel-Gesellschaft m. b. H., Berlin (cable company; small minority interest held by the AEG combine)—Member of advisory committee.

Rheinische Braunkohlen-Tiefbaugesellschaft m. b. H., Cologne (deep construction company for lignite company; is affiliated with Rheinische A. G. für Braunkohlenbergbau und Brikettfabrikation, Cologne)—Member of advisory committee.

Rheinisches Braunkohlensyndikat G. m. b. H., Cologne (affiliated with Hubertus Braunkohlen A. G. Brüggel bei Liblar in which company the Gruppe Ignaz Petschek holds the majority of stock)—Member of advisory committee.

Gemeinnützige A. G. für Wohnungsbau, Cologne (construction and management of small dwellings; in 1936 capital was RM. 7,500,000; 50 percent owned by city of Cologne)—Director.

Foreign connections

Druca S. A., Luxemburg—Director.

Bergwerks A. G. "Pirin", Sofia—Director.

Kabelwerk Ozarow A. G., Warsaw (cable works)—Director.

KARL LINDEMANN

Karl Lindemann, chairman of the Advisory Board of the North German Lloyd, a director of the Hamburg America Line and long regarded as one of the outstanding shipping experts in Europe, gave no apparent assistance in putting Hitler in power. His sentiments toward the Nazi Party in its early days appear to have been at most lukewarm. As the party gained in strength, however, his attitude changed accordingly, and by 1937 his public utterances, as reported in the press, show him to have been one of the strongest supporters of Hitler's foreign policy.

Lindemann's close connection with the Nazi administration at present is indicated by his position on the advisory board of the Deutsche Reichsbank and his directorship in VIAG, large holding company for Reich interests and participations. He also holds the chairmanship of the German group of the International Chamber of Commerce, of the Institute for the Advancement of World Economy, and numerous additional semipolitical posts.

Lindemann's banking connections, in addition to that with the Deutsche Reichsbank include ownership of the private banking firm, C. Melchers & Co., and a position on the board of the Dresdner Bank. He is also a director of the Norddeutsche Kreditbank, a small banking house, successor to J. F. Schroeder, which besides holding numerous participations in shipping enterprises, had an interest in the German Government's propaganda news agency.

Lindemann's other affiliations include official connections with several marine insurance companies, and with a miscellaneous group of industrial enterprises. In 1942 his industrial and financial connections were reported as follows:

Shipping

Norddeutscher Lloyd, Bremen—Chairman of advisory board.

Hamburg-Amerika Linie, Hamburg—Director.

Industrial

Vereinigte Industrie-Unternehmungen A. G. (VIAG) (RM. 180,000,000 Reich holding company)—Director.

Norddeutsche Woll- und Kammgarn-industrie A. G., Belmenhorst (textiles)—Deputy chairman of advisory board.

Wollgarnfabrik Tittel & Krüger u. Sternwoll-Spinnerei A. G., Leipzig (textiles)—Deputy chairman of advisory board.

Mülheimer Bergwerksverein, Essen/Ruhr (utility holding company; capital, RM. 20,000,000; majority owned by Gewerkschaft Mathias Stinnes, Essen, of the Stinnes group)—Director.

Atlas-Werke, A. G., Bremen (shipbuilding; interlocking directorates with Mülheimer Bergwerksverein)—Chairman of board of directors.

Deutsche-Americanische Petroleum A. G., Hamburg (oil products; majority owned by Standard Oil of New Jersey)—Director.

Political

Akademie für Deutsches Recht, Berlin, Ausschuss für Seerecht (law association)—Member.

Aussenhandelsausschuss Reichsbank (foreign trade council)—Member.

Industrie und Handelskammer, Bremen (chamber of commerce)—Member.

Deutsche Gruppe der Internationalen Handelskammer, Berlin (International Chamber of Commerce)—Chairman.

Gesellschaft zur Förderung des Institute für Weltwirtschaft, Kiel (Institution for the Advancement of World Economy)—Chairman.

Landesausschuss für Nordwestdeutschland, Bremen—Member.

Banking and financial

Deutsche Reichsbank—Member of the advisory board.

Dresdner Bank, Berlin—Director.

Melchers & Co., Bremen (private bankers)—Owner.

Norddeutsche Kreditbank A. G., Bremen (connected with Norddeutsche Lloyd through interlocking directorate)—Director.

Insurance

Assecuran-Compagnie Mercur, Bremen (specializes in freight insurance; capital, RM 1,000,000; two insurance companies closely associated with Merck, Finck & Co., Allianz und Münchener Rückversicherungs, each hold 38.83 percent interest)—Director.

Hamburg-Bremen Feuer Versicherungs Gesellschaft, Hamburg (fire and reinsurance)—Director.

Hamburg-Bremer Rückversicherungs, A. G., (fire and reinsurance)—Director.

Miscellaneous

Deutsche Revisions- und Treuhand A. G., Berlin (auditing; 70 percent owned by VIAG, 30 percent by the State of Prussia)—Director.

KURT NEBELUNG

Kurt Nebelung is a very important figure in the industrial life of Saxony, holding positions with a long list of utility, iron and steel, and heavy industrial enterprises. In a number of these, the Saxon State is either complete or partial owner. Nebelung is connected with the great electrical combine, Allgemeine Elektrizitäts Gesellschaft, in his capacity as chairman of the board of the Sachswerk Licht- und Kraft A. G. of which AEG holds a 50-percent interest. He is also a director of Mitteldeutsche Stahlwerke A. G., which is an important Flick enterprise.

Nebelung is also prominent in banking circles, being president of Sachsische Staatsbank, Dresden, and holding posts of influence with other important banks.

The leading positions that Nebelung holds in a number of semipolitical groups as well as the fact that he was appointed to an official position on the Saxon State Bank on October 1, 1933, about a half-year after Hitler assumed absolute power in Germany, appear to indicate that Nebelung stands high in the councils of the Nazi Party.

Nebelung was born on March 19, 1889, in Leipzig and, according to latest reports, resides at 7 Walderseeplatz, Dresden-A1. His political, industrial, and financial affiliations as of 1942 were reported as follows:

Semipolitical

Industrie- und Handelskammer, Dresden (Chamber of Commerce and Industry)—Member of the advisory board.

Wirtschaftsgruppe Öffentlich-Rechtliche Kreditanstalten (Economic Group for Legally Authorized Credit Institutions)—Member of the advisory board.

Wirtschaftskammer für den Wirtschaftsbezirk Sachsen (Economic Board for the Saxon Economic District)—Member of the advisory board.

Zulassungsstelle an der Mitteldeutschen Bourse zu Leipzig (Admissions Committee at the Central German Stock Exchange at Leipzig)—Member of the committee.

Industrial

Sachsenwerk Licht- und Kraft A. G., Niedersedlitz (erection, operation, and sale of electrical installations, etc.; Allgemeine Elektrizitäts Gesellschaft is principal shareholder with other 50-percent interest)—Chairman of the board of directors.

Eltgas G. m. b. H. zur Förderung des Elektrizitäts und Gasabsatzes, Dresden (promotion and sale of electricity and gas)—Deputy chairman of the advisory board.

A. G. Sächsische Werke, Dresden (production and sale of electricity and gas, sale of coal and byproducts, etc.; a large company, capitalized at RM. 120,000,000, has numerous plants and interests in 20 companies; Saxon State has 100 percent interest)—Director.

Anhaltische Kohlenwerke, Berlin (operations of lignite mines; production of lignite, lignite briquettes, and electricity; until 1938 the majority of shares had been held by the Prague family Petschek and its American friends, but now it is in German hands; in 1938 a board of commissioners was chosen to carry out necessary agreements with the Reich authorities)—Director.

Mitteldeutsche Stahlwerke A. G., Riesa (operation of mines, iron foundries, steel and rolling mills, etc.; principal shareholder, Friedrich Flick Kommanditgesellschaft, with about 100-percent interest)—Director.

F. A. Lange, Metallwerke A. G., Aue/Sachs (production and sale of metal articles)—Deputy chairman of advisory board.

Auto Union A. G., Chemnitz (manufacture of motor vehicles has interests in four companies, among which one is in Brazil and another in South Africa)—Deputy chairman of advisory board.

Maschinenfabrik Hiltmann & Lorenz A. G., Aue/Sachs (operation of a machine plant)—Deputy chairman of advisory board.

Vomag Maschinenfabrik A. G., Plauen/Vogtl (production and sale of machines, especially printing machines, tool and textile machinery, motors, and trucks; principal shareholder, Allgemeine Deutsche Credit-Anstalt, Leipzig, Sächsische Bank, Deutsche Bank, Dresdener Bank)—Deputy chairman of the advisory board.

Sächsische Gusstahl-Werke Dohlen A. G., Freital (production and sale of iron and steel; has interest in several companies)—Director.

Vogtländische Metallwerke G. m. b. H., Plauen/Vogtl (manufacture of machine parts; Vomag Maschinenfabrik (see above) has 25 percent interest)—Director.

Staatl. Sächsische Hütten- und Blaufarbenwerke, Freiberg/Sachs Saxon State Foundry and Blue-Dye Works)—Director.

Erla-Maschinenwerk G. m. b. H., Leipzig (not listed in directory)—Member of the management committee.

Höntsche-Werke A. G., für Honz-, Eisen- und Glasbau, Niedersedlitz (construction of greenhouses, heating installations, etc., and chemical preparations)—Chairman of board of directors.

Mitteldeutsche Motorenwerke G. m. b. H., Leipzig (Central German Motor Works, limited liability company)—Chairman of board of directors.

Gesellschaft für Junkers Dieselmotorenmaschinen G. m. b. H., Chemnitz—Chairman of board of directors.

Spinnerei und Weberei A. G., Ebersbach (operation of a spinning and weaving mill; this company was founded by the Saxon State Treasury, Saxon State Bank in Dresden, Bank der Deutschen Arbeit A. G., firm of J. G. Frenzel in Sorau, and firm of Ernst Berndt G. m. b. H. in Leutersdorf)—Chairman of board of directors.

Fr. Küttner A. G., Kunstseidenwerke, Pirna (production of artificial silk)—Deputy chairman of advisory board.

Heinrich Thiele A. G., Dresden (manufacture of leather goods, military equipment, etc.)—Deputy chairman of the advisory board.

Riebeck-Brauerei A. G., Leipzig (brewery, capitalized at RM. 10,980,000; has interests in numerous companies)—Director.

Banking

Sächsische Staatsbank, Dresden (Saxon State Bank)—President.
 Sächsische Bank, Dresden—Member of management committee.
 Sächsische Bodencreditanstalt, Dresden (Saxon Land Mortgage Credit Institution)—Director.
 Thüringische Landescredypothekenbank A. G., Weimar (land mortgage bank)—Director.
 Thüringische Staatsbank, Weimar (Thuringian State Bank)—Member of the executive committee.

ALFRED OLSCHER

Alfred Olscher, member of the advisory committee of the Deutsche Bank, is associated with a number of organizations closely identified with the Nazi economy. He is a director of the A. G. Reichswerke Hermann Goering, of Friedrich Krupp, A. G., and of Siemens & Halske A. G. In addition, Olscher is on the management committee of the Government-controlled Reichs-Kredit-Gesellschaft, and is officially connected with VIAG, holding company for Reich interests.

Prior to the advent of Hitler, Olscher was connected with the Reich's Finance Ministry. Obtaining the position of high counselor in 1924, he rose to become the ministerial director in 1932. Judging from his industrial affiliations, Olscher appears to have definitely profited by the rise of Nazism in Germany.

Olscher was born on September 8, 1887. He served with the German Army during World War I, and was for a time stationed in Palestine. His early career was directed toward the field of finance.

Alfred Olscher's political, banking, and industrial connections are as follows:

Political

Akademie für Deutsches Recht, Berlin (Academy for German Law)—Member.
 Ehrengerichtshof der Deutschen Wirtschaft (Honorary Court of Germany Economy)—Deputy chairman.

Banking

Reichs-Kredit-Gesellschaft A. G., Berlin—Member of management committee.
 Creditanstalt-Bankverein, Vienna (Austrian branch of Deutsche Bank)—Deputy chairman.
 Deutsche Reichsbank, Berlin—Adviser.

Industry

Public utilities.—Vereinigte Industrie-Unternehmungen A. G., Berlin—Member of management committee.

Alpen Elektrowerke A. G., Berlin—Deputy chairman.
 Bayerische Wasserkraftwerke A. G., Munich—Deputy chairman.
 Bayernwerk A. G., Munich (electric power; owned entirely by Bavarian State)—Deputy chairman.
 Elektrowerke A. G., Berlin (electric power, owned entirely by VIAG)—Deputy chairman.

Ilse Berbgau A. G., Grube Ilse bei Senftenberg/N. L. (mining, electric power)—Deputy chairman.
 Steirische Wasserkraft- und Elektrizitäts A. G., Graz (water power and electric company for Gras district)—Deputy chairman.

Heavy industry.—A. G. Reichswerke Hermann Goering, Berlin—Director.
 Eisenwerk Maximilianshütte Gesellschaft Sulzbach-Resenberg-Hutte—Director.

Energie-Versorgung Württemberg A. G., Stuttgart—Director.
 Friedrich Krupp A. G., Essen—Director.

Mitteldeutsche Stahlwerke A. G., Riese/Elbe—Director.
 Siemens & Halske A. G., Berlin—Director.

Vereinigte Aluminum Werke A. G., Berlin—Director.

Film.—Universum-Film A. G., Berlin (UFA)—Deputy chairman.

Insurance

Allianz Lebensversicherungs A. G., Berlin—Director.

Miscellaneous

Westtiroler Kraftwerke A. G., Innsbruck—Deputy chairman.
 Iseder Hütte, Hannover (VIAG owns 25 percent)—Director.
 Innwerke A. G., Munich (VIAG holds 90.91 percent, Bavarian State 9.6 percent)—Director.

Oberschlesische Stickstoffwerke A. G., Königshütte—Director.
 Ostpreussenwerk A. G., Königsberg/Pr.—Director.

WALDEMAR VON OPPENHEIM

Waidemar von Oppenheim has been a partner of the 150-year-old family banking firm, Sal. Oppenheim et Cie., Cologne, since 1921. Following its Aryanization, he continued as a partner and co-owner of its legal successor, Pferdmeniges & Co., which took part in the penetration of banking institutions in occupied countries and is reported to have secured a minor participation in the International Bank of Luxembourg.

Von Oppenheim's close association with the Nazi Party is evidenced by the fact that he has been declared an "honorary Aryan" and is a member of a powerful Nazi clique centering around Kurt von Schroeder. In the spring of 1942 he was in Stockholm on a peace-feeling mission reportedly sent out by Goebbels and Hitler. The failure of his mission, it is reported, has discredited him in Nazi circles.

Von Oppenheim was born in 1894. His known connections are the following:

Banking

Pferdmenges & Co., Cologne (private bankers)—Co-owner.

Insurance

Allianz Versicherungs A. G., Berlin—Director; also director in 1930.

Industry

Elektrische Licht u. Kraftanlagen A. G., Berlin (electrical installations; subsidiary of Siemens & Halske)—Director.

Falten & Guillaume Carlzwerk A. G. Köln-Mülheim (cables and lighting equipment; subsidiary of Arbed Konzern, Luxembourg)—Director.

Franz Clouth, Rheinische Gummiwarenfabrik A. G., Köln-Nippes (technical rubber products; subsidiary of Felten & Guillaume)—Director.

Heinrich Auer Mühlenwerke A. G. Köln-Deutz (milling)—Director; also director in 1930.

Simons Mühlenwerke A. G., Neuse (milling; subsidiary of Hein. Auer)—Deputy chairman.

Deutsche Telephonwerke u. Kabelindustrie A. G., Berlin (telephone construction; affiliated with Elek. Licht u. Kraft.)—Director.

Schlesische Mühlenwerke G. m. b. H., Durweide (milling; subsidiary of Hein. Auer)—Director.

Hubertus Braunkohlen A. G., Brüggen/-Erft (lignite)—Director; also a director in 1930.

Eschweiler Bergwerks-Verein, Kohlscheid/Rhld. (mining, coal products, blast furnaces; subsidiary of Vereinigte Huttenwerke, Luxemburg)—Director.

Pfälzische Mühlenwerke, Mannheim (milling)—Director.

Preussisch-Rheinische Dampfschiffahrts-Gesellschaft, Köln (navigation and transportation on Rhine Basin)—Director.

Rheinische A. G. für Braunkohlenbergbau u. Brikettfabrikation, Köln (lignite; subsidiary of Rheinisch Westfälisches Elektrizitätswerke A. G.)—Director.

Stolberger Zink A. G. für Bergbau u. Huttenbetrieb, Aachen (zinc and other metals)—Director.

Gewerkschaft Victor, Castrop-Rauxel (mining)—Member of mining management committee.

DR. ROBERT PFERDMENGES

Dr. Robert Pferdmeniges, long associated with some of the most important industries in Germany, including the electrical and coal works, Allgemeine Elektrizitäts Gesellschaft, and Harpener Bergbau, has apparently profited greatly since his association with the Nazis. Following the Aryanization of Jewish enterprises he became coowner of Pferdmeniges & Co., legal successor to the banking houses, A. Levy and Sal. Oppenheim et Cie. The new company has participated in the penetration of banking institutions in occupied countries and is reported to have secured a minor holding in the International Bank of Luxembourg.

Pferdmenges was born in 1860. His financial and industrial connections are the following:

Banking

Bankhaus Pferdenges & Co, Cologne (large private banking institution)—Coowner and member of the board of directors (legal successors to A. Levy and Sal. Oppenheim et Cie., Cologne, the latter having been established in 1783).

Deutsche Central-bodenkreditbank A. G., Berlin—Director (also on the board are Count von Alvensleben, who was instrumental in helping Hitler gain the confidence of the Rhineland industrialists, and the Duke of Saxe-Coburg, a prominent member of the German nobility who actively supported Hitler).

Insurance

Rückversicherungs-Aktien-Gesellschaft Colonia, Cologne (reinsurance company capitalized at RM. 1,000,000, with interests in three other insurance companies)—Deputy chairman of the advisory board.

"Colonia" Kölnische Feuer- und Kölnische Unfall-Versicherungs A. G. (insurance company, 25 percent owned by Rückversicherungs-Aktien-Gesellschaft Colonia)—Chairman of the executive committee.

Kölnische Rückversicherungs-Gesellschaft, Cologne (reinsurance company; 27 percent owned by "Colonia" Kölnische Feuer- und Kölnische Unfall-Versicherungs A. G.)—Deputy chairman of the advisory board.

Kölnische Glas-Versicherungs A. G., Cologne (small glass insurance company; 100 percent owned by "Colonia" Kölnische Feuer- und Kölnische Unfall-Versicherungs, A. G.)—Chairman of the executive committee.

Nordstern Allgemeine Versicherungen, A. G., Berlin (general insurance company)—Director.

Gladbacher Feuerversicherungs A. G., M. Gladbach (fire insurance)—Chairman of the board of directors.

"Concordia" Lebensversicherungs A. G., Cologne (life insurance; Kölnische Rückversicherungs-Gesellschaft the principal shareholder)—Deputy chairman of the board of directors.

Industrial

Gladbacher Wollindustrie A. G., vorm. L. Joston, M. Gladbach (woolen industry; RM. 4,000,000 capital)—Deputy chairman of the advisory board.

Kabelwerk Rheydt A. G., Rheydt (cables and wires company; RM. 12,000,000 capital; owns a 93.5 percent interest in the Deutsche Kabelwerke A. G.)—Deputy chairman of the advisory board.

Klockner-Werke A. G., Duisburg (an important mining and smelting corporation owning numerous mines and foundries; it has interest in 12 other companies; capital, RM. 105,000,000)—Deputy chairman of the advisory board.

Schoeller'sche Kammgarnspinnerei Eitorf A. G. Eitorf (worsted mills; capital, RM. 2,440,000; majority of shares owned by the Schoeller family in Zurich and Düren)—Deputy chairman of the advisory board.

Allgemeine Elektrizitäts Gesellschaft, Berlin (large electrical German combine)—Director.

Deutsche Kabelwerke A. G., Berlin (production of electric connections and cables; it has six subsidiaries and is more than 93 percent owned by Kabelwerk Rheydt A. G.)—Director.

Damag A. G., Duisburg (a large machinery concern capitalized at RM. 26,500,000; this company has a large number of subsidiaries both in Germany and abroad as for example in Poland, Italy, England, and Spain; its board of directors includes some of the most influential individuals in Germany's financial and industrial life, among which it should be mentioned are Vögler of the Vereinigte Stahlwerke; Finck of Germany's largest private banking house, Marck Finck & Co., Kimmich of the Deutsche Bank, and Rudolf Stabe of the Deutsche Gold- und Silberscheide Anstalt)—Director.

Feltona Guillaume Carlswerk A. G., Cologne (a very large company capitalized at RM. 64,500,000 and specialized in the manufacture of cables and other wires for electric industry; it also trades in and manufactures all kinds of machinery and deals in iron, coal, and other mining products, and participates in official and private enterprises; has many important subsidiaries, and through its major stockholder, the Arbed Konzern, Luxemburg, penetrates into Hungary, Argentina, and Poland)—Director.

Mitteldeutsche Stahlwerke A. G., Berlin (a very large steel and iron producing enterprise with a capital of RM. 28,000,000; this company is generally assumed to be the main company in the Flick group; it is also 100 percent owned by Flick's holding company, the Friedrich Flick Kommandit-Ges.)—Director.

Harpener Bergbau A. G., Dortmund (a large coal mining corporation capitalized at RM. 60,000,000, operating many mines with numerous subsidiaries or interests

in other companies; its principal shareholders are Eisenwerke Gesellschaft Maximilianshütte, which has the majority of the shares and F. Fentner Van Flissengen, Utrecht, which holds 10 percent; very powerful figures in Germany's financial and industrial life are found on its board of directors as, for instance, Ernst Tengelmann, who is alleged to have played an important part in bringing Hermann Goering and Flick together when the Nazis came into power, Kurr von Schröder, the notorious German banker and financier, and Kimmich, of the Deutsche Bank)—Director.

Rheinische Kunstseeide A. G., Krefeld (artificial silk company capitalized at RM. 7,400,000)—Director.

Vereinigte Stahlwerke A. G., Dusseldorf (a very large and most important German steel trust capitalized in 1939 at RM. 460,000,000)—Director.

HANS PILDER

Dr. Pilder was a member of the German Democratic Party who joined the NSDAP in 1934. He is reported to be an opportunist who will join any party which promises success, and a man of decided ambition.

Pilder is connected with various types of industry, among which are iron works, transportation facilities, public utilities, magnesite works, etc. His positions in these companies appear, for the most part, to have been acquired since his affiliation with the Nazi Party.

He first gained recognition in the Dresdner Bank in Berlin in 1937 and 1938. After that time, he was identified with foreign business and was also active in the Dresdner Bank's program of expansion in central Europe. He was reported to have placed himself entirely at the disposal of the Nazis.

Hans Pilder's address is given as 34/38 Kronprinzenallee, and his known connections are as follows:

Political

Deutsch-Bulgarische Handelskammer, Sofia (German-Bulgarian Chamber of Commerce)—Management committee.

Banking

Dresdner Bank, Berlin—Member of management committee.

Deutsch-Sudamerikanische Bank A. G., Berlin—Member of the advisory committee.

Länderbank Wien A. G., Vienna—Deputy chairman.

Societatea Bancara Romana, Bukarest/Rumanien—Deputy chairman.

Allgemeiner Jugoslavischer Bankverein A. G., Belgrad—Director.

Industriefinanzierung A. G., Ost, Berlin—Director.

Insurance

Nordstern Lebensversicherung A. G., Berlin—Director.

Industrial

Norddeutsche Eisenwerke A. G. (iron works) Berlin—Chairman.

Deutscher Eisenhandel A. G., Berlin (iron trading)—Director.

Europäische Tanklager- und Transport A. G. (transportation)—Director.

Steirische Magnesit Industrie A. G. (magnesite) Vienna—Chairman.

Veitscher Magnesitwerke A. G., Vienna (magnesite)—Chairman.

Magnesit-Industrie A. G., Pressburg/Slovakia (magnesite)—Director.

Natronzellstoff- und Papierfabriken A. G., Berlin (cellulose, paper)—Chairman.

Norddeutsche Portland-Cement-Fabrik, Misburg (cement)—Director.

Pittler Werkzeugmaschinenfabrik A. G., Leipzig (machine tools)—Deputy chairman.

Julius Berger Tiefbau A. G., Berlin (erection of underground structures)—Director.

Charlottenburger Wasser- und Industrierwerkes A. G., Berlin (erection of waterworks)—Director.

Deutsche Maizons-Werke A. G., Hamburg (manufacturing and sale of generators)—Chairman.

Deutsche Wollenwaren-Manufaktur A. G., Grunberg Schlesian (woolen textiles)—Deputy chairman.

Hageda A. G., Berlin (trading drugs and chemicals)—Deputy chairman.

"Kopa" A. G., Berlin (retail stores)—Deputy chairman.

Hamburgische Baukasse A. G., Hamburg (real estate credit)—Chairman.

Baugesellschaft Norddeutschland m. b. H., Hamburg (real estate)—Director.
 Gesellschaft für Industriebeteiligungen m. b. H., Hamburg (industrial participation)—Chairman.

Universum Film A. G. (UFA), Berlin (movies)—Director.

Miscellaneous

Treuhand-Vereinigung A. G., Berlin—Chairman.

N. F. & Ph. F. Reemtsma, Altona-Bahrenfeld—Member, advisory committee.

Rietschel & Hennenberg G. m. b. H., Berlin—Member, advisory committee.

PAUL PLEIGER

Paul Pleiger is a prominent Nazi, who holds important and influential positions in German political and industrial spheres of activity. Originally he was a small iron manufacturer in the Wupperthal Metallwaren, but he is now one of the two managers in the mammoth enterprise Reichswerke A. G. für Bergbau und Hüttenbetriebe, Hermann Göring.

It has not been definitely ascertained how early he became affiliated with the Nazi Party, but by 1939 he was identified with the Hermann Göring combine and was extremely active in the political affairs of the party. He is considered one of the most Nazi-minded of German industrialists and as top official in the Speer ministry was responsible for European production generally. A testimonial of his invaluable support to the Nazi war machine was the award of a wartime decoration, the Knights Cross with Swords of the War Service medal, upon the recommendation of Speer and Göring. It was the first time this decoration had been bestowed on an industrialist.

Pleiger's services to the party and the war program have received recognition also by his appointment to several semipolitical posts. His experience in industry won for him several important positions, such as chief of the Zentralamt of the Reich Ministry for Armaments and Armament Production; head of the Reichsvereinigung Kohle, and chief of Reichsstelle Kohle. In effect he is minister of coal and lignite supply of Germany and occupied Europe.

Born at the turn of the century on September 28, 1899, in Buchholz über Hattingen/Ruhr, Pleiger was one of those individuals destined to play a leading role in the Nazi economy.

His connections as of 1942 were as follows:

Political

Gau Westfalen-Süd (District Economic Councilor of South Westphalia).

Verein zur Wahrung der Schifffahrtsinteressen des Westdeutschen Kanal-Gebietes, Dortmund (Union for the Protection of Navigation of the West German Canal District)—Adviser.

Provinz Westfalen—Provincial Councilor.

Kreisausschuss des Ennepe-Ruhr-Dreises (local committee of the National Party, Ruhr district)—Member.

Banking

Deutsche Reichsbank, Berlin—Adviser.

Industry

Mining and iron.—Reichswerke A. G. für Berg- und Hüttenbetriebe, Hermann Göring, Berlin—Manager.

Reichswerke A. G. für Erzbergbau- und Eisenhütten, Hermann Göring, Berlin—Manager.

Berg- und Hüttenwerksgesellschaft Ost. G. m. b. H., Berlin—Manager.

Hüttenverwaltung Westmark G. m. b. H. der Reichswerke, Hermann Göring, Berlin—Manager.

A. G. für Bergbau- und Hüttenbedarf, Salzgitter—Chairman.

Bergbau A. G. Ewald-König, Ludwig, Herten/West—Chairman.

Bergwerksverwaltung Oberschlesien G. m. b. H. der Reichswerke Hermann Göring, Kattowitz/Oberschlesien—Chairman. (The above is the administrative board of the Upper Silesian Company of the Hermann Göring Works.)

Deutsche Bergwerks- und Hüttenbau G. m. b. H., Berlin—Chairman.

Preussengrub A. G., Berlin—Chairman.

Stahlwerke Braunschweig G. m. b. H., Berlin—Chairman.

Südtenländische Bergbau A. G., Brück—Chairman.

Witkowitz Bergbau- und Eisenhütten-Gewerkschaft, Mährisch Ostrau-Witkowitz—Chairman. (Affiliated with the Skoda Werke, Czechoslovakia.)

Poldihütte, Prague—Deputy chairman.

Saargruben A. G., Saarbrücken—Deputy chairman.

Coal.—Reichsstelle für Kohle, Berlin—Head of the National Board for Coal. Reichsvereinigung Kohle (Reich Coal Union)—Manager.

Reichswerke A. G. Alpine Montanbetriebe "Hermann Göring," Linz/Donau (coal mines)—Manager.

A. G. der Kohlenwerkstoffverbände, Bochum (union of coal industries)—Chairman.

Deutsche Kohlenhandels G. m. b. H., Berlin—Chairman.

Steinkohlengewerkachaft der Reichswerke "Hermann Göring," Heesen b. Hamm/West. (coal company of the Hermann Göring Works)—Chairman.

Bergbau A. G. Ewald-Koenig Ludwig (an affiliate of Reichswerke A. G. für Berg- und Huttenbetriebe "Hermann Göring")—Director.

Fuel.—Sudetenländische Treibstoffwerke A. G., Oberleutensdorf—Chairman.

Cellulose.—Westfälische Zellstoff A. G., "Alphalini," Arnsberg, West.—Chairman.

Housing.—Wohnungs A. G., der Reichswerke "Hermann Göring," Braunschweig (an affiliate of Reichswerke A. G. für Berg- und Hüttenbetriebe "Hermann Göring")—Chairman.

Public utilities.—Vereinigte Elektrizitätswerke Westfalen A. G., Dortmund (United Electrical Works of Westphalia)—Director.

Gesellschaft für Elektrometallurgie Dr. Heinz Gehm (electrometallurgy company)—Chairman of the advisory committee.

Railways.—Kleinbahn Bossel-Blankenstein G. m. b. H., Herbede/Ruhr—Manager.

Brewery.—Engelhardt-Brauerei A. G., Berlin—Director.

Insurance.—Provinzial-Lebensversicherungsanstalt von Westfalen, Münster/West.—Member of the executive committee.

Commercial.—Industrie- und Handelskammer zu Bockum (chamber of commerce)—Adviser.

Agfu A. G. für wirtschaftliche Unternehmungen des Ennepe-Ruhr-Kreises; Gevelsberg/West.—Director.

Miscellaneous

Waagner-Biro A. G., Wien—Director.

Gesellschaft für Praktische Lagerstattengorschung G. m. b. H., Berlin—Member of the executive committee.

Gemeinde Buchholz Ennepe/Ruhrkries—Bürgermeister.

Buchtal A. G. Keramische Betriebe der Reichswerke Hermann Göring (an affiliate of Reichswerke A. G. für Berg- und Hüttenbetriebe "Hermann Göring").

ERNST POENSGEN

Ernst Poensgen, associated with the Vereinigte Stahlwerke since 1926 and now chairman of its management committee, was one of the men responsible for swinging the support of that gigantic steel enterprise behind the Nazis. He is reported to have espoused the cause of razism in 1932 and to have served during the 1930's as a director of the Transocean News Service, one of the German propaganda machines. Under Hitler, Poensgen's influence in German business steadily increased until he became one of the most outstanding figures in the warrior economy created by the Nazis.

Poensgen began his business career at the turn of the century with the Phoenix Steel Co., which was later absorbed by Vereinigte Stahlwerke. During World War I he served with the German occupation authorities in Belgium. Today, in addition to his position at the head of the Steel Trust, Poensgen holds equally important posts with a number of its subsidiaries and affiliates, and is associated with several official economic organizations. In 1937 he was named a director of the Dusseldorf international exposition to demonstrate to the world the aims and accomplishments of the 4-year plan for German economic self-sufficiency.

Poensgen, now almost 75 years old, heads a family which is strongly entrenched in the industrial life of Germany. Its 10 members who are active in business occupy a total of managerial positions in heavy industry. Left undisturbed in their posts, this group of men would be well equipped to participate in the revival of German militarism.

In 1942 Ernst Poensgen's political, financial, and industrial connections were as follows:

Political

Bezirksgruppe Nordwest der Wirtschaftsgruppe (Northwest District Group of the Economic Group)—Leader.

Eisen Schaffende Industrie, Dusseldorf (iron producing industry)—Leader.
Industrieabteilung der Wirtschaftskammer Dusseldorf (Industrial Division of the Economic Chamber of Dusseldorf)—Leader.

Wirtschaftsgruppe Eisen Schaffende Industrie (Economic Group of Iron Producing Industry)—Leader.

Reichsgruppe Industrie, Berlin (German Group for Industry)—Member of advisory committee.

Reichswirtschaftskammer, Berlin (German Economic Chamber)—Member of the advisory committee.

Akademie für Deutsches Recht, Berlin, Ausschuss für Kartellrecht (Academy for German Law, Committee for Cartel Law)—Member, German Armament Board; representative of heavy industry.

Industrial

Vereinigte Stahlwerke A. G., Dusseldorf (steel trust)—Chairman of management committee.

Siegener Eisenbahnbedarf A. G., Siegen (railroad material; 100 percent owned by Vereinigte Stahlwerke)—Chairman.

August Thyssen-Hütte A. G., Duisburg-Hamborn (iron and steel; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Bandoisenwalzwerke A. G., Dinslaken/Niederrhein (rolling mills; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Bochumer Verein für Gesteinsfabrikation A. G., Bochum (iron and steel; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Deutsche Eisenwerke A. G., Mulheim/Ruhr (iron and steel; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Deutsche Rohrenwerke A. G., Dusseldorf (tubes, pipes; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Dortmund-Hoerder Huttenverein A. G., Dortmund (iron, steel; owned by Vereinigte Stahlwerke)—Deputy chairman.

Gelsenberg Denzin A. G., Gelsenkirchen (coal and derivatives; owned by Vereinigte Stahlwerke and several of its subsidiaries)—Deputy chairman.

Gesenkirchener Bergwerks A. G., Essen (foundries, rolling mills; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Hüttenwerke Siegerland A. G., Siegen Westf. (foundries, rolling mills; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Ruhrstahl A. G., Witten (rolling mills; subsidiary of Vereinigte Stahlwerke)—Deputy chairman.

Westfälische Union A. G. für Eisen- und Drahtindustrie, Hamm/Westfalen (steel wire; 100 percent owned by Vereinigte Stahlwerke)—Deputy chairman.

Bergbau- u. Hutten-A. G. Friedrichshütte, Herdorf (mining, iron works; subsidiary of Vereinigte Stahlwerke)—Director.

Gebr. Böhler & Co. A. G., Vienna (steel works; subsidiary of Böhlerstahlwerke A. G., Zurich, in which Vereinigte Stahlwerke has a large minority interest)—Director.

Hannoversche Maschinenbau A. G., vorm. Georg Egstorff (Hanomag), Hannover-Linden (machinery; subsidiary of Bochumer Verein, itself 100 percent owned by Vereinigte Stahlwerke)—Director.

Eisenwerk-Gesellschaft Maximilianshütte, Rosenberg (blast furnaces, rolling mills; subsidiary of Mitteldeutsche Stahlwerke, itself a subsidiary of Siegenger Eisenindustrie, whose shares are held by the Flick family)—Deputy chairman.

Mitteldeutsche Stahlwerke A. G., Riesa/Elbe (steel works; subsidiary of Siegenger Eisenwerke whose shares are held by the Flick family)—Director.

Gewerkschaft Junkerath/Rheinpr. (mine)—Chairman of mine.

Committee Stahlwerks-Verband A. G., Dusseldorf (iron and steel products)—Chairman.

Westfälisch-Anhaltische Sprengstoff A. G., Chemische Fabriken, Berlin (chemicals and explosives)—Chairman.

Industrierterraine Düsseldorf-Reisholz A. G., Düsseldorf (industrial real estate)—Director.

Kali-Chemie A. G., Berlin (minerals)—Director.

Salzbergwerk Neu-Stassfurt, Berlin (minerals)—Director.

Walther & Cie. A. G., Cologne-Dellbrück (boiler factory)—Director.

GUNTHER QUANDT

Gunther Quandt, owner of the Accumulatoren-Fabrik A. G., who is, in addition, associated with such important enterprises as the Allgemeine Elektrizitäts-Gesellschaft and Wintershall A. G., is said to have willingly supported Hitler's plans for world mastery.

Quandt was first introduced to nazism through Paul Joseph Goebbels, whom he engaged as a tutor for his son. Subsequently, Quandt's wife divorced him, and in 1931 she and Goebbels were married. Although Quandt and Goebbels became embroiled in a disagreement in 1933, this trouble was apparently settled some time later and Quandt returned to favor with the Nazi hierarchy. Quandt and Goebbels are said to have become associated in a number of financial ventures after this incident.

Quandt, who is now 64 years old, started his business career at the age of 19 by taking over the management of his family's textile factories. He made rapid progress and soon expanded into other fields of endeavor.

In 1942, he had the following business connections:

Banking

Deutsche Bank, Berlin—Director.

Westfalenbank A. G., Bochum/Westfalen—Director.

Insurance

Gerling-Konzern, Rheinische Versicherungsgruppe A. G., Cologne (reinsurance; subsidiary of Gerling-Konzern)—Chairman.

Friedrich Wilhelm Lebensversicherungs A. G., Berlin (life insurance; subsidiary of Gerling-Konzern)—Chairman.

Gerling-Konzern, Röchversicherungs A. G., Cologne (reinsurance; 100 percent subsidiary of Gerling-Konzern, Rheinische Versicherungsgruppe A. G.)—Deputy chairman.

Carling-Konzern, Lebensversicherungs A. G., Cologne (life insurance; 100 percent subsidiary of Gerling-Konzern, Röchversicherungs A. G.)—Deputy chairman.

Industrial

Allgemeine Elektrizitäts-Gesellschaft, Berlin 1930 (electric trust)—Director.

Accumulatoren-Fabrik A. G., Berlin (storage batteries; 1929 Quandt owns 75 percent of the stock)—Chairman of management committee.

Deutsche Waffen- und Munitionsfabriken A. G., Berlin (not listed) (arms and ammunition; probably belongs to the Quandt interests)—Chairman of management committee.

Durener Metallwerke A. G., Berlin (miscellaneous metals—subsidiary of Deutsche Waffen- und Munitionsfabriken A. G.)—Member of management committee.

Berlin-Erfurter Maschinenfabrik Henry Pels & Co. A. G., Berlin (machinery; 100 percent subsidiary of Deutsche Waffen- und Munitionsfabriken A. G.)—Chairman.

Concordia Elektrizitäts A. G., Dortmund (electrical installations; subsidiary of Accumulatoren Fabrik A. G.)—Chairman.

Dominitwerke G. m. b. H., Berlin (electrical apparatus; subsidiary of Accumulatoren-Fabrik A. G.)—Chairman.

Fartrix-Werke G. m. b. H., Berlin (flashlights and batteries; subsidiary of Accumulatoren Fabrik A. G.)—Chairman.

1930 Wintershall A. G., Kassel (potash)—Deputy chairman.

Bergbau A. G., Lethringen, Bochum-Garthe (mining; subsidiary of Wintershall A. G.)—Deputy chairman.

Gewerkschaft Victor-Stickstoffwerke, Castrop-Bauxel (nitrogen products; owned by Wintershall A. G.)—Member of mining committee.

Gewerkschaft Wintershall, Heringen (mining)—Chairman of mining committee.

Gebrüder Draeger Tuchfabrik, Pritswalk (textile factory)—Co-owner.

Draeger-Werke G. m. b. H., Potsdam-Habelsberg (textiles)—Manager.

Byk-Guldenwerke Chemische Fabrik A. G., Berlin (chemicals)—Chairman.

Deutsche Wollenwaren-Manufaktur A. G., Grünberg/Schlesien (woolen products; subsidiary of four German Grossbanken under leadership of Dresdner Bank)—Chairman.

Deutsches Tuchsyndikat G. m. b. H., Berlin (German cloth syndicate)—Chairman.

Hermann Herzog & Co. A. G., Heugersdorf/Saxony (textile finishing; subsidiary of Concordia Spinnerei & Weberei)—Chairman.

Busch-Jaeger, Lüdenschneider Metallwerke A. G., Lüdenschied/Westfalia (electrical installation apparatus; indirectly affiliated with the Reichswerke A. G. für Waffen und Maschinenbau Hermann Göring)—Deputy chairman.

A. G. für Verkehrevesen, Berlin (railroads and other transportation)—Director.

Daimler-Benz A. G., Stuttgart (automobiles)—Director.

Deutsches Kalisyndikat G. m. b. H., Berlin (potash syndicate)—Director.

Kamagernspinnerei Stöhr & Co., A. G., Leipzig (wool yarn, worsteds)—Director.

Vereinigte Kugellagerfabriken A. G., Schweinfurt (ball bearings; subsidiary of SKF of Sweden)—Director.

KARL RASCHE

Karl Rasche, prominent Rhineland industrialist, is a member of the new Free Masons, a political group built up around Himmler. He is a member of the inner Nazi circle, and is said to have taken an active hand in the Aryanization program.

Rasche's industrial interests are centered in fields important to the war effort. He is prominently associated with major enterprises producing steel, armaments, machinery, chemicals, and coal. Several of the enterprises with which he is officially connected are subsidiaries of the Farben group. Rasche is also associated with several important heavy industry concerns in Czechoslovakia, absorbed by the Hermann Goering combine after the occupation of that country. He is also connected with Viag, large holding company for the Reich interests, is on the management committee of the Dresdner Bank, and a director of that bank's Austrian subsidiary.

His connections, as of 1942, were as follows:

Banking

Dresdner Bank, Berlin (second largest German commercial bank; assets at end of 1942, RM. 5,735,000,000)—Member of management committee.

Länderbank Wien A. G., Vienna (formed by Dresdner Bank to cover its Austrian interests; later used as an instrument of penetration; total assets, 1942, RM. 627,000,000)—Director.

Hardy & Co., G. m. b. H. Berlin (private financing; in 1938 acquired the current business of Gebr. Arnold and S. Blüchroeder)—Chairman of the board.

Westdeutsche Bodenkreditanstalt, Cologne (land credit institution; capital, 1941, RM. 6,000,000; assets, RM. 244,000,000)—Chairman of the board.

Insurance

Gerling Konzern Lebensversicherungs A. G., Cologne (one of the more important companies in the leading Gerling Konzern; insurance in force, 1939, RM. 990,000,000; premium income, RM. 50,300,000)—Director.

Erste Allgemeine Unfall und Schadenversicherungs Gesellschaft, Vienna (casualty company; capital in 1942, RM. 10,000,000; Giuseppe Volpi was chairman of the board)—Deputy chairman of the board.

Industrial

A. G. vormals Skodawerke in Pilsen, Prague (leading ammunition and armament factory in Europe; absorbed by Reichswerke A. G. Hermann Göring)—Director.

Waffenwerke Brünn A. G., Prague (armament factory; absorbed by Reichswerke A. G. Hermann Göring)—Director.

Sudetenländische Bergbau A. G., Brück, Czechoslovakia (mining construction in the Sudeteland; absorbed by Reichswerke Hermann Göring)—Director.

Rheinmetall Borsig A. G., Berlin (iron, steel, machinery; capital, 1939, RM. 50,000,000; was controlled by Reichswerke Hermann Göring)—Director.

Wintershall, A. G., Berlin (potash mines; owned by Gewerkschaft Wintershall, the largest German potash syndicate and second only to I. G. Farben in chemical production; the syndicate is controlled by Günther Quandt and the Rostberg family; Wintershall A. G. was capitalized, in 1939, at RM. 150,000,000 and had many subsidiaries in potash, oil, and finance)—Director.

Accumulatoren-Fabrik A. G., Berlin (storage batteries; capital, 1936, RM. 21,250,000; Günther Quandt owns 75 percent of the stock; has numerous subsidiaries in Germany, Hungary, Sweden, Norway, Holland, Yugoslavia, and Finland)—Director.

Metallgesellschaft A. G. Frankfurt am Main (non-ferrous metals, mining, chemicals, artificial rubber; capital, 1939, R.M. 42,000,000, principally held by I. G. Farben, directly and through the Deutsche gold and Silber Scheideanstalt, the British Metals Corp., and the Schweizerische Gesellschaft für Metallwerke)—Director.

Felten Guillaume Carlswerke A. G., Cologne (metal cables and wires; capital, 1936, R.M. 64,500,000; principally owned by the Arbed Konzern of Luxemburg; the latter in turn is controlled by the Barbanson family of Belgium, the Societe Generale de Belgique, and the Banque de Bruxelles)—Director.

Braunkohle-Benzin A. G., Berlin (fuels extracted principally from lignite; capital, 1939, R.M. 100,000,000; 12.6 percent owned by I. G. Farben; other large German groups own small participations)—Director.

Essener Steinkohlenbergwerke A. G., Essen (coal mining; holds fifth place as to quota in the coal syndicate; capital, 1942, R.M. 75,000,000; controlled by the Flick group through Harpener Bergbau)—Director.

Eisen und Hüttenwerke A. G. Bochum (rolling mills, machinery; capital, 1936, R.M. 4,000,000; subsidiary of Bergbau A. G. Lothringen, Bochum, itself affiliated with Wintershall)—Director.

Mülheimer Bergwerks Verein, Essen (coal mining; capital, 1936, R.M. 20,000,400; majority of stock held by the Stinnes group)—Director.

Neunkircher Eisenwerk A. G., vormals Gebrüder Stumm, Neukirchen, Saar (iron and steel; firm founded in the fifteenth century; control passed to French hands after the last war; Otto Wolff acquired majority later and the Stumm family, owners since 1803, retained a large interest; capital, 1939, R.M. 40,000,000)—Director.

Dyckerhoff-Portland-Zementwerke A. G., Mainz-Amönenburg (cement and related products; capital, 1936, R.M. 20,000,000; majority of stock held by the Dyckerhoff family; has numerous subsidiaries in Germany, Holland, and Iceland).

Perlmöser Zementwerke A. G., Vienna (portland cement and related products; capital, 1942, R.M. 19,480,000; principal shareholders are "Holderbank" Financiere Glarus A. G., Glarus, through the Cementia Holding A. G., Zurich, the Dresdner Bank, and the Länderbank, Vienna)—Chairman of the board.

Rheinische Kunstseide A. G. Krefeld (artificial silk; controlled by Phrix Werke A. G., which is second only to I. G. Farben in the production of artificial wool; capital, 1941, R.M. 10,000,000)—Deputy chairman of the board of directors.

Well Wäscherei und Kammerei in Döhren, Döhren bei Hamover (cleaning and carding of wool; capital, 1936, R.M. 6,020,000)—Deputy chairman of the board of directors.

Engelhardt-Brauerei A. G., Berlin (brewing and related branches; has many subsidiaries in Germany; capital, 1936, R.M. 11,100,000; majority of stock held by Dresdner Bank)—Chairman of the board of directors.

PHILIPP F. REEMTSMA

Philipp F. Reemtsma is a general partner in the cigarette concern of H. F. & Ph. F. Reemtsma K. G., an enterprise controlled by the Reemtsma family.

The Reemtsmas were inveterate foes of the Weimar Republic and have been extremely prosperous under the banner of national socialism. Their success under the Nazis may be measured by the fact that the Reemtsma concern and 16 other companies accounted for 95 percent of the cigarette industry's entire output. The Reemtsmas obtained a cigarette monopoly in Danzig and the control of a host of small companies, all of which may have been facilitated by the Nazis in exchange for loyal support.

Philipp F. Reemtsma is also connected with one of the largest individual rayon concerns in Germany, Vereinigte Glanzstoff Fabriken A. G., Wuppertal-Elberfeld (western Germany), in turn indirectly controlled by the Deutsche Bank, of which he is a director.

Outstanding among Reemtsma's political posts are those of Leader of the German War Economy, membership in the Reich Group for Industry, and chief of the technical subsection of the cigarette industry in the Economic Group for Food Industry.

Philipp Reemtsma was born on December 22, 1893, in Osterholz Scharmbek. His address as of 1942 was 51 Parkstrasse, Hamburg Klein Flottbeck. His known connections as of 1942 were as follows:

Political

Wehrwirtschaftsführer—Leader in the German War Economy.

Ratsherr d. Hansestadt Hamburg—Member of the Hamburg City Council.

Reichsgruppe Industrie (Reich Group for Industry)—Member of the advisory board.

Industrie und Handelskammer, Hamburg (Chamber of Industry and Commerce, Hamburg)—Member.

Fachuntergruppe Zigarettenindustrie in der Wirtschaftsgruppe Lebensmittel-industrie Berlin (Technical Subsection of the Cigarette Industry in the Economic Group for Food Industry)—Leader.

Banking

Deutsche Bank, Berlin—Director.

Deutsche Reichsbank, Berlin—Member of advisory board.

Industrial

Vereinigte Glanzstoff Fabriken A.G., Wuppertal Elberfeld (one of the largest individual rayon manufacturing concerns in Germany; also engaged in operation of chemical-producing plants; capital, in 1937, RM. 76,500,000; total assets in 1936, RM. 119,033,709; almost entirely owned by AEN Algemene Kunstzijde Unie N.V. Arnheim, Holland, which is in turn apparently controlled by the Deutsche Bank, Berlin)—Director.

H. F. & Ph. F. Reemtsma, Hamburg (a large cigarette producing company, a limited partnership with the three Reemtsma brothers as general partners; under the Nazis this firm obtained a cigarette monopoly in Danzig)—Owner.

HERMANN RÖCHLING

Hermann Röchling, one of the keymen in the Nazi war machine, is said to have been one of Hitler's strongest financial backers. He is a member of a powerful and active industrial family which controls an enormous sector of the Saar-Lorraine heavy industry and exerts considerable influence in other fields as well.

Röchling's long and devious industrial career attests the fact that his chief concern was that German industry remain paramount regardless of the government in power. During World War I, he took over the mines of Alsace-Lorraine and northern France and stole large quantities of machinery from the French factories, having first secured the consent of the Kaiser. After 1918 the highest French tribunal sentenced him and one of his brothers in absentia. However, the pressure of international business proved paramount and soon Röchling was again functioning in cooperation with his French and industrial friends, the brothers de Wendel.

Röchling is said to have participated in the construction of the Maginot Line and is alleged to have persuaded Hitler, Göring, and the German General Staff of the expediency of building the Westwall. Profits made by the Röchling companies in both these projects are reported to have been enormous. Subsequently, reconversion of the Maginot Line, undertaken between 1941 and 1943, was entrusted to the Röchling combine.

After the annexation of Alsace-Lorraine, Hermann Röchling was named a trustee of the Carlshuetten block of the Lorraine mining industry and thus shared in the spoils with Flick, Klöckner, Göring, and Stumm.

Röchling's support of the Nazi war machine has been further rewarded by his appointment to a number of honorary economic-political posts. He was instrumental in establishing the Moselle district group which absorbed and integrated the mines in that sector as well as the mines of Luxembourg and Westerwald. By the organization of such groups throughout Germany and occupied territory and through participation with the Flick steel combine, the Krupp Works, and several powerful ore magnates, Röchling successfully coordinated the activities of the iron and steel industry for the war effort. In May 1941, he was appointed one of the nine Pioneers of Labor by Hitler as a reward for distinguished service rendered to the Reich.

His connections, as of 1942, were as follows:

Political

Wehrwirtschaftsführer—Member of the Wehrwirtschaftsrat, known as the Military Economic Council.

Rüstungsrates—Member of the Armament Council within the Ministry for Armament and Munitions.

Wirtschaftsgruppe Eisenschaffende Industrie, Berlin (economic group, iron-producing industry)—Member of the advisory board.

Reichsvereinigung Eisen und Stahl (Reich union of the iron and steel industry, created in 1942 for the complete control of all iron and steel workers in the greater German Reich)—President.

Pioneer of Labor (special honor for distinguished service rendered to the Reich and conferred by Adolf Hitler).

Bezirkgruppe Südwest der Wirtschaftsgruppe Eisenschaffende Industrie, Saarbrücken (southwest regional group of the economic group of iron-working industries)—Leader.

Wirtschaftsskammer für den Bezirk Saarland-Pfalz (Economic Chamber for the District Saarland-Pfalz)—Leader.

Industrie und Handelskammer, Metz (Chamber of Commerce and Industry)—Leader.

Wirtschaftskammer Westmark, Saarbrücken (Westmark Economic Chamber, Saarbrücken)—Member of the advisory committee.

Verein Deutscher Ingenieure (Association of German Engineers)—Honorary member.

Verein Deutscher Eisenhüttenleute (Association of German Metallurgists)—Member of board of directors.

Kaiser Wilhelm Gesellschaft für Züchtungsersuchung, Müncheberg (Kaiser Wilhelm Society for the Study of Breeding)—Member of the administrative board.

Deutsche Museum, Munich (German Museum)—Chairman of board of directors.

Deutsche Akademie, Munich (German Academy)—Senator.

Bezirksgruppe Moselland der Wirtschaftsgruppe Eisenschaffende Industrie (district group Moselle of the economic group, iron-producing industry)—Leader.

Banking

Deutsche Reichsbank—Member of the advisory committee.

Landes-Ausschuss für des Saarland Dresdner Bank, Berlin (Saar District regional committee of the Dresdner Bank, Berlin)—Member.

Geb. Röchling Bank, Saarbrücken (has 11 branches; in July 1939 absorbed Treuhand und Kreditbank A. G.)—Partner.

Röchling & Co. Bank, Basle, Switzerland (established 1923)—Partner.

Röchling'sche Eisen- und Stahlwerke G. m. b. H., Völklingen (principal unit in Röchling combine; has capital of RM. 36,000,000)—Deputy manager.

Geb. Röchling Eisenhandelsgesellschaft, Ludwigshafen/Rhein (a Röchling company)—Partner.

Buderus'sche Eisenwerke A. G., Wetzlar (blast furnaces, cement factory; iron foundries for stoves, ovens, ore diggings, limestone quarry; in 1939 stock capital was RM. 26,000,000, total assets, RM. 45,112,668)—Director.

Stahlwerke Röchling-Buderus A. G., Wetzlar (steel mills; in 1939 capital was RM. 3,000,000; 50 percent owned by Buderus'sche Eisenwerke and 50 percent owned by Edelstahlwerk Röchling A. G., Völklingen)—Chairman of board of directors.

Saargruben A. G., Saarbrücken (operation and management of mines in the Saar; in 1937 capital was RM. 50,000,000; is wholly owned by the German Government)—Director.

Eisenwerk Gesellschaft Maximilianshütte, Rosenberg, Oberpfalz (iron works and foundries, in 1937 capital was RM. 26,250,000; is 80 percent owned by Mitteldeutsche Stahlwerke G. m. b. H. Riesa/Elbe, itself wholly owned by the Flick combine)—Director.

Continental Elektricitäts-Union A. G., Basle (electrical holding company; capital was 20,000,000 Swiss francs; is 70 percent owned by Preussische Elektricitäts A. G., Berlin, and its affiliated companies)—Member of executive committee.

Kraftwerke Wehrden G. m. b. H., Völklingen/Saar (steam power plant; in 1937 capital was RM. 2,000,000; is affiliate of Continentale Elektricitäts-Union A. G., Basle)—Director.

Heinrich Lanz A. G., Mannheim (tractors, threshing machines, etc.; in 1937 capital was RM. 2,000,000 and assets totaled RM. 28,350,642)—Director.

Hallesche Salzwerke und Chemische Fabrik Kalbe A. G., Calbe/Saale (salt and chemical works; in 1937 capital was RM. 2,925,000 and its assets totaled RM. 8,236,620)—Chairman of board of directors.

Boggererz A. G., Blumberg/Baden (extraction of ores in South Baden; in 1937 capital was RM. 2,000,000)—Director.

Brown, Boveri & Cie. A. G., Mannheim (production of electrical machinery and apparatus; in 1937 capital was RM. 12,000,000; affiliated with Brown, Boveri concern of Baden, Switzerland)—Director.

Allgemeine Baugenossenschaft 1904, Völklingen (building association)—Chairman of board of directors.

DR. KURT SCHMITT

Dr. Kurt Schmitt, Germany's insurance expert, belonged to that group of financial and industrial leaders who were in sympathy with the Hitler movement for some years prior to 1933. He achieved prominence in the Allianz insurance company (with which he had been associated even before World War I), and served in 1932 as chairman of the Reich Federation of Private Insurance companies. He did not begin his spectacular career which brought him fame as an industrialist and financier, however, until his appointment by Hitler as the Reich's Minister of Economics in June 1933, and his designation, several months later, as a party member.

Ministry of Economics.—It is reported that Schmitt had had some differences with Schacht in the Economics Ministry in 1934, and that for economic considerations had disapproved of the party's anti-Jewish measures. His public utterances, however, urged blind support of Hitler in 1933 and 1934. In his first public address, for example, he declared that "the great idea of New Germany was the 'leadership principle,'" and that, in his short period of cooperation with the Chancellor, realized what great future Germany had found in Adolf Hitler. It was, he added "not too much to demand that the German Nation should yield itself to his will."

During his year's service in the Economics Ministry, Schmitt had almost dictatorial powers over the entire commercial and financial system of Germany. He may be credited with the plan for the organization of all branches of German economic life into the 12 industrial groups which have so successfully intensified their productive efforts in behalf of the Nazi Government. He retired from this post in 1934.

Activities in insurance and industry.—Schmitt continued to serve the Reich in financial and economic fields and gained even greater prominence. Since 1938 he has acted as president of the Münchener Rückversicherungs Gesellschaft. This organization, under his guidance, took the lead in penetrating the insurance business of occupied countries and in forming the so-called Munich Pool which all European insurance companies were obliged to join. Schmitt also became head of AEG and Deutsche Continental Gas Gesellschaft, and for some time has been regarded as a representative of the iron and steel industry. In addition he held such political posts as General Counsel for Economic Affairs, vice chairman of the Berlin Chamber of Commerce, and in 1943 presided over the Inter-European Insurance Conference at Budapest.

His financial and commercial connections are the following:

Political

Wehrwirtschaftsführer—Director of Economic Defense.

Reichsversicherungsausschuss (Reich Minister of Economics created, by decree of December 29, 1939, this organization to act in an advisory capacity to the Minister on insurance problems)—Deputy chairman.

Akademie für Deutsches Recht (Academy of German Law)—Member.

Ausschuss für Beamtenrecht—Member of committee for rights of employees).

Ausschuss für Finanz- und Steuerrecht—Member of committee for finance and taxes.

Zentralausschuss der Deutschen Reichsbank, Berlin—Member of control committee of Deutsche Reichsbank.

Insurance

Münchener Rückversicherungs-Gesellschaft, München (largest reinsurance company in the world)—Chairman of executive committee.

Allianz Versicherungs-A. G., Berlin (together with the Münchener Rückversicherungs-Gesellschaft, München, dominates German insurance through the Allianz Konzern)—Deputy chairman of board of directors.

Allianz Lebensversicherungs-Gesellschaft A. G., Berlin (insurance; 30 percent owned by Allianz Versicherungs A. G.)—Chairman of the board of directors.

Bayerische Versicherungsbank A. G., München (affiliate of Münchener Rückversicherungs-Gesellschaft, München)—Director.

Frankfurter Versicherungs-A. G., Frankfurt/Main (Allianz Versicherungs A. G., and Münchener Rückversicherungs-Ges., Berlin, hold substantial interest)—Director.

Karlsruher Lebensversicherung A. G., Karlsruhe (life insurance)—Director.

Kraft Versicherungs-A. G., Berlin (Allianz Versicherungs A. G. and Münchener Rückversicherungs-Gesellschaft hold substantial interests)—Director.

La Pace, S. A. Assicurazioni e Riassicurazioni, Mailan (insurance and reinsurance)—Deputy chairman of board of directors.

Wiener Allianz, Versicherungs-A. G., Wien (Austrian branch of the Allianz Konzern)—Deputy chairman of the board of directors.

Erste Allgemeine Unfall- und Schadens-Versicherungs-Ges., Wien (casualty and accident)—Director.

Pilot Reinsurance Co. of New York, N. Y.—Director.

Industrial

Allgemeine Elektrizität-Gesellschaft (AEG), Berlin—Chairman of the board of directors.

Deutsche Continental Gas Gesellschaft, Dessau (construction and management of gas plants)—Chairman of the board of directors.

Gewerkschaft Westfalen, Aheln (coal and coke, subsidiary of Deutsche Continental Gas Gesellschaft, Dessau)—Chairman of management committee.

Süddeutsche Zucker-A. G., Mannheim (manufacture and sale of sugar, etc.; Gruppe Deutsche Bank und Disconto-Gesellschaft; Gruppe Flegelheimer; Gruppe Dr. Scatesi Padua)—Director.

Essener Steinkohlenbergwerke A. G., Essen (coal affiliate of Vereinigte Stahlwerke)—Director.

Aktienbrauerei zum Lowenbrau, Munchen (brewery)—Deputy chairman of the board of directors.

DR. HERMANN SCHMITZ

Hermann Schmitz, one of the most important persons in Germany, has achieved outstanding success simultaneously in the three separate fields, industry, finance, and government, and has served with zeal and devotion every government in power. He symbolizes the German citizen who out of the devastation of the First World War made possible the Second. Ironically, his may be said to be the greater guilt in that in 1919 he was a member of the Reich's peace delegation, and in the 1930's was in a position to teach the Nazis much that they had to know concerning economic penetration, cartel uses, synthetic materials for war, etc.

Industry.—Schmitz, the finance king of Germany's greatest corporation, I. G. Farben, first became associated with industrial enterprises after the First World War. Since the 1920's he has served in the management of Vereinigte Stahlwerke and I. G. Farben, and is almost entirely responsible for the remarkable progress and expansion of I. G. Farben in Germany and abroad. In 1930, for example, at a time of great crisis, he was able to unite the explosives industry of 10 European countries into a European Explosives Convention of which he was president until the outbreak of war. He conceived the plan for economic penetration to the end that sons and family members of I. G. Farben executives should emigrate to other countries and become citizens in order to protect the company's foreign interests during wartime. His own brother, Dietrich Schmitz, became a naturalized American citizen and head of I. G. Farben's American subsidiary, General Aniline & Film Corp.

Finance.—Initially a banker, Schmitz's career was temporarily halted by his war service in 1914. Since the 1920's, however, he has been a member of the central committee of the Reichsbank, and recently served as director of the Bank for International Settlements, of which the Reichsbank was a founding member.

He is a reparations expert, has participated in bankers' discussions regarding credits to Germany, and has presented an original plan concerning the issuance of currency and the extension of credits.

Government.—During the First World War Schmitz served for a year as economic adviser to the Ministry of the Treasury. He has continuously served in an advisory capacity to the heads of the governments of Germany. He was a member of the Economic Advisory Board and Minister of Economics in the Von Hindenburg Cabinet. Later he served as economic adviser to Chancellor Bruening. Schmitz is one of the early supporters of Hitler and collaborated with the Nazi Party in making I. G. Farben a vast spying organization. Actually, many I. G. Farben officials became intimately associated with the movement and many received important political appointments. Schmitz, himself, was named a member of the Hitler-appointed Reichstag and a Leader in the War Economy (Wehrwirtschaftsfuehrer).

Now 64 years of age, Schmitz may be regarded as a triple threat in Germany, where he achieved remarkable industrial and political collaboration, and abroad, where he achieved economic penetration.

GEORGE VON SCHNITZLER

George von Schnitzler, a prominent member of the management committee of the I. G. Farbenindustrie, has been identified with the Nazi Party since its beginning.

He represented I. G. Farben at the meeting of February 1933 when the big German industrialists agreed to finance Hitler's election for the office of Chancellor. As a result of a later meeting held in Goering's palace in 1934, von Schnitzler is said to have contributed R.M. 1,000,000 to the party and to have launched Goering upon his career in the Third Reich.

In addition to his connection with I. G. Farben and with its subsidiary companies, von Schnitzler has held a number of political posts. He has served as deputy leader of the economic group of the chemical industry in Berlin and as a member of the management group of the Committee for Industrial Propaganda.

Von Schnitzler is connected both with the Nazi Party and the Farben interests by personal as well as official ties. He is a nephew of Dr. von Rath, the founder of the Farben interests. His cousin, William von Meister, was formerly an executive of General Aniline & Film Corp. His daughter married Dr. Herbert Scholz, an outstanding Nazi, who was one of the first secretaries in the German Embassy in Washington and Consul General in Boston until his deportation from the United States in 1941.

Early in 1944 von Schnitzler was reported to be in Spain arranging for an expansion of Farben interest in that country.

Von Schnitzler's political, banking, and industrial connections were reported as follows in 1942:

Political

Wirtschaftsgruppe Chemische Industrie, Berlin (Economic Group for Chemical Industry)—Deputy leader.

Ausschuss für Industrielle Wirtschaftswerbung (Committee for Industrial Propaganda)—Member of management committee.

Werberat der Deutschen Wirtschaft, Berlin (National Advertising Council of German Economy)—Member.

Banking

Frankfurt-Hessischer Beirat der Deutschen Bank, Berlin (Frankfurt-Hesse Committee of the Deutsche Bank)—Member.

Industrial

I. G. Farbenindustrie A. G., Frankfurt am Main—Member of management committee.

Kalla & So., A. G., Wiesbaden-Diebrich (photographic supplies, subsidiary of I. G. Farben)—Director.

Ala-Anzeigen A. G., Berlin (all kinds of advertising; Cura Revisions u. Treuhand G. m. b. H. of Berlin and Cautio Treuhand G. m. b. H. of Berlin hold about 92 percent of the capital)—Director.

Chemische Werke Aussig-Falkenau G. m. b. H., Aussig (chemicals)—Director.

KURT VON SCHROEDER

Kurt von Schroeder, Germany's outstanding private banker and partner of the Cologne banking house, J. H. Stein, since 1921 is closely identified with a number of powerful industrial combines. So concerned was he with the success of these war-making industrial interests that within a decade he made two attempts to gain political support for their protection.

After the last war he was one of the chief backers of the Rhineland separatist movement which had as its objective the preservation of the armaments industry which could not legally function within Germany itself. This movement failed and von Schroeder together with his partners waited for another opportunity, to expand their heavy industry. Hitler was their magnificent opportunity, and von Schroeder took advantage of the German crisis of 1933. He arranged a meeting in his own home of van Papen, von Hindenburg, and Hitler, in an effort to unify the various industrial and political factions. This meeting led to Hitler's subsequent appointment as Chancellor. Von Schroeder and the Nazi Party were mutual beneficiaries of this close association: von Schroeder gained industrial power and political prestige and the party acquired financial and industrial support.

After the Nazis gained control of the Government, von Schroeder became a leader of the Private Bankers Group, adviser to the Reichsbank, and its representative on the directorate of the Bank for International Settlements. In

return he developed the pattern for the penetration of German banking into the financial institutions of occupied Europe, and was among those responsible for the integration of banking facilities with industry for the benefit of the Nazi political machine. He was also appointed by Himmler as SS Senior Group Leader and became increasingly popular by generally appearing in public in his Elite Guard uniform.

In addition to his other activities, von Schroeder appears to have been active in the dissemination of Nazi propaganda. Following the German surrender, Allied authorities discovered a propaganda press in the von Schroeder home in Cologne.

Von Schroeder, now 56 years of age, has been a dominant power in financial, industrial, and political groups for 20 years. Moreover, his influence is said to be exerted outside the Reich as well as in Germany proper, and he is reported to have been instrumental in bringing Laval to power in Vichy.

Kurt von Schroeder's known connections are as follows:

Political

Swedish Consul General.

International Chamber of Commerce—Member of administrative committee.

Gau Economic Chamber of Cologne—President.

Council of Reich Post Office—Member of advisory board.

German Industrial and Commerce Assembly—Presiding member.

Reich Board of Economic Affairs—Member.

Deutsche Reichsbahn—President of administrative board.

Trade Group for Wholesale and Foreign Trade—Manager.

Akademie für Deutsches Recht (Academy of German Law)—Member.

City of Cologne—Councilor.

University of Cologne—Member of board of trustees.

SS Senior Group Leader.

Iron Cross of First and Second Class.

Kaiser Wilhelm Foundation—Senator.

Advisory Council of German-Albanian Goods Clearing Bureau—Member.

Working Committee of Reich Group for Industry and Commerce—Deputy chairman.

Banking

Deutsche Reichsbank, Berlin—Adviser to board of directors.

Wirtschaftsgruppe Private Bankgewerbe—Leader.

Deutsche Verkehrs-Kredit-Bank, A. G., Berlin (controlled by Deutsche Reichsbahn)—Chairman of board of directors.

Bank for International Settlements—Member of the directorate.

J. H. Stein & Co., Cologne—Partner (Banque Worms was French correspondent).

Deutsche Ueberseesische Bank (controlled by Deutsche Bank, Berlin)—Director.

Insurance

Colonia Kölnische Versicherung A. G., Cologne (fire and casualty insurance; Aachener und Munchener Feuer Versicherung-Gesellschaft, Aachen, has 27 percent participation, and Rückversicherung Aktiengesellschaft Colonia, Köln, has 25 percent participation; Robert Pferdmenes of Oppenheim & Cie., and Felix Theusner of Deutsche Bank, on directorate)—Director.

Concordia Lebensversicherungs A. G., Cologne (life insurance; Die Kölnische Rückversicherung-Gesellschaft has 90 percent participation; Robert Pferdmenes on board of directors)—Director.

Kölnische Rückversicherungs-Gesellschaft, Cologne (reinsurance of all kinds, domestic and foreign; Colonia Kölnische Feuer und Kölnische Unfall Versicherung A. G., Cologne, has 40 percent participation and International Allgemeine Versicherung A. G., Stetten, has 40 percent participation; Robert Pferdmenes on directorate)—Director.

Industrial

Rheinisch-Westfälische Industriebeteiligungs A. G., Mulheim/Ruhr—Director.

Iron and steel.—Mitteldeutsche Stahlwerke A. G., Riesa/Elbe (iron, steel, and rolling mills; Friedrich Flick Kommanditgesellschaft, Berlin, has 100 percent participation)—Director.

Adlerwerke A. G., Frankfurt-am-Main (machinery; through board of directors connected with Flick combine, I. G. Farben, and Siemens-Schuckertwerke)—Deputy chairman of advisory board.

Manufacturing.—Felten und Guillaume Carlswerk A. G., Cologne/Mulheim (wire industry; subsidiary of Arbeit Konzern, Luxembourg)—Head of advisory board.

Rheinische Zellwolle A. G., Siegburg, Cologne (textile thread; J. H. Stein aided establishment of firm)—Head of advisory board.

Vereinigte Glanzstoff Fabrik, Wuppertal/Barmen (AKU (Algemeene Kunstzijde Unie N. V., Arnheim, controlled) production of rayon and other synthetic fibers)—Director.

Mitropa (Mitteleuropäische Schlafwagen und Speiswagen A. G., Berlin) (sleeping cars; controlled by Deutsche Reichsbahn)—Head of advisory board.

Mining and coal production.—Rheinische A. G. für Braunkohlenberg-Bau und Brikettfabrikation, Cologne (lignite, mining, and briquets, acquisition and sale of mining companies; Friedrich Flick and Fritz Thyssen are on board of directors Braunkohlenberg-Bau and Briketwerke Roddergrubbe A. G.)—Deputy chairman of advisory board.

Braunköhlen Benzin A. G., Berlin (production of fuel and lubricants; I. G. Farben aided in the establishment of company and Grube Leopold A. G. has an interest)—Director.

Harpener Bergbau A. G., Dortmund (coal mining, coke, etc.; Eisenberg-Gesellschaft Maximilanshütte has participation; Friedrich Flick, Robert Pferdmenges, also Oscar Schlitter, of Deutsche Bank, on board of directors)—Director.

Union Rheinische Braunköhlen Kraftstoff A. G., Cologne (coal products)—Director.

Chemical products.—Guane Werke A. G., Hamburg (fertilizers and chemical products of all types)—Director.

Public utilities

C. Lorenz A. G., Berlin (manufacture and trading of telephone and telegraph apparatus, etc.; International Telephone & Telegraph Co., New York, has participation)—Director.

Mix & Genest A. G., Berlin (telephone, telegraph, etc., apparatus; Standard Elektricitäts Aktiengesellschaft has 94 percent participation)—Director.

Standard Elektricitätswerke A. G., Berlin (company participating in financing electrical companies as well as engaging in companies producing high and low voltage; International Telephone & Telegraph has participation)—Director.

Explosives

Dynamit A. G., Troisdorf (explosives; an affiliate of I. G. Farben)—Director.

Construction

Gemeinnützige A. G. für Wohnungsbau, Cologne (leasing and construction of small dwellings; State of Cologne has 50 percent participation)—Director.

Boswau & Knauer A. G., Berlin (construction company; J. H. Stein on board of directors)—Deputy chairman of advisory board.

HERMANN VON SIEMENS

Hermann von Siemens, a director of the Deutsche Bank, is closely identified with the giant Siemens electrical concern. He is one of Germany's most important industrialists. He has limited his industrial interests exclusively to the institutions owned and managed by the Siemens concern, and in these he holds only three official positions, namely, the board chairmanships in Siemens & Halske A. G., Siemens Planawerke, and Siemens-Schuckertwerke. Both Siemens-Schuckert and Siemens & Halske have interlocking directorships with Vereinigte Stahlwerke, often referred to as the German Steel Trust.

Hermann von Siemens is named as one of the most notorious industrial backers of the Kaiser's bid for world conquest. He belonged to the Hindenburg committee and was one of the German capitalists who financed Hindenburg's election campaign. He is also listed as one who financed Hitler, helped to build the war machine, and advanced the Nazi cause in the economic penetration into one European country after another. This is further indicated by the fact that in 1935 Siemens received formal Nazi indoctrination in a labor camp, following which Hitler visited Siemensstadt and addressed the workers. As a result, the company began to receive vast orders from the Government and cooperated closely with the party.

Hermann von Siemens had the following financial and industrial connections in 1942:

Banking

Deutsche Bank, Berlin—Director.

Industrial

Siemens & Halske A.G., Berlin (this company, which had a capital of RM. 107,000,000 in 1938 and RM. 400,000,000 in 1942, challenges the position of the General Electric Co. as the largest manufacturer of electrical equipment in the world; the German Government has delegated to this company the responsibility for supplying within Germany the major share of the electrical requirements of the German war machine; the company also rates as Germany's third largest producer of airplane motors; it is affiliated with numerous enterprises in Germany as well as in France, Japan, Italy, England, Greece, Czechoslovakia, and South America and has sales organizations on all the five continents; since 1930 the subsidiaries have had more independence and the parent company has taken on the features of a holding company; Siemens has always had strong connections with the banks particularly through the Electrische Licht und Kraftanlagen A.G., a public utility holding company).

Siemens Planiawerke (engaged primarily in the production of carbon and graphite electrodes and alloy products; its capital which, as of 1937, was RM. 18,000,000, was 66½ percent owned by Siemens & Halske)—Chairman of board of directors.

Siemens-Schuckert Werke (this RM. 120,000,000 company is another major entity in the Siemens combine; it has extensive international agreements in which such companies as Westinghouse Electrical Manufacturing Co., of New York, and Brown Boveri & Cie., of Switzerland, participate. It is controlled by Siemens & Halske A. G.)—Chairman of board of directors.

DR. HEINRICH VON STEIN

Dr. Heinrich von Stein is the owner of the private banking house of J. M. Stein, Cologne, in which Kurt von Schroeder, a prominent member of the Nazi Party, is a partner.

That Stein, as well as his partner Schroeder, was an active Nazi is indicated by the fact that Stein was a director of Preussengrube A. G., an affiliate of Reichswerke A. G. für Berg- und Hüttenbetriebe "Hermann Göring." In 1938, Stein was also on the executive council of the board of directors of Vereinigte Stahlwerke A. G., Düsseldorf, the giant steel cartel, as well as a director of numerous other companies in the industrial, utility, and banking fields.

During the First World War, as evidence of his support of the German cause, he received a number of honors, included among which were the Iron Cross II and the Service Cross. He figured prominently in the Rhenish separatist movement. This movement proposed to establish a separate State which could evade Allied control and the required dismantlement of these factories concentrating on war manufactures. Stein and other leading industrialists hoped thus to acquire a free hand to do as they wanted with their plants. Stein, in furtherance of this objective, publicly addressed one of the first separatist mass meetings.

When the successful accomplishment of this plan appeared hopeless the bankers and industrialists abandoned it and instead gave their support more completely to Hitler and the Nazi movement.

They then began to operate their war factories, first secretly and intensively, and later for the rearmament of Germany. Among the active participants who worked intimately with Hitler to support him in his rise to power, Baron Kurt von Schroeder, the other major partner in the Stein Bank, and Stein's associate, representing the industrialists and their financiers; Count von Alvensloben, who represented the Junkers, and was closely tied up with the heavy industrialists of the Ruhr; and Franz von Papen, standing for various militaristic groups. From 1933 on, the interest of the Rhineland industrialists and those of the Nazi regime were inextricably interwoven.

Dr. Stein's financial, business, and professional connections are reported to be as follows:

Banking

J. R. Stein, Cologne (the leading bank of German heavy industry)—Stein is one of the two senior partners.

Commerzbank A. G., Hamburg and Berlin—Director.

Deutsche Schiffsbeleihungsbank, A. G., Hamburg—Director.

Rheinisch-Westfälische Boden-Credit-Bank, Cologne—Deputy chairman of the advisory board.

Rheinisch-Westfälische, "Revision" Treuhand, A. G., Cologne—Deputy chairman of the advisory board.

Utilities

A. G. für Energiewirtschaft, Berlin—Director.

Elektrizitäts-A. G., formerly W. Lahneyer & Co., Frankfurt am Main—Director.

Rheinische Energie A. G., "Rhenag," Cologne—Director.

Insurance

Concordia Lebensversicherungs, A. G., Cologne (life insurance)—Director.

Kölmische Glasversicherungs, A. G., Cologne (glass insurance)—Director.

Industrial

Iron foundries, coal mines, and mining.—Eisen- und Hüttenwerke A. G., Cologne—Director.

Eisenwerk-Gesellschaft Maximilianhütte, Rosenberg, Oberpfalz—Director.

Essener Steinkohlenbergwerke A. G., Essen—Director.

Klöckner-Werke A. G., Rauzel—Director.

Stolberger Zink A. G. für Bergbau und Hüttenbetrieb, Aachen—Director.

Steel works.—Mitteldutsche Stahlwerke A. G., Berlin—Deputy chairman of the advisory board and director.

Vereinigte Stahlwerke A. G. Düsseldorf—Director.

Waggon- und Maschinenfabrik A. G., formerly Busch, Bautzen (railroad car and machine works)—Director.

Miscellaneous

Mansa-Mühle A. G., Hamburg (animal and vegetable oil, flour, etc.)—Director.

Hotelbetriebs, A. G., Berlin (hotel management)—Director.

Persieche Teppich Gesellschaft A. G., Berlin (rugs and carpets)—Chairman of the board of directors.

Harpener Bergbau A. G.—Director.

Professional

Member of the central committee of the Reichsbank, Berlin.

Member of the curatorium of the University of Cologne.

Member of Kaiser Wilhelm Association for the Advancement of Science.

Member of the Association for Advancement of the Institute for Sea Transport and World Economy.

Member of the Society of Friends and Promoters of University of Cologne; Cologne Club; German Automobile Club; Rotary Club, and others.

PAUL STEIN

Paul Stein, who today is prominently connected with several I. G. Farben subsidiaries and affiliates, was one of the initial promoters of Hitler. He was an active member of the Deutsch-Nationale Volkspartei which was instrumental in putting Hitler into power.

Paul Stein was present at the famous meeting held in February of 1933 at the home of the president of the Reichstag, and attended by some 20 prominent German industrialists and bankers such as Krupp von Bohlen, Schacht, Vogler, Carl Bosch, and Georg von Schnitzler. Hitler spoke at this meeting and told of the alliance which his party had made with the Deutsch-Nationale Volkspartei mentioned above. The audience was sufficiently impressed to raise a large sum of money which was used to elect Hitler to the office of Chancellor, an important stepping stone in his rise to power.

Paul Stein is an important official of the Gewerkschaft Auguste Victoria, a mining company which belongs to I. G. Farbenindustrie, as well as of the Rheinische Stahlwerke, a very large steel corporation which is 47.7 percent controlled by I. G. Farbenindustrie. He is also connected with the Gesellschaft für Teerwertung m. b. H., an affiliate of Vereinigte Stahlwerke.

Stein is connected with the Deutsche Bank, Berlin, by membership on its Rheinisch-Westfälischer advisory board. His semiofficial positions comprise membership on the advisory board of the Economic Chamber for Westphalia and Lippe, and the vice presidency in the Chamber of Commerce and Industry of Münster.

Paul Stein's semiofficial, banking, and industrial connections as of 1942 were follows:

Semiofficial

Wirtschaftskammer für Westfalen und Lippe, Dortmund (Economic Chamber for Westphalia and Lippe)—Member of the advisory board.

Industrie- und Handelskammer, Münster (Chamber of Commerce and Industry)—Vice president.

Banking

Rheinisch-Westfälischer Baurat Essen der Deutschen Bank, Berlin (Rheinisch-Westphalian Committee of Deutsche Bank)—Member of the committee.

Industrial

Rheinische Stahlwerke, Essen (steel works, incorporated; capital, RM. 150,000,000; I. G. Farbenindustrie holds 47.7 percent shares; Gruppe Krawehl-Waldthausen, Essen, is also a large stockholder)—Director.

Dorstener Eisengiesserei- und Maschinenfabrik A. G., Harvest-Dorsten (iron foundry and machine building)—Deputy chairman of the advisory board.

Gerwerkschaft Auguste Victoria, Marl-Büls (mining corporation; 91 percent interest held by I. G. Farben-industrie)—Substitute chairman of the mine management committee.

Gesellschaft für Teerverwertung m. b. H., Duisburg (company for extraction for tar; Vereinigte Stahlwerke A. G. holds 35.51 percent interest)—Director.

A. Riebeck'sche Montanwerke A. G., Montanwerke A. G., Halle/Saale (mining corporation; Rheinisch Stahlwerke (see above) holds 88.2 percent interest)—Director.

Gewerkschaft Stein V., Marl/hülz (mining company).—Substitute chairman of the mine management committee.

Miscellaneous

Finanzausschuss Dr. C. Otto & Co., Bochum (finance committee)—Chairman, Zulassungs- und Prüfungsstelle für Öffentlich Bestellte Wirtschaftsprüfer, München (admission and examining bureaus for licensed public accountants)—Chairman.

HUGO STINNES

Hugo Stinnes, known until his death in 1924 as the coal king of Germany, was one of the industrialists who gave strong backing to the imperialistic schemes of the Kaiser's Government during World War I, and who after the defeat of 1918 played an active part in the initial phase of rallying the forces of German reaction for a second attempt at world domination. Following his death, his sons, led by Hugo Stinnes, Jr., took over the management of his vast industrial interests and continued their father's policy of supporting reaction and militarism in Germany.

In 1919 Stinnes joined a number of other prominent industrialists in founding the Anti-Bolshevik League. He is said to have supported a number of such organizations and to have maintained close relations with the political henchmen whom he selected as his front in these activities. It is reported that in the years 1920-23 Stinnes contributed large sums of money to totalitarian movements in Germany and that the Nazis were one of the groups which he favored most.

It was Hugo Stinnes' sons and heirs who in 1925 furnished the money to convert the Nazi weekly publication, the Volkische Beobachter, into a daily newspaper. As already pointed out, the principal successor to the elder Stinnes was Hugo Stinnes, Jr., who is today, like his father before him, an important figure in the German coal industry. In 1942 the commercial and industrial affiliations of Hugo Stinnes, Jr., were as follows:

Industrial

Gewerkschaft Mathias Stinnes, Essen (coal mines)—Chairman of mining committee.

Math Stinnes G. m. b. H., Mülheim/Ruhr (coal mines; affiliated with Gewerkschaft Mathias Stinnes and Mülheimer Bergwerks-Verein)—Chairman of mining committee.

Gewerkschaft Diergardt-Mevisson I-III, Rheinhausen-Mochemmerick (coal mines; subsidiary of Mülheimer Bergwerks-Verein)—Chairman of mining committee.

Mülheimer Bergwerke-Verein, Essen (coal mines—subsidiary of Gewerkschaft Mathias Stinnes)—Chairman.

Rheinische-Westfälisches Kohlen-Syndikat, Essen (coal association of which Vereinigte Stahlwerke is the principal member)—Director.

Ruhrgas A. G., Essen (fuels; subsidiary of Rheinisch-Westfälisches Kohlen-Syndikat, Essen, in which Vereinigte Stahlwerke, Krupp, Stinnes, etc., are interested)—Director.

Steinkohlen-Elektrizitäts A. G., Essen (electric energy for mines owned by the members of the Rheinisch-Westfälisches Kohlen-Syndikat)—Director.

Atlantic Hotel A. G., Hamburg (hotel management)—Chairman.

Hamburger Hof A. G., Hamburg (hotel management)—Chairman.

Hotel Nassauer Hof A. G., Wiesbaden (hotel management)—Chairman.

Kohlen-Import und Poseidon Schifffahrt A. G., Königsberg/Pr. (coal import and transportation; subsidiary of Hugo Stinnes firm)—Chairman.

"Midgard," Deutsche Seeverkehrs A. G., Nordenham (sea transportation and herring fisheries)—Chairman.

Rheinisch-Westfälische Bergwerks G. m. b. H., Mülheim/Ruhr (mining)—Chairman.

Vereinigte Berliner Kohlenhändler A. G., Berlin (wood, coal, and coke)—Chairman.

Norddeutsche Oelmühlenwerke A. G., Hamburg-Altona (oils and fats)—Chairman.

Glaswerke Ruhr A. G., Essen (glass)—Chairman.

Preussisch-Rheinische Dampfschiffahrts-Gesellschaft, Cologne (transportation on the Rhine and tributaries)—Chairman.

Hugo Stinnes Reederei A. G., Hamburg (sea transportation)—Chairman.

Dampfschiffahrts-Gesellschaft für den Nieder- und Mittelrhein, Düsseldorf (transportation on the Rhine)—Director.

"Eisenhof" A. G. für Eisen-Röhren- und Metallhandel, Mannheim (tubes, pipes)—Chairman.

Ruhröl A. G., Mülheim (oil)—Chairman.

Atlas-Werke A. G., Bremen (machinery)—Deputy chairman.

Felbmühle Papier- und Zellstoffwerke A. G., Stettin-Odermünde (paper and related products)—Deputy chairman.

Generatorkraft A. G. für Tankholz und Andere Generatorkraftstoffe, Berlin (wood-burning generators for automobiles)—Director.

Steinkohlen-Elektrizitäts A. G., Essen (STEAG) (an affiliate of Bergbau A. G., Ewald-König Ludwig which is affiliate of Reichswerke A. G. für Berg- und Hüttenbetriebe "Hermann Göring")—Director.

WILHELM TENGELMANN

Wilhelm Tengelmann joined the Nazi Party in 1930 and has been a very prominent and active member. In 1933 he became an SS leader and representative of the President of the Prussian Ministry on economic matters. Apparently he has maintained these connections for he is still an SS leader and confidential adviser of the Prussian Prime Minister in the legal committee. He is also a Leader of the War Program (Wehrwirtschaftsführer).

Wilhelm Tengelmann is extremely prominent in the coal industry, in which he has innumerable semiofficial and industrial connections. His other industrial interests include enterprises in the shipping, locomotive, fuel, and chemical fields. In all, he has some 80 activities of a widely diversified nature; and the list of his official connections include firms affiliated with I. G. Farben, Vereinigte Stahlwerke, and the Flick combine.

Tengelmann is a director of the Commerz Bank A. G., Berlin and a deputy chairman of the advisory board and a member of the auditing committee of the Deutsche Industriebank, Berlin. The latter is Reich-controlled and financed the war effort.

In addition to these German affiliations, Tengelmann has extensive connections in foreign countries, and is well-known in international industrial and financial circles.

As of 1942 he had the following connections:

Political

Leader of the Economic Warfare Program (Wehrwirtschaftsführer).

SS Leader.

Mining committee of the Essen Labor Board—Member.

Westfalian-North Labor Board at Münster—Member.

Committee of the German Chamber of Commerce in Switzerland—Member.

Labor committee on mining industry of the German Labor Front—Member.

Labor committee of the National Industrial Union II, Mining, German Labor Front (Arbeitsausschuss der Reichsbetriebsgemeinschaft II, Bergbau, Deutsche Arbeitsfront Gelsenkirchen)—Member.

Reich efficiency committee, Berlin—Member.

Reichsgruppe Industrie, Berlin (Reich Group for Industry)—Member.

Reichswirtschaftskammer, Berlin (Reich Economic Board)—Member of the Military Economic Council and Committee for Personnel Training and Efficiency.

Confidential adviser of the Prussian Prime Minister in the Legal Committee (Vertrauensmann der Preussischen Ministerpräsidenten in Juristischen Ausschuss).

German Labor Front—Deputy administrator of the district plant community.

Personnel committee of the Reich Coal Association—Member.

Committee on syndicate problems of the Reich Coal Association—Deputy chairman and member of the presiding council.

Association of German miners—Member of the management committee.

District group for Ruhr mining of the Wirtschaftsprüfungsgesellschaft Bergbau—Member of the advisory board.

Union for Promotion of Scientific Mining Research—Member of the advisory board.

Dortmund Head Mining Bureau, Westphalian Division of Mining Committee—Member.

Advisory committee of mining experts of the Trustees of Labor for Westphalia—Member.

Association for Mining Interests (Verein für die Bergbaulichen Interessen, Essen)—Deputy chairman and member of business committee.

Wirtschaftsgruppe Kraftstoffindustrie, Berlin (Wirtschaftsgruppe for motor fuel)—Member of the advisory board.

Buhrverband Essen (Essen-Ruhr Association), Essen (activity unknown)—Member of the management committee.

Industrie- und Handelskammer, Munster (Chamber of Commerce and Industry)—Member of the advisory board.

Banking

Commerzbank A. G., Berlin—Director.

Deutsche Industriebank, Berlin (Reich-controlled; finances war effort)—Deputy chairman of the advisory board and member of the auditing committee.

N. V. Maatschappij Algemeen Beheer (Dutch Trust Company)—Deputy chairman of the advisory board.

Industrial

Coal and byproducts.—Hydrierwerk Schelven A. G., Gelsenkirchen-Buer (production of benzine from coal)—Chairman of the board of directors.

Oberbayerische A. G. für Kohlenbergbau (Upper Bavarian Corporation for Coal Mining), Munich—Chairman of the board of directors.

Rheinisch-Westfälisches Kohlen-Syndikat, Essen (VS affiliate)—Deputy chairman of the advisory board and member of several committees.

A. G. der Kohlenwertstoff-Verbünde (coal processing association), Bochum—Chairman of the board of directors and of presiding board.

Bergwerksverband zur Verwertung von Schutzrechten der Kohlentechnik G. m. b. H., Dortmund Eving (mining association for the sale of patents relating to coal)—Director.

Steenkolen-Handelsvereniging, Utrecht (coal trading association)—Director.

Steinkohlen-Elektrizitäts A. G., Steag., Essen (coal-electric corporation)—Director.

Wasserwerk für des Nördliche Westfälische Kohlenrevier, Gelsenkirchen (waterworks for north Westphalian coal region)—Director.

Kohlen- und Briкетwerke A. G., Basel—Chairman of the executive committee.

Oberrhein Reederei u. Kohlenhandels A. G., Basel (freighting and coal trading)—Chairman of the executive committee.

Kaiser Wilhelm Institut für Kohlenforschung, Mülheim-Ruhr (institute for coal research)—Member of the Executive Committee.

Deutsche Kohlenhandelsgesellschaft Luders, Moentze & Co., Bremen (coal trading)—Chairman of the advisory board.

M. Stromeyer Kohlenhandelsgesellschaft m b H., Mannheim (coal trading)—Chairman of the advisory board.

Westfälische Kohlenverkaufsgesellschaft Vollrathe, Weck und Co., Berlin (company for the sale of coal)—Chairman of the advisory board.

Wining.—Bergwerksgesellschaft Hibernia A. G., Herne Westfalen (mining company controlled by State)—Chairman of the management committee.

Westfälische Berggewerkschaftskasse, Bochum—Member of the management committee.

Preussische Bergwerke- und Hutten A. G., Berlin (mining and smelting company owned by the State)—Director.

Saargruben-A. G., Saarbrücken (mines owned by State)—Member of the board of directors.

Utrecht "Meibe" (Gesellschafterversammlungen der Zechenvereinigung Malbe) (association of mining companies)—Deputy chairman of the advisory board.

Montan-Revisions G. m. b. H., Essen (mining auditing)—Member of the advisory board.

Chemicals.—Chemische Werke Hüls G. m. b. H., Marl—Chairman of board of directors.

Henkel & Cie. A. G., Düsseldorf (connected with I. G. Farben)—Chairman of the board of directors, chairman of the advisory board, and member of the personnel committee of the board of directors.

Stickstoffwerke Ostmark A. G., Berlin—Deputy chairman of the advisory board.

Stickstoff-Syndikat G. m. b. H., Berlin—Member of the executive committee.

Shipping.—Rheinschiffahrt A. G., vorm. Fendel, Mannheim—Chairman of the board of directors.

Bremen-Mindener Schifffahrt A. G., Bremen—Director.

Deschimag-Deutsche Schiff- und Maschinbau A. G., Bremen (ship and machine construction)—Director.

Badische A. G., für Rheinschiffahrt und Seetransport, Mannheim—Chairman of the board of directors.

Locomotives and airplanes.—Wiener Lokomotiv-Fabrik A. G., Vienna—Deputy chairman of the advisory board.

Henschel Lokomotiv-Fabrik, Kassel—Member of the executive committee.

Henschel & Sohn G. m. b. H., Kassel—Member of the advisory board.

Henschel-Kenzern—Member of the personnel committee.

Henschel-Flugsoug-Werke A. G., Berlin—Deputy chairman of the advisory board.

Henschel-Flugmotorenbau G. m. b. H., Kassel—Chairman of the advisory board.

Fuels.—Rütgerswerke A. G., Berlin (petroleum)—Director, member of the presiding board.

Ruhrgas A. G., Essen (VS affiliate)—Director, member of labor and shareholders' financial committee.

Miscellaneous

Reismann-Grene G. m. b. H., Essen (activity unknown) Member of the advisory board.

Mannheimer Lagerhaus-Gesellschaft, Mannheim (activity unknown)—Chairman of the board of directors.

W. Ruhenstroth G. m. b. H., Güterlach (activity unknown)—Chairman of the board of directors.

Klein, Schanzlin & Becker, A. G., Frankenthal/Pfalz (machinery, pumps, etc.)—Director.

Bernward Leineweber K. G., Berlin (ready-made articles of dress)—Director.

Standard Maatschappij, Rotterdam (activity unknown)—Member of the board of directors.

Rhenus A. G., Basel (branch of Rhenus A. G., Berlin, forwarding and commission agents)—Member of the executive committee.

Professional

Verein Deutscher Ingenieure, Berlin (Association of German Engineers)—Member of the management committee.

Gesellschaft der Freunde und Förderer des Rheinischen Landesmuseum, Bonn (Friends and Patrons of the Rhine Province Museum)—Member of the executive committee.

Akademie für Deutsches Recht, Berlin, Ausschuss für Bechtzfragen des Wirtschaftsausbau (Academy for German Law, Committee on Legal Questions of Economic Structure)—Member.

Deutsches Museum von Meisterwerken der Naturwissenschaft und Technik, Munich (German Museum of Masterpieces of Natural Science and Technical Management Committee)—Member.

Emschergenossenschaft, Essen (cooperative association)—Member.

Haus der Deutschen Kunst, Munich (House of German Art)—Member.

Haus der Deutschen Technik, Munich (House of German Technical Science)—Member.

Haus der Technik e. V., Essen (House of Technical Science)—Member of management committee.

Reichsgemeinschaft der Technisch-wissenschaftlichen (Reich Society for Scientific Technical Work)—Member.

Unterausschuss für Terminologie in der Organization der Gewerblichen Wirtschaft und in der Wirtschaftlichen Gesetzgebung (Subcommittee on Terminology in Industrial Economy and in Economic Legislation)—Member.

Euraterium Technisch-Wissenschaftliche Lehrmittelzentrale, Berlin (Supervisory Council on Technical-Scientific Educational Bureau)—Chairman.

Reichsinstitut für Berufsausbildung in Handel und Gewerbe, Berlin (Institute for Professional Training in Commerce and Industry)—Chairman.

FRITZ THYSSEN

Fritz Thyssen, former head of the Vereinigte Stahlwerke, the German steel trust, played a decisive role in the rise of Hitler to power by contributing liberally to the coffers of the Nazi Party and by influencing his fellow industrialists to join him in support of the Fuehrer. In reward for his efforts on behalf of national socialism, Thyssen was showered with political and economic favors by the Third Reich. He enjoyed almost unlimited power and prestige under the Nazi regime until his break with Hitler in 1939 over the decision to invade Poland and precipitate the Second World War.

This incident and Thyssen's subsequent publication of his "confession" that he had financed Hitlerism provide a curious parallel with the history of his father, August Thyssen. Through a similar confession in 1918 the elder Thyssen, despite his record as a staunch backer of pan-Germanism, succeeded in convincing the Allies that the sole responsibility for the German aggression should be placed upon the Kaiser's Government, and that the penitent German industrialists must not be blamed for the support which they had been forced to give to the imperialistic schemes of the Hohenzollerns. Apparently influenced by the recantations of August Thyssen and his associates, the credulous Allies made no effort to reform German industry after the last war. The result of this policy of omission was that men like Thyssen were allowed to retain their vast industrial fiefs and to pass them on intact to their heirs and successors, whom they had rigorously schooled in the tradition of war-making.

Thyssen defied French.—It was against this background that Fritz Thyssen took over control of the extensive holdings of his family following the death of his father in 1926. The new German steel baron had already achieved a large measure of fame throughout the Reich by his successful defiance of the French during their occupation of the Ruhr in 1923. He it was who led the German coal producers in their refusal to operate their mines during the occupation. Like Hitler, Thyssen consistently regarded the Treaty of Versailles as "a pact of shame" which must be overthrown if the Fatherland were to rise again.

Fired by this fanatic nationalism, Thyssen set out along the same road as his father had taken before him. August Thyssen had combined with such men as Hugenburg, Kirdorf, and the elder Krupp to promote the All-Deutscher Verband (the Pan-German League), which supplied the rationale for the Kaiser's expansionist policies.

His son became an active member of the reactionary Stahlhelm, and later, through meetings with Göring and others of his ilk, began to flirt with the Nazis. Finally, after the crash of 1931 had brought German industry to the verge of bankruptcy, he openly embraced the cause of national socialism.

Solicits support of industrialists for Hitler.—During the next 2 years Thyssen dedicated his fortune and his influence to the single purpose of bringing Hitler to power. In 1932 he arranged the now famous meeting in the Dusseldorf Industrialists' Club, at which Hitler addressed the leading business men of the Ruhr and the Rhineland. At the close of Hitler's speech Thyssen cried, "Heil Herr Hitler," while the others applauded enthusiastically. By the time of the German Presidential elections later that year Thyssen had succeeded in eliciting contributions to Hitler's campaign fund from all of the big industrial combines. He himself is reported to have spent 3,000,000 marks on the Nazis in the year 1932 alone.

During January 1933 Thyssen served as intercessor between von Hindenburg, von Papen, and Hitler. He brought them together at a secret meeting which laid the basis for the appointment of Hitler as Reichschancellor. At this juncture Thyssen viewed Hitler as a leader who had aroused in Germany "a new spirit of nationalism that is essentially healthy and necessary and serves as a bulwark against communism."

Nazis reward Thyssen for aid.—In payment for his services, Thyssen was nominated by Chancellor Hitler to be State Counselor with a seat on the Economic Board of the Reich. He was also appointed supreme economic authority for western Germany. Through a reorganization of the vereinigte Stahlwerke, Thyssen's participation in that lucrative enterprise was increased at the expense of the Reich itself. Profits soared as his steel mills, munition plants, and shipyards worked at capacity to fill the orders created by Hitler's rearmament program. Thyssen's star was at its zenith.

Beginning in 1936, however, a rift began to appear between Thyssen and Hitler over certain Nazi policies and practices. Thyssen now claims that in particular he took exception to the Nazi doctrine of racial and religious discrimination, although apparently he had not previously concerned himself with this matter despite the fact that Hitler's point of view had been available in *Mein Kampf* since 1925. In any case, Thyssen's open defiance of the Nazis was not provoked by this issue but by the signature of the German-Soviet nonaggression pact in 1939. He indicated that he would not countenance any strategy which even temporarily diverted Germany from her avowed mission of opposing the Soviet Union. Following the outbreak of war in September 1939, Thyssen and his family fled to Switzerland, where he announced that he was "still a German" but "no longer a Nazi." In retaliation for his desertion, Thyssen's immense holdings in Germany were confiscated by the Reich.

Thyssen curries Allied favor.—Thyssen now commenced his efforts to win favor with the Allies. During 1940 in Paris, where he had gone from Switzerland, he released his "confession," which, like that of his father in 1918, was calculated to whitewash its writer of all blame for having plunged Germany into the holocaust. With feigned innocence he related his parting statement to Hitler: "My conscience is clear. I feel free of any guilt. My sole error was that I believed in you, Adolf Hitler, the Fuehrer, and the Government you led. I believed with all the ardor of one passionately German." Then, having disclaimed his long and profitable association with the Nazis, and, as he undoubtedly hoped, having absolved his own conduct in the view of the Allies, he offered to them his services and those of his fellow industrialists in effecting a rapprochement with Germany: "Peace is to be had. The price is not high. It is easy to arrange. * * * We still have men who hold the reins."

Following the fall of France Thyssen took up residence in the unoccupied zone in a villa at Cannes. From there he began a series of attempts to escape to the New World. He made unsuccessful overtures to come to the United States. He tried several times to reach Argentina, where he owned important agricultural and industrial enterprises, around which he apparently hoped to rebuild his shattered empire.

In February 1941, however, the French authorities at Vichy delivered Thyssen and his wife to the Gestapo, which shipped them back to Germany. From that time until the German surrender there were many conflicting stories and rumors as to the treatment which Thyssen was receiving from the Nazis. It was variously reported that he was being held in a concentration camp, that he was staying in the luxurious Hotel Adlon in Berlin, that he was under the protection of Göring, and that he was the center of a number of political maneuverings—by implication, anti-Nazi plots.

In May 1945 he turned up in a concentration camp in northern Italy. In a statement issued to the press at that time Thyssen, still angling for a pardon from the Allies, made much of the misfortunes which he had suffered at the hands of the Nazis following his break with Hitler: "I was wrong. I quite know my responsibility. I helped them. I was misled. But I have been punished." Despite his announced remorse at having aided the Fuehrer, however, he went on to indicate a continuing sympathy for Hitler and many phases of Hitlerism: "I was of the opinion that at first the policy of Hitler was not so bad at all. He came under the influence of the bad men in his party." And: "I personally believe the German people are not ready for democracy."

Plots resurgence of German war industry.—Thyssen has offered a suggestion for the Allies to follow in their reconstruction of Germany. It is that the Rhineland should be made an independent state, "a nation like Holland and Belgium." Thus, Thyssen, once the fervid nationalist, now professes to advocate the quartering of the Reich. He does not elaborate upon the reasons for this shift, but his proposal has a familiar ring. After the last war a group of German financiers and industrialists led by Kurt von Schröder and Heinrich von Stein, the Cologne bankers, launched a Rhineland separatist movement, for they saw in the creation of an independent Rhineland a means of emancipating the giant industries of

Dusseldorf, Essen, and Cologne from the restrictions imposed by the Treaty of Versailles on the manufacture of war products within the borders of the Reich. Apparently Thyssen, the arch-foe of Versailles and the principal promoter of the Fuehrer, is already busy devising schemes to sabotage the peace now in the making.

ALBERT VOGLER

Albert Vogler, head of Vereinigte Stahlwerke, large steel combine, has been listed among Germany's top industrialists since World War I. Vogler has also been active politically, and has used his political connections to work with other leaders, such as Krupp, Kirdorf, Stinnes, Thyssen, Röchling, and Mannermann to further the interests of German industry.

During World War I, this group put pressure on the Government to obtain more and more power abroad. In 1919, Vogler and other industrialists founded the so-called Anti-Bolshevik League. From 1921 to 1924, and again in 1933, Vogler was a member of the Reichstag.

In February of this latter year, Vogler, with other well-known industrialists, attended the meeting at which plans were made for financing the campaign to elect Hitler to the office of Chancellor. The financial aid voted at this meeting placed Hitler in office in March 1933 and started him on his political career.

In addition to his connection with the great steel combine, Vogler is officially connected with the giant electrical apparatus group, Siemens and Halske and Siemens Schuckert-werke. His close ties with the Nazi administration are indicated by his presence on the advisory board of the Deutsche Reichsbank, and his appointment to membership in the armament council, directed by Hermann Göring.

Vogler's connections as of 1942 were as follows:

Political

Kaiser Wilhelm Gesellschaft zur Förderung der Wissenschaften, Berlin (Kaiser Wilhelm Society for the Advancement of Science)—President.

Akademie für Deutsche Recht, Berlin, Aueschuss für Kartellrecht (Academy for German Law, Committee for Cartel Law)—Member.

Gau Senate of Westfalen-Süd.—Vice president.

Armament Council—Member.

Banking

Deutsche Reichsbank, Berlin—Member of advisory committee.

Industrial

Vereinigte Stahlwerke A. G., Düsseldorf (steel trust)—Chairman.

Bochumer Verein für Gusstahlfabrikation A. G., Bochum (iron and steel, rolling mills; 100 percent owned by Vereinigte Stahlwerke)—Chairman.

Gebr. Böhler & Co., A. G., Berlin (iron and steel products; subsidiary of Böhlerstahlwerke, Zurich, which is closely affiliated with Vereinigte Stahlwerke)—Chairman.

Deutsche Edelstahlwerke A. G., Krefeld (fine steel; subsidiary of Vereinigte Stahlwerke)—Chairman.

Deutsche Röhrenwerke A. G., Düsseldorf (tubes, pipes; 100 percent owned by Vereinigte Stahlwerke)—Chairman.

Dortmund-Hoerder Hüttenverein A. G., Dortmund (foundries, rolling mills; 100 percent owned by Vereinigte Stahlwerke)—Chairman.

Gelsenkirchener Bergwerke A. G., Essen (coal and byproducts; 100 percent owned by Vereinigte Stahlwerke)—Chairman.

Hüttenwerke Siegerland A. G., Siemen/Westfalen (foundries, rolling mills; 100 percent owned by Vereinigte Stahlwerke)—Chairman.

Ruhrstahl A. G., Witten/Ruhr (foundries and rolling mills; subsidiary of Vereinigte Stahlwerke)—Chairman.

Westfälische Union, A. G. für Eisen- u. Drahtindustrie-Hamm/Westf. (wire mill; 100 percent owned by Vereinigte Stahlwerke)—Chairman.

Demag A. G., Duisburg (Machinery; jointly owned by Vereinigte Stahlwerke and Maschinenbau Unternehmungen)—Director.

Hannoversche Maschinenbau A. G., vormalis Georg Egestorff (Hanmag) Hannover-Linden (machinery; subsidiary of Bochumer Verein für Gusstahlfabrikation A. G.)—Chairman.

Ruhrgas A. G., Essen (fuels; subsidiary of Rheinisch-Westf. Kohlensyndikat comprising Vereinigte Stahlwerke, Krupp, Stinnes, etc.)—Chairman.

Braunkohlen- und Brikettwerke Roddergrube A. G., Brühl, Bez. Köln (lignite; subsidiary of Rheinisch-Westfälisches Elektrizitäts-Werke, itself principally owned by the Prussian State, VIAG, etc.)—Chairman.

Rheinische-Westfälisches Elektrizitätswerk A. G., Essen (electric power; owned by Prussian State, VIAG, etc.)—Chairman.

Harpened Bergbau A. G., Dortmund (mining; affiliated with Mitteldeutsche Stahlwerke, itself a subsidiary of Siegerner Eisenindustrie A. G., owned by the Flick family)—Deputy chairman.

Siemens & Halske A. G., Berlin (electrical apparatus)—Director.

Siemens Schuckert-Werke A. G., Berlin (electrical apparatus)—Director.

Henschel & Sohn G.m.b.H., Kassel (locomotives and machinery)—Member of advisory committee.

KURT WEIGELT

Kurt Weigelt has been active in Germany's domination over the industrial and financial life of occupied countries. He has been variously described as "one of the leading German bankers who now control the German monopoly of European banking"; "the most important man in the planning of the new order"; "considered today the most outspoken representative of the aspirations of German industry"; and as "definitely a Nazi."

Kurt Weigelt is reported to have financed Hitler in the early days of fascism. His background reflects his long-entertained views on the German necessity for expansion. In furtherance thereof, he traveled extensively throughout the world promoting the colonial expansion of Germany. When the Nazis came to power in 1933, Weigelt became president of the "Fuehrer Ring" or Leader's Council, an organization which published a yearly volume devoted to the problem of the Germanization of the European continent. He also created the Gesellschaft für Europäische Wirtschaftsplanning und Grossraumwirtschaft, an association for European Economic Planning and Living Space Economics.

Weigelt is manager of the Deutsche Bank, largest of German banking institutions. He is also director of the Deutsche-Asiatische Bank, Shanghai, a company formed for the purpose of promoting trade with and investments in the Far East. In addition, he participates in the management of four colonial trade companies in the former German East Africa and the Dutch East Indies, as well as in that of a mining company in Afghanistan. In the industrial field, Weigelt is connected with a large number of corporations, the most important of which are Rütgerswerke A. G. and Kali-Chemie A. G., both prominent in the chemical field. He is also officially connected with a number of subsidiaries and affiliates of these two organizations.

Among other affiliations worthy of note, are Deutsche Luft-Hansa A. G., the largest German air line which was used as an instrument of penetration into South America, and Transocean G. m. b. H., the official Nazi organ for the propagation of news abroad.

Weigelt's known connections are as follows:

Industrial

Colonial companies.—Afghanische Minen G. m. b. H., Berlin (mining property situated in Afghanistan)—Chairman of board of directors.

Deutsch Ostafrikanische Gesellschaft, Berlin (RM. 10,000,000; colonial plantation company founded in 1887 in former German East Africa; large coffee, sisal, tea, and copra plantations)—Deputy chairman of board of directors.

Cultuur Mij. Talang, Padan, Batavia (coffee plantation in the Dutch East Indies; subsidiary of Deutsch-Ostafrikanische Gesellschaft)—Chairman of board of directors.

Neu-Guinea Compagnie, Berlin (large colonial company situated in former German East Africa; coffee, tea, sisal, and copra; maintains branches in Spain)—Chairman of board of directors.

Straits und Sunda Syndikat's Administratiekantoor, Batavia Amsterdam (Dutch investment and security company)—Deputy chairman of board of directors.

Chemicals.—Rütgerswerke A. G., Berlin (chemical products, primarily tar; capital in 1936, RM. 27,800,000)—Chairman of board of directors.

Bakelite G. m. b. H., Berlin (RM. 1,100,000; bakelite and plastic products enterprise; 11.86 percent owned by Rütgerswerke A. G.)—Director.

Silesia, Verein Chemischer Fabriken, Ida- und Marienhütte Saaru/Kr. Schweidnitz (RM. 1,500,000; organic chemicals, artificial fertilizers, and dyestuff concern; 98.2 percent owned by Rütgerswerke A. G.)—Director.

VEDAG (Vereinigte Dachpappen-Fabriken A. G., Berlin) (RM. 6,000,000; tar products and roofing materials enterprise; subsidiary of Rütgerswerke A. G.)—Director.

Siemens-Planawerke A. G. für Kohlenfabrikate, Berlin (carbon and graphite electrodes and allied products; two-thirds owned by Siemens & Halske and one-third by Rütgerswerke A. G.)—Director.

Kali-Chemie A. G., Berlin (chemical concern, primarily potash)—Director.

Bergwerksgesellschaft Glückauf-Sarstadt m. b. H., Berlin (RM. 1,650,000; potash mine; fully owned by Kali-Chemie A. G.)—Director.

Gewerkschaften Salzbergwerk Neu-Stassfurt und Salzbergwerk Neu-Stassfurt II, Löderburg über Stassfurt (RM. 12,000,000; potash enterprise; 99 percent owned by Kali-Chemie A. G.)—Director.

Miscellaneous

Deutsche Luft-Hansa A. G., Berlin (largest German air-line company)—Deputy chairman of board of directors.

Deutscher Aero-Lloyd A. G., Berlin (air-line company affiliated with Deutsche Luft-Hansa A. G.)—Chairman of board of directors.

Transocean G. m. b. H., Berlin (official Nazi propaganda agency established to provide news for foreign consumption)—Deputy chairman of board of directors.

Drumen S. A., Barcelona—Deputy chairman of board of directors.

Grüflich Dela Zichysche Urkuter Bergwerke A. G., Budapest (Hungarian company with which Weigelt was identified as late as 1925; capital, 1,500,000 pengő in 1936; manganese mines)—Deputy chairman of board of directors.

Baumwollspinnerei Germania, Epe/Westphalin (RM. 2,500,000; primarily yarns, but also cotton textiles enterprise; 60 percent of stock in Dutch (unidentified) hands, remainder in German possession)—Director.

Deruluft—Chairman of board of directors.

Berliner Gaswerke, Berlin (public utility)—Director.

Biox A. G., Dresden—Director.

Gewerkschaft Deutschland, Berlin—Director.

BARON TILO VON WILMOWSKY

Baron Tilo von Wilmowsky, a brother-in-law of Gustav Krupp, is deputy chairman of Friedrich Krupp A. G. and of several of its subsidiaries. Von Wilmowsky represents Krupp's interest in the Reichsautobahn-Gesellschaft, the company formed by the Government to construct Germany's vast system of military motor highways.

The fact that von Wilmowsky was closely connected with German national undertakings is brought out by his directorship in the Government-owned Reichs-Kredit-Gesellschaft and his membership in the advisory committee and administrative board of the Deutsche Reichsbahn, the Government-owned railways. He is also a member of the executive committee of the Landerbank of Vienna, an institution now controlled by the Dresdner Bank.

As a background for Wilmowsky's active interest in the welfare of national Germany, it is noteworthy that during World War I he was chief of the Civil Chancellory of the Governor General of occupied Belgium.

Von Wilmowsky's known connections are:

Banking

Reichs-Kredit-Gesellschaft A. G., Berlin (owned by the Government through VIAG)—Director.

Landerbank Wien A. G., Wien (controlled by the Dresdner Bank)—Member of executive committee.

Insurance

Berliner Hagel-Assecuranz-Gesellschaft von 1832 A. G., Berlin (insurance against damage by hail; affiliated with Nordstern All-gemeine Versicherungs, itself a subsidiary of Aachener und Münchener Feuer Versicherungs and other leading companies)—Chairman.

Industrial

Fried. Krupp A. G., Essen (iron-steel-armaments)—Deputy chairman.

Fried. Krupp Germaniawerft A. G., Kiel-Saarden (machinery; 100 percent owned by Fried. Krupp A. G.)—Deputy chairman.

Fried. Krupp Grusonwerk A. G., Magdeburg (machinery; 100 percent owned by Fried. Krupp A. G.)—Deputy chairman.

Berndorfer Metallwarenfabrik Arthur Krupp A. G., Berndorf (metal products; subsidiary of Fried. Krupp A. G.)—Deputy chairman.

A. G. für Unternehaugen der Eisen- und Stahlindustrie, Berlin (participations in iron and steel organizations; 100 percent owned by Fried Krupp A. G.)—Deputy chairman.

Deutsche Reichsbahn, Berlin (railroads of Germany; owned by the Government)—Member of advisory committee.

Reichsautobahnen, Berlin (auto transportation; subsidiary of Deutsche Reichsbahn)—Member of advisory committee.

Mitropa Mitteleuropäische Schlafwagen- und Speisewagen A. G., Berlin (sleeping cars; railroad cars; subsidiary of Deutsche Reichsbahn, owned by the Government through VIAG)—Director.

Deutsche Zentraldruckerei A. G., Berlin (printing)—Director.

Rentengutsgesellschaft Merseburg, Schkeudits (industrial real estate; affiliated with Landkraftwerke Leipzig A. G., which in turn is owned by several public utility companies)—Chairman.

WILHELM ZANGEN

Wilhelm Zangen, who today is one of Germany's most prominent industrialists, with important banking and political connections, is reported to have financed Hitler in the early days of nazism. All his life he has been connected with heavy industry. At an early age he worked as an apprentice in the August Thyssen Hütte and other metallurgic concerns. For the last 15 years he has been connected with the Mannesmannröhren-Werke combine, which has a long history of association with Germany's expansionist policies.

The leading figures of the Reich-organized industrial self-government groups are without a doubt dominated by the largest companies. The ubiquitous Wilhelm Zangen is the leader of the Reichgruppe Industrie. He is also chairman of the Eisen und Stähle Gemeinschaft (Iron and Steel Union) which is second in importance in the controlling organization in the steel industry. His deputies are Schwede, of Vereinigte Stahlwerke, and Scheer Hennings, of the Hermann Goering concern. The board otherwise consists of representatives of the Flick combine, Arbed, Otto Wolff, the Hermann Goering concern, and the Hoesch combine.

Zangen's political connections include membership as a representative of heavy industry on the committee for central planning under the direction of Speer. He is also one of the leading men in the German 4-year plan and took part in the reorganization of Nazi war industry which had as its goal, according to Hans Kehrl, president of the Economic Chamber and director of the Hermann Goering Works, to clean up a "maze of ordinances and decrees."

Zangen's present-day industrial connections include managerial positions in such important firms as Allgemeine Elektrizitäts Gesellschaft (AEG) and Demag A. G., Duisburg, whose board members indicate close relationship with the Vereinigte Stahlwerke and the Flick combine. He is chairman of the executive committee of Mannesmannröhren-Werke, a tube and pipe factory with several subsidiaries. This group known as the Mannesmann combine, is apparently connected with the Vereinigte Stahlwerke through representation on its board. Zangen is also a director on the Deutsche Revisions und Treuhund A. G., an auditing company affiliated with the Government-owned VIAG.

Wilhelm Zangen is a member of the group of leading German bankers who, before the German defeat through penetration into the banking systems of occupied countries, exercised almost monopolistic control over European banking. He is a director of both the Deutsche Reichsbank and the Deutsche Bank. He is also on the board of Salzdettfurth A. G., which is a subsidiary of a group of the largest German banks. Another company in which he is a director is Schiess A. G., which is controlled by the Deutsche Bank.

His known connections as of 1942 were as follows:

Political

Düsseldorf Chamber of Commerce and Industry—Vice president.

Rheinisch-Westphalian Stock Exchange, Düsseldorf—Member of management committee.

Academy for German Law, Berlin—Member.

Verein Deutscher Eisenhüttenleute (Association of German Iron Foundry Men), Düsseldorf—Member.

Insurance

Allianz Versicherungs A. G., Berlin (this firm, which is an outstanding insurance carrier of Germany, is closely connected with Münchner Rückversicherungsgesellschaft, the largest reinsurer in the world; these two firms are also interested in the Karlsruher Lebensversicherungs A. G., one of the major German life insurers; the chairman of the board of directors is August von Finck, senior partner of the Munich banking firm, Merck, Finck & Co., which is reported to be Hitler's bank; the vice chairman, Kurt Schmitt, is probably Germany's leading insurance expert).

Industry

Allgemeine Elektrizitäts Gesellschaft (AEG), Berlin (General Electric Company)—Director.

Mannesmannröhren-Werke, Düsseldorf (production of tubes and sheet metal, operation of coal mines; at the beginning of the war it was the sixth largest steel and mining concern in Germany; its capital as of 1943 was RM. 180,000,000. Since the death of the five Mannesmann brothers, the controlling stock ownership has apparently come into the hands of the Deutsche Bank, the steel-trust circles, and the Siemens concern)—Chairman of management committee.

Mannesmannröhren-Werke Komotau A. G., Komotau, Czechoslovakia (its capital of RM. 60,000,000 is 100-percent controlled by Mannesmann, Germany)—Chairman of the board.

Mannesmann Stahlblechbau A. G., Berlin (prior to 1938, this was a firm owned by Jews and was called Wolf Netter & Jacobi Werke Kom. Ges. a Akt.; it manufactures all types of tin, and its capital of RM. 5,000,000 is 100 percent owned by Mannesmannröhren)—Chairman of board of directors.

Maschinenfabrik Meer A. G. M. Gladbach (manufacture of machines, spare parts, factory equipment, etc.; its capital, which as of 1938 was RM. 1,800,000, is 100 percent owned by Mannesmannröhren)—Chairman of board of directors.

"Kronprinz" A. G. für Metallindustrie, Solingen-Ohligs (metal, steel, and iron products, machine and spare parts; its capital, which as of 1938 was RM. 6,000,000 was 76 percent owned by Mannesmannröhren)—Chairman of board of directors.

Prager Eisen-Industrie-Gesellschaft, Prag (operation of iron-processing plants, stone quarries, iron mines, etc.; its capital as of 1942 was 280,000,000 koruny; the majority of the shares is held by a concern consisting of the Mannesmannröhrenwerke A. G., Komotau, and the Zivnostenska Banka, Prague)—Deputy chairman of advisory board.

Demag A. G., Duisburg (produces heavy machines and mine equipment, bridge equipment, etc.; its capital as of 1939 was RM. 26,500,000)—Director.

Deutsche Revisions und Treuhand A. G., Berlin (this firm occupies itself with auditing, control, supervision, and liquidation transactions; its capital, which as of 1938 was RM. 1,000,000, was 70 percent controlled by VIAG, which in turn is owned by the German Government).

Saldetfûrth A. G., Berlin (second largest potash concern in Germany; it also operates important copper, salt, and lignite works; its capital as of 1939 was RM. 44,000,000; its principal shareholders are Solvay, Delbrich Schlickler & Co., in Berlin, and a group of large commercial banks, namely, the Deutsche Bank, the Commerz Bank, Dresdner Bank, and the Allgemeine Deutsche Credit Anstalt)—Director.

Schiess A. G., Düsseldorf (manufacture and sale of machines of all types; its capital, which as of 1938 was RM. 8,000,000, was 50.12 percent controlled by the Deutsche Bank)—Director.

Schwabenbrau A. G., Düsseldorf (operation of breweries, manufacture of malt; its capital as of 1938 was RM. 6,000,000).

Westfälisch-Anhaltische Sprengstoff A. G., Chemische Fabriken, Berlin (manufacture of chemicals of all types, especially explosives; its capital as of 1938 was RM. 28,000,000).

Südosteuropa-Handels Gesellschaft, Vienna (south European trading company; this firm is a branch of a company which has its seat in Berlin; capital as of 1942, RM. 500,000).

EXHIBIT No. 11

[From the Washington Daily News, Thursday, June 28, 1945]

SS GUARDS SPARED HOSTAGES TO WIN ALLIED FORGIVENESS

(By Curt Riess)

MUNICH, June 28.—Prominent hostages held by the Nazis are alive today only because the SS defied Hitler's demand for their execution.

SS leaders had been given strict orders to kill all hostages before permitting them to fall into the hands of the Allies. Fearful for their own skins, the SS men spared the lives of their prisoners in the hope that the Allies would be less severe in punishment.

MYSTERY CLEARS

Mystery surrounding the fate of the hostages was cleared up in conversations I had with various prominent personalities. One of them was Marquardt, Count Schenk von Stauffenberg, cousin of the Stauffenberg who attempted the July 20 assassination of Hitler.

He and a dozen other prominent hostages who were locked away by the Gestapo after the assassination attempt, passed through Munich along with four members of the family of Stauffenberg, all of whom were supposed to have been executed. Countess Prettenberg, Mrs. Fritz Thyssen, and Mrs. Erich Heberlein, were also in this group.

SPIRITED AWAY

These people and about 140 other prominent persons were kept in prisons and concentration camps. When the Allies and Russians approached they were swiftly spirited away. They were finally concentrated in Dachau, after having been changed from prison to prison more than 15 times.

In Dachau there were about 150 prominent personages, representing 22 nations. Among them were the Schuschnigg, Schacht, Gen. Halber Leon, Leon Blum, Niemoller, and Captain Best.

HIMMLER INTERCEDED

According to Stauffenberg, all those rightly or wrongly concerned with the July 20 attempt would have been killed at once if Himmler hadn't interfered. Stauffenberg doesn't know why, but he thinks that Himmler hoped to get something for himself.

All those present in Munich told me that they were very upset about statements Pastor Niemoller had made at a Naples press conference. While all of them were opposed to the Nazis, they still conserve strong German nationalist feelings. They declare that Niemoller spoke without dignity. "It isn't possible to say bad things about Germans to representatives of other nations."

"NICE OLD MEN"

This is just one indication of their ideas of nazism and Germany. When I asked about Schacht, I was told that Schacht was completely calm and certain nothing will happen to him. "He is really such a nice old man and suffered so much from the Nazis that the Allies shouldn't do anything to him," I was told.

Thyssen also emerged as a "nice old man." Nobody mentioned that Schacht and Thyssen were among the first people to aid Hitler.

THYSSEN DEFENDED

I talked at great length with Mrs. Thyssen, who was greatly upset to be separated from her husband, whose health is very bad. Mrs. Thyssen still carries the airs of a great lady. She maintains that her husband and she spent 28 months inside an insane asylum after the Gestapo arrested them on the French Riviera in September 1940. When I asked why they hadn't left France earlier, she replied, "The French Government guaranteed we would be left alone."

She defends her husband, saying he had only the choice between having communism in Germany or aiding Hitler. "Since 1934," she says, "she was horrified by Hitler and the Nazis."

She is absolutely certain that nothing will happen to Thyssen and intends to leave with him as soon as possible for Switzerland. Someone remarked that Switzerland wouldn't take Thyssen. She smiled, "We have very good friends there."

EXHIBIT No. 12

ANSWERS SUBMITTED BY THE ALIEN PROPERTY CUSTODIAN TO
QUESTIONS OF SUBCOMMITTEE ON WAR MOBILIZATION

Question. What has been the policy of the Office in eliminating personnel with enemy connections from vested business enterprises—in particular, what has been the policy with regard to the former management of General Dyestuff Corporation?

Answer. The broad policy of the Office in eliminating enemy personnel from vested corporation has been stated in the second Annual Report (p. 43). The Custodian "usually will nominate at least one director and possibly more, depending upon his holdings in the corporation and the suitability of the incumbent directors. If there is a taint of enemy influence, the Custodian will take action as drastic as the circumstances require. He may even elect an entire new board of directors and put in a new management. The Custodian believes that by such action he has freed all the corporations (and other enterprises) under his control from their former connection with the enemy."

Let me describe our action in dealing with Schering Corporation as an example of how the policy works out. On April 18, 1942, we vested 99.9 percent of the outstanding common stock of Schering Corp. of New Jersey and 52 percent of the outstanding preferred stock. The remainder of the common stock was vested at a later date. The president and several other officers and employees of the corporation had been removed from their positions in January 1942, on the order of the Secretary of the Treasury. Schering Corp. is now managed by a board of five directors elected by us. None of the five incumbents are carry-overs from the prewar board. A new president was elected at our instance and we also made other changes in management personnel.

We vested all of the 8,678 outstanding shares of common stock of General Dyestuff Corp. on June 30, 1942. At our instance, three of the four directors resigned and the board was enlarged from four to five directors at a stockholders' meeting on July 13, 1942. Our proxy then reelected one director and elected four new directors, two of whom were members of the staff of this Office. We have since caused the board of directors to be enlarged to seven, and have elected seven directors, none of whom are members of our staff. The present directors of General Dyestuff Corp. (as of December 21, 1944) are: Louis A. Johnson, Matthew J. Hickey, Jr., George A. La Vallee, Victor Emmanuel, Thomas A. O'Hara, George W. Burpee, A. C. Spurr.

We brought about the resignation of Mr. E. K. Halbach as president and as a director of the corporation in July 1942. The new management employed Mr. Halbach, who is a United States citizen, as full-time consultant, since they felt that they could not dispense with his experience in the business. At the instigation of the Custodian, Mr. Halbach has also submitted his resignation as a consultant, and such resignation is presently under consideration by the board of directors in the light of the necessity for obtaining a successor of adequate experience and technical competence. The directors have been instructed to pursue policies which will make the reemergence of enemy influence impossible and, in my opinion, are carrying out these policies.

Question. Why is Mr. Halbach so important to General Dyestuff Corp. that it has not been possible to sever his connection with the company?

Answer. On February 7, 1945, I strongly recommended to the board of directors that the resignation submitted by Mr. Halbach at my instigation be accepted. I have requested and shall be pleased to submit for the record a statement from the management of General Dyestuff setting forth their views and contemplated position.

[Telegram]

AUGUST 1, 1945.

HON. JAMES E. MARKHAM,
Alien Property Custodian, Washington, D. C.

A check today will all members of the board of directors of General Dyestuff Corp. discloses that the members of the board do not know anyone of equal technical ability, competence, and experience whom the company could secure at this time to take the place of E. K. Halbach as consultant to the company and believing that his separation from the company as a consultant at this time would adversely affect the war effort, the board authorizes me to advise that they are of the opinion that the best interests of this company would not be served by the acceptance of Mr. Halbach's resignation at this juncture.

LOUIS JOHNSON,
President, General Dyestuff Corp.

Question. Why have you not vested the patents which, after the outbreak of the European War, were transferred from I. G. Farbenindustrie to the General Aniline & Film Corp., and from Schering A. G., and Sherka Chemical Co., to the Schering Corp.?

Answer. We felt that it was not necessary to vest directly the patents transferred to the General Aniline & Film Corp., and the Schering Corp., since we had already established full control over these patents by vesting all enemy ownership interests in these corporations. We vested almost 98 percent of the outstanding voting stock of General Aniline & Film Corp., and 100 percent of that of the Schering Corp. In addition, we vested the interests of I. G. Farbenindustrie in the contracts pursuant to which the assignments to General Aniline & Film Corp., were made, and all interests of I. G. Farbenindustrie and its associated companies in patents and patent applications which stand of record in the United States Patent Office in the name of General Aniline & Film Corp.

All assets of General Aniline & Film Corp., and Schering Corp., including their patents, thus came under the control of the Government. A direct vesting of the assigned patents therefore was not necessary for the removal of the patents from enemy ownership and control.

Question. Why did not the Office of Alien Property Custodian vest the AKU subsidiaries in the fall of 1944 when the report of its investigation was completed and submitted to its executive committee?

Answer. At its meeting of September 27, 1944, the executive committee of the Office of Alien Property Custodian considered the investigation report of the Division of Investigation and Research which covered the American Enka Corp., American Bemberg Corp., and North American Rayon Corp., and the committee unanimously recommended that the custodian refer the matter to the State Department informally for comment. After many informal discussions between representatives of the Department of State and of this Office, the Department of State requested the Alien Property Custodian not to vest the interests of AKU in the American subsidiaries at that time but instead to enter into an understanding with the Netherlands Government providing for further investigation in Holland of the ownership and control of AKU after the liberation of that country. The Department did not object to the vesting of any direct German interest in the American subsidiaries and specifically stated that the ultimate decision to be taken with respect to the AKU interests must be made by the Alien Property Custodian. It was decided to postpone the final decision on the AKU cases until after further investigation in Europe for the following reasons:

(1) The Secretary of State vigorously expressed the opinion that the American subsidiaries should not be vested at that time in view of the fact that the Netherlands Government had serious disagreements with certain findings in our investigation report, that the admitted German ownership interest in AKU was only 30 percent, and that further investigation in Holland to clear up these points could take place in the near future. Although the Secretary of State left the responsibility for a final decision in this matter to the Custodian, his letter was in effect an urgent suggestion that this agency refrain from vesting at that time pending further investigation since he believed that vesting would adversely affect the foreign relations of this country, for which the requesting Department was chiefly responsible.

(2) We believed that residents of Germany were in a position to control AKU and did actually exercise substantial control over American Bemberg and North American Rayon, and that this Office should regard AKU as an enemy national and therefore vest its interests in all of the Americans subsidiaries. We recognized, however, that we did not possess all of the facts or definite evidence of either the de facto control or of the extent of German ownership of AKU. Since the liberation of Holland was anticipated daily and since investigations in Germany and the Netherlands could be expected to commence shortly, it seemed reasonable to us to delay the final decision on the case until after such investigations. The Chief of our Division of Investigation has recently been in Europe arranging for such further investigations.

Question. The report of the Kilgore committee, published in 1944, suggested that the present patent laws could be revised so as to make foreign-originated patents subject to compulsory licensing on a reasonable royalty basis. Would you, Mr. Markham, care to state your views on the merits of this suggestion?

Answer. I am in sympathy with the purposes of the committee's suggestion that the American patent law could be revised in the direction of subjecting all future foreign-originated patents to a system of compulsory licensing, on a reasonable royalty basis. The purposes, I take it, are to prevent suppression of the

use of patented inventions by foreign nationals who obtain American patents for their inventions, and also to prevent the practice of using foreign-originated patents for purposes of cartel agreements implying control of output, prices, marketing territories, etc.

Compulsory nonexclusive licensing would tend to remove the problem of suppression or limited utilization of the inventions and in general make it impossible for the patent device to furnish a legal or semilegal basis for international cartels. This is especially true if compulsory licensing works on a mandatory basis and does not depend upon the proof of the intent of suppression or abuse of the patented inventions. As our patent law stands producers can always assert that foreign-originated devices and processes would not be available to them unless they accepted the restrictive provisions imposed upon them by the foreign patentee. This may or may not be a rationalization on their own part. The point is that under compulsory nonexclusive licensing such an assertion would no longer be relevant.

On the other hand, I am, of course, aware of several objections that might be raised against your committee's proposed reform. In the first place, it might be argued that it would be a serious mistake to discriminate against foreign-originated patents by subjecting them to compulsory licensing, because such discrimination would lead to retaliatory measures in the other countries of the world. But many important foreign countries, such as England, France, and Canada, already possess legislation designed to subject foreign-originated patents to compulsory licensing. Even if the proposed measure should lead to an increase in the number of countries adopting such legislation, the effect would be salutary as regards the economic welfare of this country as well as the rest of the world. Surely, if the patent device could be prevented from furnishing a vehicle for the establishment of international cartels, an important step would be made toward the elimination of such cartels.

But quite aside from these facts, the charge of discrimination is out of place in speaking of the proposed measure. It is not valid since the proposal is directed against practices which, by general consent, are regarded as obnoxious. Even if it were true that foreign-originated patents have been subjected to no more abuse than have patents which originated domestically, the proposed measures would still be fully justified. It is a poor practice to object to a reform which seeks to abolish an unmistakable evil just because there exists a similar evil which the proposed measure would not reach. Moreover, there is no evidence to the effect that foreign originated patents have not been subjected to more flagrant abuse than have domestically originated patents. While it may be granted, on principle, that the average foreign businessman or inventor is not any more guided by the desire to maximize his profits through the use of monopoly rights than is the average American businessman or inventor, it is nevertheless true that the American economy has been placed at the mercy of foreign individuals or firms dominated by hostile governments. This situation must not be allowed to recur in the future.

A second possible objection is that the proposed measures would cause foreign inventors to refrain from seeking American patents and to attempt to keep their inventions secret, possibly by not obtaining patents anywhere, even in their home country. This objection does not apply to those foreign inventors whose objective is limited to the exploitation of their inventions by making them available to others on a royalty basis, since such exploitation requires disclosure. But it may be relevant as regards those inventors who wish to exploit their inventions as manufacturers in the American market. Inasmuch as this form of exploitation would entail the establishment of subsidiaries in this country, the proposed measure would force them into sharing the American market with domestic producers. To avoid this they might be willing to assume the risk of keeping their inventions secret, in the hope that the profit derived from their absolute monopoly for an indeterminate period of time would be greater than that which would be derived when sharing their inventions at reasonable royalties for the life of the patent. This possibility exists, at any rate, with respect to inventory relating to new processes, in which case the foreign inventor would not provide any clue as to the nature of his invention through the type of products which he manufactures and sells in this country. The chances of maintaining secrecy are considerably smaller in those instances in which the inventions relate to new products or improvements in old products, since the articles themselves provide a clue as to the nature of the invention. Nevertheless, some foreign inventors might be willing to assume the risk of secrecy. But I am inclined to believe that the loss to the economy arising from the fact that some

invention may be known and exploited by only one producer is compensated by the gain that would be realized through compulsory licensing.

A more serious problem arises from your committee's suggestion that a designated Federal agency could determine the amount of reasonable royalty after representations by the foreign inventor and the prospective domestic licensee. I should like to draw attention to the difficulties in which a Government agency might find itself when attempting to determine reasonableness of royalty charges. There are hardly any economically sound or customarily accepted standards for determining reasonableness of royalties. Although such an agency could avail itself of the assistance of the private parties involved in licensing, it would have to pass final judgment on the reasonableness of the terms before they go into effect. And at times the royalties demanded by the patentee may be so high, or the bids made by the prospective licensee so low, as to prevent an agreement between the private parties. In such cases the administrative burden of the agency would be greatly enlarged, since it would have to rely on its own judgment, or on the judgment of hired technicians and experts in the patent field, to prove the unreasonableness of the demands of either the licensors or licensees.

A second serious problem concerns the treatment of foreign-originated patents which make insufficient disclosure of inventions. In my judgment such patents can and should be invalidated by the courts. Where know-how cannot be reduced to words, blueprints, or formulas but can be conveyed only through demonstration and observation, the licensee should always have the right to demand know-how. In spite of these problems I believe that the proposal for compulsory licensing of foreign-originated patents is worthy of careful consideration. It may well find a place as a part of a comprehensive program for dealing with international cartels.

Question. In the prepared statement submitted to this subcommittee you included a list of enemy enterprises which have been vested by your Office in both wars. I notice that one of these is the Bosch Magneto Co. This subcommittee is very interested in knowing why these enterprises reverted back to German ownership. We would like to know what measures, particularly in the case of the Bosch Magneto Co., could have been taken by the Custodian of the First World War or by the Government to prevent the return of a controlling interest of Bosch Magneto Co. to German ownership.

Answer. May I point out at the outset that your subcommittee has printed a very complete account of the actions taken by the Custodian of the last war in his administration of Bosch Magneto Co. I refer you to exhibit No. 653, part 16, of the hearings on Cartel Practices and National Security. I am glad, however, to add whatever I can to this report, on the basis of information which has been compiled by members of our staff concerning the activities of the World War I Custodian. As I see it, Mr. Chairman, there was very little the former Office of the Alien Property Custodian or any other Government agency could have done, in view of existing legislation and prevailing business practices, to prevent the return of Bosch Magneto Co. to German control after the last war. I think this fact is best understood in light of some of the steps taken by the German Bosch after the last war to regain a foothold in the American market and then to extend its foothold to a controlling interest in the American Bosch.

(1) In December 1918, the World War I Custodian sold the Bosch Magneto Co. to Americans, who changed its name to American Bosch Magneto Corp. By 1921 the German Bosch had established a new American branch, under the name Robert Bosch Magneto Co., Inc., to manufacture and sell products similar to those being produced by the American Bosch. The two companies became embroiled almost immediately in trade-mark and patent litigation. Although some action could have been taken to prevent the new owners of American Bosch from continuing use of the Bosch trade name, thereby forestalling the ensuing conflict, I do not think there was anything that could have been done within the framework of existing law to prevent the German Bosch from reestablishing a branch in the United States.

(2) The controversy over patents and trade names between the new American branch and American Bosch was duplicated in almost every world market by the American Bosch and German Bosch. At the core of this controversy was the fact that both the American and German firms were using the well-known BOSCH trade name on their products. It might have been possible to prevent this difficulty, in part, if the World War I Custodian had required the American purchasers to adopt new trade-marks for their products. In the present war we have taken just this action in the case of the photographic products formerly manufactured under the German-originated trade name AGFA. These products

are now being sold under the name ANSCO. In the case of American Bosch after the last war, however, the new American management fought bitterly with the German Bosch for almost 10 years for the privilege of obtaining exclusive use of the BOSCH trade name, which rated high in consumer acceptance in the world's markets.

The extended and expensive litigation over patents and trade-marks, plus the developing business depression of 1929 and 1930, brought the American Bosch to a point where it was ready to come to terms with German Bosch. Here, again, I would say that, as far as we can tell from our examination of the record, most of these developments appear to have been beyond the control of any Government agency. After entering into a general settlement to adjust their trade name difficulties, the American and German companies executed other cartel agreements covering the allocation of markets and use of patents.

(3) About the time that all outstanding litigation between the American and German concerns was being settled, the World War I Custodian, who still held the proceeds of sale of the World War I Bosch Magneto Co., began to consider the claims of the original owners under the terms of section 9 of the Trading with the Enemy Act and under the Settlement of War Claims Act of 1928. During the years 1929 and 1930 the World War I Custodian through regular administrative procedures allowed claims totaling more than \$4,000,000 to Robert Bosch of Germany and his associates. Allowance of these claims at this time was particularly advantageous to Robert Bosch since it coincided with the decision of the American Bosch to come to terms with the Germans and placed liquid funds in the hands of German Bosch at a time when the money could be used to purchase stock of the American concern at depressed prices. I submit, however, that the Custodian had no discretion; he was obliged to approve the claims and thereby carry out the mandate of Congress.

(4) As part of the over-all settlement reached between the American and German Bosch in 1929 and 1930, it was agreed to merge the American Bosch with the new American branch of the German Bosch. As a result of this transaction, which was accompanied by a new issuance of stock to German Bosch, the German company increased further the majority interest it already held in the American Bosch. A merger of this kind probably became inevitable when Robert Bosch established its new branch in the United States in 1921. Although the establishment of the branch could not have been prevented, a more vigilant application of the antitrust laws might have forestalled the merger that occurred in 1930.

(5) Even before the 1930 merger, Robert Bosch of Germany had begun to purchase stock of the American Bosch in the open market largely with funds, as I have already mentioned, obtained from the former American Custodian under World War I claims. So that even before the merger was effected the Germans owned almost 70 percent of the outstanding American Bosch stock, which was increased to 77 percent as a result of the merger. The open-market purchases of American Bosch stock by the German Bosch at the depressed market prices of later 1929 and 1930 were presumably legitimate and beyond the control of any Government agency. In this connection we should remember that the Bosch Magneto Co. of World War I was sold by the then Custodian in 1918 to a group of men, who, it was believed, would operate the company strictly in the interests of the United States. Consequently, the firm was sold without any safeguard, such as a voting trust, to prevent its stock from passing back into German hands. But the maximum duration even of a voting trust is usually only 10 years and it is possible that a voting trust in the case of Bosch Magneto Co. might not have prevented the Germans from reestablishing their control.

(6) By exercising its controlling stock interest the German Bosch was able to place a majority of its nominees on the board of directors of American Bosch and to select most of the management officials of the company. The combination of majority stock control and majority representation on the board of directors was sufficient to impress any policies or programs the German Bosch cared to originate upon its American subsidiary. In this situation, too, it seems clear that no action could have been taken by the Government to interfere with the selection of American Bosch's management after a majority of the company's stock had passed into the hands of German Bosch.

(7) Once the German-dominated management had been installed in the American firm it was easy to get American Bosch to approve additional measures which would attach it firmly to the international industrial organization controlled by Robert Bosch. In 1930 and 1931 the German and American companies concluded a series of sales and patent agreements which had the effect of confining

the manufacturing and sales activities of American Bosch to designated geographic areas and limiting the range of products it was permitted to manufacture. These agreements were clearly illegal under the antitrust laws and they were set aside under a consent decree entered into after my office had vested American Bosch. It should be noted, however, that the cartel agreements were secret and considering the circumstances under which they were made it is highly unlikely that the Government could have prevented their execution. Had the pending bill for compulsory registration of private international trade agreements been in effect at that time, it might have been possible by antitrust action to prevent the American and German Bosch companies from entering into their restrictive agreements.

(8) Between 1934 and 1937 Robert Bosch loaned the American Bosch about \$1,800,000 through a cloaked Dutch banking company. In 1938 the German Bosch accepted repayment of the loan in newly issued common stock of American Bosch. The device of causing the American subsidiary to become indebted to the German parent and then taking stock of the American concern in repayment, in order to extend the control of German Bosch over American Bosch, was a practice which no Government agency could have controlled under existing legislation.

(9) In the area of patents some corrective measures might have been taken by the Government while Bosch Magneto was under its control in the last war and after it was sold to American interests which might have made it at least more difficult for the German Bosch to reestablish its control. While Bosch Magneto was under the control of the World War I Custodian, the Federal Trade Commission, which for part of that time was responsible for the licensing of enemy patents, made a strong effort to make the patents of Bosch Magneto generally available to American manufacturers on a royalty basis for the life of the patents. This policy was successfully resisted by the management installed by the then Custodian to operate the company. Accordingly, when the company was sold in 1918 it was sold with its patent assets intact, and 10 years later any of these patents which had not expired were inherited by the German Bosch when it reestablished control over the company.

Government policy might have assisted American Bosch in the 1920's in its extensive litigation battle with German Bosch had there been on the books a compulsory licensing law for foreign-originated patents. Without the compulsory licensing requirement the German Bosch was able to develop important new patents, register them with the United States Patent Office, and thereby prevent the development of similar inventions by the American company. Once the German Bosch had patented its inventions, the American company faced the possibility of infringement suits whenever it attempted to develop similar products.

So, as I stated at the beginning of this discussion on Bosch Magneto, there appears to have been comparatively little that any Government agency could have done to prevent the return of American Bosch to German control under then-existing law. As I pointed out, in retrospect there were some steps the Government might have taken to make it more difficult for the Germans to reestablish their control. It is highly speculative, however, whether in the end these measures would have been adequate to prevent the return of a controlling interest in American Bosch to German Bosch.

I may add that we are alive to these problems and are drafting legislation which would enable the Government to bar the reentry of divested enemy interests into domestic enterprises.

Question. As I understand your statement, you have not succeeded thus far in abating illegal cartel contracts. Why has no definite policy for handling these contracts been put into effect?

Answer. It is incorrect to say that we have no definite policy for handling illegal cartel contracts. It is our policy to abrogate them insofar as we have the legal authority to do so. This policy has resulted in actual abrogation in only a few cases thus far (that is, the Standard Oil case, American Bosch, Woburn Degreasing). The delay in achieving substantial results has resulted largely from the extraordinary number of difficult legal and policy questions involved.

Examples of legal problems which arise, many of them extremely difficult and unique, are—

(1) Whether an antitrust violation in fact exists.

(2) If such violation does exist, whether such violation nullifies the rights of American parties completely or merely makes the specific provision unenforceable without affecting other rights under the patents.

(3) The effect of illegality in cases where patents have been assigned, rather than licensed, to Americans; whether restitution of consideration paid is a condition precedent to nullification; whether the doctrine of *pari delicto* would apply to actions to abrogate brought by us.

(4) Whether summary action against American assignees or licensees could be taken or whether action must be preceded by administrative hearings and determinations.

(5) Whether the declaratory judgment act would enable us to institute court proceedings to determine the rights of the Americans.

(6) Procedural problems arising where action by the Antitrust Division is pending or contemplated with reference to the same subject matter.

(7) Whether illegal agreements contemplating continuing arrangements were automatically abrogated by the outbreak of the war.

Some of the problems are illustrated by the opinions of Judge Wyzanski in *Standard Oil Co. v. Markham*, copies of which are submitted herewith. In addition to the legal questions, we are confronted with major policy questions. The following are some examples:

(1) Whether it is a proper function of the Office of Alien Property Custodian to undertake action amounting, in effect, to enforcement of the antitrust laws or whether such matters should be left to the Department of Justice, which has primary responsibility for enforcement of those laws. The "exclusive remedy" of the antitrust law may bar action by this Office (compare the *Standard Oil* case).

(2) Whether this Office, upon discovery of what appeared to be an antitrust violation, should take drastic, vigorous, and immediate steps, leaving it to the courts to protect any legitimate interests possessed by Americans, or whether, in the light of legal doubts, it should first resolve to its own satisfaction its legal authority to act and collect the maximum factual information needed for successful prosecution of such action as it took.

(3) Clearance of proposed procedures with other interested Government agencies especially the Antitrust Division, in order to avoid confusion and inconsistency in the parallel operations of this Office and the other agencies.

The mere enumeration of the above problems indicates the magnitude of the task facing the Office in attempting to abrogate illegal contracts. It is clear that some of these questions cannot be resolved except by the courts or by Congress. Arbitrary action by us would have resulted in unwarranted hardships to American citizens, confusion and disruption in the ordinary process of Government action by other agencies, and would have brought the actions of the Government into disrepute in those cases where the specific action by this Office was found to have been beyond its authority or unsupported by sound legal documents.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

Civil Action, No. 26-414

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, AND JASCO, INCORPORATED, PLAINTIFFS,
vs. JAMES E. MARKHAM, AS ALIEN PROPERTY CUSTODIAN, DEFENDANT

MEMORANDUM

June 1, 1945

WYZANSKI, J.

This is an action under Sec. 9a of the Trading With the Enemy Act. Standard Oil Company and three associated companies have brought this action to recover from the Alien Property Custodian thousands of United States patents and certain shares of stock in various corporations. Plaintiffs allege that they are the owners of these assets; that they acquired them, with a single exception, from I. G. Farbenindustrie by outright purchase; that the Custodian vested these assets in himself by two vesting orders; and that plaintiffs are entitled to have these assets returned.

One of the several defenses asserted by the Custodian is that plaintiffs are not entitled to most of these assets because they were acquired by plaintiffs by agreements which violated the antitrust laws of the United States. To raise this defense the Custodian has made allegations in paragraph V of his answer, has made an offer in evidence of a letter heretofore called Government Serial No. 149

written by Mr. Teagle to Mr. Riedeman, marked Exhibit D-62 for identification, and is prepared to make other offers of evidence. Plaintiffs have seasonably objected to the introduction of this evidence on the ground it is irrelevant.

This type of defense and offers of this type of evidence are novelties in proceedings under Sec. 9a of the Trading With the Enemy Act. So far as research of counsel and of the court can discover, it has not previously been decided whether when an American corporation seeks to recover from the Alien Property Custodian property of which it claims ownership the corporation should be denied relief on the ground that in acquiring or using that property it violated the antitrust laws of the United States.

In considering the validity of this defense the first point is to observe the inevitable breadth of the Custodian's contention. If the Custodian is correct in his contention that relief should be denied where the claimed property was acquired in violation of the federal antitrust laws, it would seem that relief should also be denied where the claimed property was acquired in violation of any other federal law, or any state law, or any foreign law. There is no hierarchy of laws in which the antitrust laws are given peculiarly high rank. And the antitrust laws, as the Supreme Court has recently recognized in *Hartford Empire Co. v. United States*, 323 U. S. 386, 415, have no provision that patents used in violation of these laws shall be forfeited. Moreover, if the Custodian is correct in this contention that relief should be denied where he is the person charged with a seizure unauthorized by law, it would seem that relief should also be denied where the person charged with the wrongful taking is a common thief, at least if the suit where the issue arises is because of the nature of the property involved or because of the nature of the relief sought in an equity suit. The Custodian has no more statutory interest than any other person in the enforcement of the antitrust laws.

Indeed, if the Custodian's defense under the antitrust laws were to prevail here, it is difficult to see why, aside from the restraints imposed by self-discipline and a consciousness of the risk of impeachment and removal, the Custodian would not be at liberty to sequester and keep all property in the United States acquired in violation of law, regardless of whether there had been the slightest connection between the owner of the property and the enemy. This would mean that whenever property was acquired in violation of any law the offender ran the risk of the penalties prescribed by that law and also the risk of the unprescribed forfeiture of the property at the whim of an administrative official.

The unsoundness of the Custodian's defense under the antitrust laws is revealed not alone by the breadth of its necessary implications, but by cases such as *Connolly v. Union Sewer Pipe Co.*, 184 U. S. 540, 549-551 and *A. B. Small Co. v. Lamborn & Co.*, 267 U. S. 248, 258. These cases hold that where a person engaged in and acting pursuant to a conspiracy to violate the antitrust laws makes a contract which is not inherently invalid he can enforce that contract against the other party. Similarly, where a person has acquired property by a contract in restraint of trade he can recover the property from a wrongful taker. *California Cured Fruit Ass'n. v. Stelling et al.*, 141 Cal. 713, 75 Pac. 320, 322. These authorities illustrate the rule that a party to a previous illegal contract agreement or combination with others, restraining competition in that business, is not deprived of legal protection of his property in that business. American Law Institute, *Restatement of Contracts*, Sec. 519; Willison, *Contracts*, (Rev. Ed.) Sec. 1661. Such a rule embodies the broad principle that while one who has acquired property in violation of law is subject to whatever personal penalties and infirmities of title that law provides, he is not an outlaw and his title to property is not subject to collateral attack.

The case at bar is quite unlike *Sola Electric Co. v. Jefferson Electric Co.*, 317 U. S. 173, or *Continental Wall Paper Co. v. Voight & Sons Co.*, 212 U. S. 227. Those cases hold that where two parties make a contract which is itself unlawful under the antitrust laws a court will not enforce or grant a remedy upon that contract. In refusing to assist parties to consummate their unlawful bargains the court is obedient to the direct command of the law; it is not entering upon a collateral inquiry or attaching to prior unlawful conduct penalties unauthorized by statute. The distinction is too familiar to require elaboration. See *A. B. Small Co. v. Lamborn & Co.*, supra; American Law Institute, *Restatement of Contracts*, Secs. 518, 519, 598, 607.

Although the Custodian places no reliance on *Morton Salt Co. vs. G. S. Suppiger Co.*, 314 U. S. 488, perhaps a word should be said about its doctrine, particularly since it is in square conflict with the second illustration given for Sec. 519 of the *Restatement of Contracts*, cited two paragraphs above. As explained in *Hartford Empire Co. vs. United States*, 323 U. S. 386, 415-416, the

Morton Salt Co. case stands for the proposition that so long as a patent owner is using his patent in violation of the anti-trust laws he cannot restrain infringement of it by others. In the instant case plaintiffs, whatever may have been their past conduct, are not currently using the patents here involved in violation of the anti-trust laws. For some time the patents have been vested in the Custodian. Moreover, their use has been circumscribed for three years by the stringent terms of an outstanding decree of the United States District Court for the District of New Jersey. Thus the doctrine of the *Morton Salt Co.* case which is limited to current violations of the anti-trust laws by the patentee does not apply. Furthermore it would be a bold interpretation which would carry the doctrine of that case beyond giving an infringer a defense against a patentee. It is hard to suppose that the Supreme Court meant to indicate that anyone may without accountability to a patentee take from him a patent he is using in violation of the anti-trust laws. See *Hartford Empire Company vs. United States*, supra.

In summary, I conclude that it is not open to the Alien Property Custodian to defend his seizure of the patents and shares of stock involved in this case on the ground that plaintiffs have acquired them by violating the anti-trust laws. To allow such a defense would permit a collateral attack contrary to accepted principles of contract and property law, would add to the anti-trust laws a sanction not authorized by Congress, and would establish a precedent whereby any person, whether or not a public officer, could retain with impunity property which he had unlawfully seized from an owner who had happened to acquire the property in violation of some national or local law.

Objection Sustained.

U. S. D. J.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

Civil Action, No. 26-414

STANDARD OIL COMPANY (NEW JERSEY), STANDARD OIL DEVELOPMENT COMPANY, STANDARD CATALYTIC COMPANY, AND JASCO, INCORPORATED, PLAINTIFFS,
vs. JAMES E. MARKHAM, AS ALIEN PROPERTY CUSTODIAN, DEFENDANT

MEMORANDUM ON CUSTODIAN'S PETITION FOR RECONSIDERATION OF THE MEMORANDUM OF JUNE 1, 1945

June 6, 1945

WYZANSKI, J.

The Custodian suggests that my memorandum of June 1, 1945, does not squarely meet all his contentions as to the admissibility of evidence tending to show that the plaintiffs have violated the antitrust laws.

The Custodian asks me to assume that on the basis of the testimony I shall eventually find that on the dates the Custodian vested in himself the patents, corporate shares and other assets here involved, (1) that legal title to some of those assets was in plaintiffs; (2) that, however, the principal beneficial ownership to such assets was in I. G. Farbenindustrie, and (3) that plaintiffs' rights were merely to share in the managing or licensing of those assets and to share in the income or royalties from them. If I should make these findings the Custodian says that I might normally enter a decree establishing licensing and royalty rights in the plaintiffs. But the Custodian urges that I ought not to enter such a decree because the plaintiffs' rights are, in his view and in his terminology, "future executory contractual interests" springing out of agreements which were in violation of the antitrust laws. Were my decree to establish such rights, the Custodian says that this Court would be enforcing an agreement in violation of law and this Court would be lending its aid to a restraint of trade.

There are at least two answers to the Custodian's contention.

First, even in the situation assumed by the Custodian, unlike the situation in *Sola Electric Co. vs. Jefferson Electric Co.*, 317 U. S. 173, this Court would not be enforcing the unexecuted part of an unlawful bargain at the suit of one party against the other party. This Court would be merely declaring that there existed a certain status between two parties in property seized by an outsider. It is to be remembered that even on the Custodian's assumptions, this suit could not be

converted into a proceeding sounding in contract to recover considerations which I. G. Farbenindustrie had agreed to transfer to plaintiffs in the future. This suit is primarily a proceeding by plaintiffs to recover assets which they claim I. G. Farbenindustrie had already transferred to plaintiffs in the past, and is perhaps alternatively a proceeding to have a declaration of the status of plaintiffs' property rights in assets formerly owned by I. G. Farbenindustrie and now owned by the Custodian. When a question of the status of property rights is at issue an inquiry as to whether the status was acquired in violation of a statute is irrelevant and collateral unless the statute otherwise provides. The reasons are given in my memorandum of June 1, 1945, and are supported by *Geddes vs. Anaconda Mining Co.*, 254 U. S. 590, 592-595; *California Cured Fruit Ass'n. v. Stelling*, 141 Cal. 713, 75 Pac. 320, 322 Am. L. Inst., *Restatement of Contracts*, S. 519.

Second, there is no risk in the present case that any decree by this Court establishing rights in the plaintiffs in the assets here involved would aid in the current carrying out of an unlawful plan. The plaintiffs are already operating under the decree of the United States District Court for New Jersey. They may use their rights in these patents, corporate shares and other assets only as that decree provides. No one suggests that that decree is inadequate protection against future use of these assets in violation of the antitrust laws. There is no merit in the Custodian's reply that the basic agreements were illegal *ab initio* and therefore the rights existing thereunder cannot be exercised. To refuse to recognize these rights when there is now no prospect of their future use in violation of law would be a confiscation of these rights on account of past misconduct and would also involve the imposition of a sanction not authorized by the antitrust laws or by usual principles of equitable relief.

Independently of other contention, the Custodian has also advanced the suggestion that if I. G. Farbenindustrie made transfers of titles or interests to plaintiffs these transfers were in violation of the antitrust laws and therefore the transferor, I. G. Farbenindustrie, and its successor, the Custodian, have a right of rescission. This suggestion is in conflict with *Geddes v. Anaconda Mining Co.*, 254 U. S. 590, 592-595. There it was held that the shareholders of the Alice Gold & Silver Company which was charged with having made a sale of property to the Anaconda Copper Mining Company in pursuit of a purpose of both companies to violate the Sherman Anti-Trust Act could not have that sale set aside. As Mr. Justice Clark said at p. 593; "It is now the settled law that the remedies provided by the Anti-Trust Act of 1890 for enforcing the rights created by it are exclusive and therefore, looking only to that Act, a suit, such as we have here, would not now be entertained." The reasoning of the Court makes it plain that there is no right of rescission by a seller, or one in his shoes, against a purchaser who in purchasing violated the antitrust laws, regardless of whether the seller was also violating those laws.

My ruling of June 1, 1945, sustaining plaintiffs' objection, stands.

Question. In 1942 Mr. Crowley stated before the Senate Committee on Patents that the Office of Alien Property Custodian would seek out and break by whatever means may be available any restrictive holds which foreign-owned patents may have on American industry. What has been accomplished in carrying out this pledge?

Answer. Mr. Crowley's statement was that he proposed to seek out restrictive holds which patents under his jurisdiction had upon American industry and to break them by whatever means might be available. As a first step all enemy-owned patents were seized, and where it could be done without injury to American rights they were thrown open to the public. At the same time, all nonemies claiming an interest in them were required to report such interest together with copies of the documents upon which the reporter relied to support his claim of interest. About 6,000 persons and companies filed reports covering about 50,000 patents, including in this number reports relating to nonenemy foreign patents. An elaborate file was set up on these reports and the attention of other agencies of the Government, particularly the Antitrust Division of the Department of Justice, was called to them. Copies of many of the contracts filed were furnished to the Department of Justice and in several cases, such as those of American Bosch and Merck & Co., the Custodian has cooperated with the Department in obtaining consent decrees by which such contracts were terminated. Where interests of enemies in these contracts were found such interests were vested. As a result, the enemy has been deprived of any property in them.

Some of the problems which have arisen in connection with these contracts, and in attempting to remove restrictive provisions from them, have been discussed in the answer to the preceding question.

EXHIBIT No. 13

SUBMITTED BY HERBERT H. LEHMAN, DIRECTOR GENERAL, UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION,
Washington 25, D. C.

Hon. H. M. KILGORE,
United States Senate, Washington, D. C.

DEAR SENATOR KILGORE: The attached statement on living standards in the several European countries is submitted in accordance with your request of June 15.

With the exception of data identified as having been taken from a League of Nations report, much of the material has been assembled from confidential and restricted documents.

I trust that the statement will prove useful as background for the forthcoming hearings of the Subcommittee on War Mobilization.

Very sincerely yours,

HERBERT H. LEHMAN, *Director General.*

LIVING STANDARDS IN EUROPE

This statement represents a synthesis of material available in the files of the UNRRA bearing on living standards in Europe. With the exception of data identified as having been taken from Food Rationing and Supply 1943-44, League of Nations, it has been assembled from confidential and restricted documents.

While the sources are considered reasonably reliable, the difficulties of obtaining data on which to base estimates during the course of the war and the magnitude of the task of estimating consumption levels under wartime conditions should be taken into account in its use.

Most of the information relates to food consumption. Because food is the one item making up the standard of living for which need and consumption are presently susceptible to scientific measurement and because of its importance, comparative analysis is more possible in this field than in others.

The material is presented as follows:

- (1) The comparative food situation in European countries.
- (2) Statements on individual countries summarizing the situation with respect to food, clothing, housing, and other aspects of family living on which there is reasonably good information.

THE COMPARATIVE FOOD SITUATION IN EUROPEAN COUNTRIES

The estimated calories in the per capita daily diet presented in table I show (average food consumption based on total supplies available for human consumption. The estimate for the "normal consumer" shows the level of consumption by people without access to illegal channels of distribution.

TABLE I.—*Estimated calories, per capita daily diet, prewar and 1942-43, selected European countries*

	National averages			Normal consumer
	Prewar	1942-43	1942-43 as percentage of prewar	
Greater Germany ¹	3,270	2,780	85	2,320
The Netherlands.....	3,055	2,460	80	1,950
Belgium.....	3,105	1,715	55	1,415
Norway.....	3,220	1,980	61	1,590
Greater Bulgaria ²	3,665	3,210	88	1,590
Denmark.....	3,455	3,285	95	
France ³	3,400	2,430	71	1,465
Italy.....	2,085	2,505	94	1,155
Albania ⁴	1,560	1,420	91	
Yugoslavia ⁵	3,330	2,620	79	1,190
Rumania ⁶	3,975	3,845	97	2,005
Greece.....	2,885	1,975	68	

¹ Prewar Germany, Alsace-Lorraine, Austria, Sudetenland.² Includes territory annexed from Yugoslavia, Greece, and Rumania.³ Excludes Alsace-Lorraine.⁴ Prewar borders.⁵ Prewar Yugoslav boundaries; 1942-43 Croatia and Serbia.⁶ 1942-43 excludes territory ceded to Bulgaria and Hungary.

The changes that occurred in the estimated calories available in 1942-43 and early in 1945 are evident in table II despite the differences in boundary lines apparent in the two tables. The fact that farmers are not as a rule greatly affected by food rationing and that food scarcities are most serious in urban centers is very apparent in this table also.

TABLE II.—*Estimated calories, per capita daily diet, first quarter 1945, selected European countries*

	Estimated calories			Percentage of prewar
	Urban	Rural	National average	
Belgium.....	1,715	2,900	1,910	66
Bulgaria.....	2,200	2,900	2,720	98
Czechoslovakia.....	2,000	2,800	2,260	79
Denmark.....	2,850	3,100	2,920	90
Finland.....	1,650	2,600	2,350	81
France.....	1,800	2,850	2,175	73
Germany.....				75
Enemy controlled.....	1,975	3,275	2,200	
Allied controlled.....	1,400	3,200		
Greece.....	1,550	1,930	1,800	73
Hungary.....	2,050	2,900	2,470	85
Italy:				
Liberated.....	1,400	2,400	2,000	77
Occupied.....	1,550	2,600	2,075	80
Netherlands:				
Liberated.....	1,700	2,750	2,015	73
Occupied.....	1,200	2,700	1,500	54
Norway.....	1,300	2,235	1,560	56
Poland.....	1,800	2,800	2,230	77
Rumania.....	2,500	2,950	2,810	104
Yugoslavia:				
Deficit areas.....	1,600	1,770	1,760	64
Surplus areas.....	2,450	2,900	2,800	102

The composition of the diet is as significant from the point of view of nutrition as the calorie content. A League of Nations report, Food Rationing and Supply, 1943-44, shows legal food rations in the autumn of 1943 by individual foods. These are presented in table III.

The data apply to legal rations only, however. These may or may not have been available to the consumer. Actual consumption in occupied areas was often far below official rations. Food scarcities are greatest in the urban centers where consumption depends on the size of the official ration, the availability of commodities in the shops, the purchasing power of wages, and additions from the black market.

TABLE III.—Legal food rations in the late autumn of 1943

(Grams per week; 1 ounce = 28.4 grams)

Explanation: r = rationed; l. r. = locally rationed; p. r. = point rationing; blank = no information

Country	Consumer category	Bread ¹ and flour (in terms of bread)	Cereals ²	Potatoes	Sugar	Jam honey	Meat ⁴ and meat products	Fats ⁵	Liquid milk (whole)	Cheese	Eggs (pieces)	Coffee ⁶
Canada	All consumers.	Free	Free	Free	7 225	115	(⁹)	10 225	Free	Free	Free	1150
United States ¹²	All consumers.	Free	Free	Free	13 225	Free	p. r. ¹²	12 p. r.	13 1,185	12 p. r.	(¹⁴)	Free
United Kingdom ¹⁴	Normal consumer.	Free	Free	Free	115	115	sh 1/2 17	225	1,185	85		55
	Children under 6 years.	Free	Free	Free	225	115	sh-7 21	225	3,980	85		
	Children 6-17 years.	Free	Free	Free	225	115		225	1,990	100		
Italy ²²	Normal consumer ²³	1,400	Free	250	125	nil	30-80 24	75	1,990	100		nil
	Children 0-3 years.	1,400	680	250	250	450	30-80	75	1,990	100		nil
	Children and adolescents.	1,575	500	250	135	450	30-80	75	1,990	100		nil
	Light worker.	1,750	650	250	135	450	30-80	75	1,990	100		nil
	Heavy worker.	2,475	650	250	125	nil	30-80	75	1,990	100		nil
	Very heavy worker.	3,475	650	250	125	nil	30-80	75	1,990	100		nil
Germany	Normal consumer ²⁴	2,425	Free	250	125	175	250	185	31 nil	32 60		
	Children 0-3 years.	1,275	275	3,500	225	205	250	135	5,250	60		60
	Children 3-6 years.	1,375	210	3,500	225	205	100	200	3,500	60		60
	Children 6-10 years.	2,000	150	3,500	225	250	300	280	1,750	60		60
	Children 10-14 years.	2,775	150	3,500	225	250	300 31	280	1,750	60		60
	Young persons 14-18 years.	2,775	150	3,500	225	175	300	245	1,750	60		60
	Young persons 18-20 years.	3,125	150	3,500	225	175	250	205	1,750	60		60
	Night worker.	3,125	150	3,500	225	175	450	205	1,750	60		60
	Heavy worker.	3,825	150	3,500	225	175	600	285	1,750	60		60
	Very heavy worker.	4,825	150	3,500	225	175	850	555	1,750	60		60
Belgium	Normal consumer.	2,100	60	3,500	230	140	140 36	105	5,250	50		25
	Children 0-3 years.	2,100	60	3,500	230	140	140	105	5,250	50		25
	Children 3-6 years.	2,100	60	3,500	230	140	140	105	5,250	50		25
	Children 6-14 years.	2,100	60	3,500	230	140	140	105	5,250	50		25
	Young people 14-18 years.	2,100	60	3,500	230	140	140	105	5,250	50		25
	Light worker.	2,700	60	3,500	230	140	180	170	5,250	50		25
	Heavy worker.	3,300	60	3,500	230	140	220	235	5,250	50		25
	Very heavy worker.	3,900	60	3,500	230	140	290	300	5,250	50		25
	Miners.	5,100	60	3,500	230	140	300	700	5,250	50		25
Bulgaria	Normal consumer.	3,865	100	Free	375	Free	400	200	40 nil	75		65
	Children 0-1 year.	1,765	100	Free	375	Free		100	250	41 150		
	Children 1-5 years.	1,765	100	Free	375	Free		100	42 500	75		
	Heavy worker.	5,615	100	Free	375	Free		100	500	75		
	Miners.	7,365	100	Free	375	Free		100	500	75		

NOTE.—Several countries not given in the table above ration one or more commodities (in grams per week): Bread: Tunis (3,500); Turkey (3,150); Rice: Japan (2,310); Sugar: Australia (455); New Zealand (340); Japan (170); Meat: Australia (680-1,815); Fats: Australia (229); Tea: Australia (55); New Zealand (55); Newfoundland, persons over 10 years (55), under 10 years (15).

Local rationing.—A partial list of locally rationed commodities not mentioned in the table above is as follows:
Fruit and vegetables: Germany, Protectorate, Italy, Norway, Belgium, France, Finland.
Fish: Germany, Protectorate, Italy, Norway, Belgium, France, Finland.
Poultry: Belgium, France.

minced meat loaf, 16 points; canned fish and fruit, 12 points (large tin); canned vegetables: Beans, 4 points; tomatoes, 6 points; peas, 4 points; condensed milk, unsweetened, 4 points (tin); cereal breakfast foods: rolled oats, 2 points; wheat flakes, 4 points; rice, sago and tapioca, 4 points; dried peas, beans, 1 point; lentils, 2 points; dried fruits, 6 points, dates, 8 points; biscuits: plain, 4 points; sweet, 8 points.

13 1 pound of preserves may be exchanged for 1 pound of sugar. During July an extra 1 pound allotted for home-preserving.

16 Additional ration of 1 pound of certain imported and home produced jams for each 4-week period beginning Sept. 19, Oct. 17, Nov. 14.

17 In addition bacon and ham rationed at 115 grams per week per person.

18 Expectant mothers receive an extra 7d a week of meat on child's ration book.

19 Expectant mothers receive 3,980 grams a week on child's ration book in addition to normal consumer ration. Mothers of children under 12 months receive priority supply of 3,980 grams a week.

20 Normal consumer gets from 0.5 to 1.25 shell eggs per week and 1.5 dried eggs. Expectant mothers, infants between 6-18 months and certain classes of invalids get fresh eggs at rate of 3 a week. Children under 5 years get twice the dried egg allotment. Expectant mothers also get one shell egg and two packets of dried egg on child's ration book per allocation period.

21 Tea only, persons over 5 years (coffee free).

22 These rations refer to Northern Italy; according to the latest information on Southern Italy, New York Times, Feb. 4, 1944, increased imports from the United Nations will allow civilians behind the combat lines 1,400 grams of bread a week as compared with the present ration of 875 grams.

23 German workers in Italy receive rations prevailing in Germany.

24 Rural and urban.

25 Locally rationed, priority to children, sick, expectant and nursing mothers, men in unhealthy occupations. According to the New York Times, July 15, 1943, the ration was 200 grams per week.

26 In addition, from June to September 1943 consumers were allotted 500 grams barley, 250 grams potato flour, 125 grams rice and an undisclosed cheese ration.

27 It is reported that from November 1943 the ration of potato starch of 31.25 grams a week has been halved and the rations given above should accordingly be reduced by some 15 grams.

28 Miners receive 4,500 grams of potatoes.

29 It is reported that from November 1943 the rations have been reduced by 20 percent.

30 May 1943—1,000 grams allowed for jam making.

31 Normal consumer receives 1,120 grams skimmed milk.

32 Including 30 grams of quark.

33 Children 0-14 years receive 15 grams of cocoa powder.

34 Expectant and nursing mothers, and men in unhealthy occupations get same rations as children 3-4 years.

35 Instead of 140 grams of jam, 105 grams of honey may be obtained.

36 In addition 25 grams of sausage.

37 Adolescents 14-18 years get 1,750 grams, old people 3,500 grams of skimmed milk.

38 Expectant and nursing mothers receive the same ration as children under 3 years.

39 Including 280 grams of flour in terms of bread.

40 Skimmed milk locally rationed.

41 Expectant and nursing mothers receive the same ration as children 1-5 years, sick people 1,750 grams.

42 Children under 2 years receive the same ration.

1 Weekly rations: Calculated on basis of 4.3 weeks per month.

2 100 grams of flour equals 130 grams of soft bread.

3 Generally including dried beans and peas.

4 Meat: As purchased including bone and waste, unless otherwise indicated.

5 Fats: All fats including butter, margarine, lard and vegetable oil.

6 Substitute or mixture.

7 Additional sugar for home canning on application.

8 As an alternative, consumer may buy the same amount of sugar.

9 Meat consumers receive 2 coupons per week. Each buys 1/4 pound of meat in category A (smoked and cured meats, sliced bacon, etc.); 3/4 pound in category B (fresh and some cured meats (ham), boneless steak, etc.); 1 pound of category C (meat with some bone as for instance sirloin steak); 1 1/4 pounds of category D (meat with high bone content), fancy meats and meat with more than 50 percent bone content are unrationed. Meat rationing suspended March 1944.

10 As an alternative—40 grams of tea per week. Both coffee and tea for persons over 12 years of age.

11 *Point rationing*.—1. Meat, fat, cheese: These commodities are rationed on a common point basis (red coupons). Each consumer irrespective of age and occupation receives 10 points a week; the average point value of meat in September 1943 (100 items) was 6.9 points, of fat (7 items) 6.4 points, and of cheese (7 items) 4.5 points. Examples of point values per pound of some important items were as follows: Meat: Beef—porterhouse steak (12 points), rump roast bone-in (8 points), flank meat (7 points), hamburger (7 points), veal loin chops or roast (10 points), round steak cutlets or roast (12 points), lamb-mutton—loin chops or roast (9 points), leg, whole or part (6 points), breast and flank (1 point); Pork—tenderloin (10 points), loin roast whole, half or end cuts (7 points), ham, whole or half (7 points); Bacon, slab or piece, end on (5 points), Canadian style, sundry sausage (7 points); Fresh sausage, group 1, 100 percent meat content (6 points); Sausage meats (not included in 100 items taken above), beef brains (1 point), beef kidneys (3 points), veal liver (8 points), real tongue (4 points), lamb-mutton brains (1 point), lamb-mutton liver (4 points). Fats: Lard (3 points), margarine (4 points), butter, creamery butter (16 points). Cheeses: Cheddar (8 points), cream cheese (3 points), creamed cottage cheese, containing more than 5 percent butterfat (3 points).

2. Canned goods (fruits, juices, vegetables, concentrated soup) and sauce, frozen fruit and vegetables and dried fruits are rationed on a common point basis (blue coupons). Each consumer receives 48 points per calendar month (or 11 points a week). Examples of typical point values in September 1943 for cans weighing about 1 pound are given below: Apricots (18 points), pineapple (20 points), berries, all varieties (9 points), grapefruit juice (2 points), tomato juice (3 points), asparagus (12 points), tomato catsup or chili sauce (2 points), beans, fresh lima (18 points), peas (16 points), beans, green or wax (8 points), carrots (6 points), spinach (11 points), tomatoes (14 points); frozen foods (over 12 oz. to 16 oz.): all fruits and berries (12 points), beans, baked (6 points), corn, cut (12 points), spinach (12 points); all fruit juices (2 points); prunes and raisins (4 points per pound).

Extra allowance upon application.

3. 4,536 grams of sugar allowed for jam making for the whole period May 24-Oct. 31.

4. *Point rationing*.—The following goods are rationed on a common point basis: Canned meats and fish, canned baked beans, biscuits, dried fruits, pulses, cereals, canned fruits and vegetables, condensed milk and porridge oats. Each consumer, irrespective of age and occupation, receives 20 points for a 4-week period. Examples of typical values per pound are given below: Canned meat and meat products: Pork sausage, 8 points;

TABLE III.—*Legal food rations in the late autumn of 1943—Continued*
(Grams per week; 1 l. r. = locally rationed; p. r. = point rationing; blank = no information)

Explanation: r = rationed; l. r. = locally rationed; p. r. = point rationing; blank = no information

Country	Consumer category	Bread and flour (in terms of bread)	Cereals	Potatoes	Sugar	Jam honey	Meat and meat products	Fats	Liquid milk (whole)	Cheese	Eggs (pieces)	Coffee
Czechoslovakia: (1) Protectorate of Bohemia and Moravia.	Normal consumer.....	2,425	150	2,500	250	205	200	175	41 nil	41 r	.5	.75
	Children 0-3 years.....	1,375	275	2,500	250	235	50	135	3,500	---	.5	.75
	Children 3-6 years.....	1,375	210	2,500	250	235	50	135	3,500	---	.5	.75
	Children 6-10 years.....	2,000	150	2,500	250	235	250	210	1,750	---	.5	.75
	Children 10-14 years.....	2,775	150	2,500	250	205	250	175	1,750	---	.5	.75
	Young people 14-20 years.....	3,125	150	2,500	250	205	350	185	nil	---	.5	.75
	Night worker.....	3,825	150	2,500	250	205	500	285	nil	---	.5	.110
	Heavy worker.....	4,825	150	2,500	250	205	750	555	nil	---	.5	.110
	Very heavy worker.....	4,825	150	2,500	250	205	750	555	nil	---	.5	.110
	Normal consumer.....	1,670	(*)	3,000	175-230	Free	200	60	700	Free	1	---
(2) Slovakia.	Children 0-1 year.....	---	---	3,000	300-355	Free	200	125	5,250	Free	1	---
	Children 1-6 years.....	---	---	3,000	300-355	Free	200	125	3,500	Free	1	---
	Children 6-14 years.....	---	---	3,000	175-230	Free	200	125	3,500	Free	1	---
	Heavy worker.....	---	---	3,000	175-230	Free	300	120	700	Free	1	---
	Very heavy worker.....	---	---	3,000	175-230	Free	300	120	700	Free	1	---
Denmark.	Normal consumer.....	1,970	---	Free	300	Free	1 r.	300	Free	Free	Free	nil
	Children 0-6 years.....	2,350	310	Free	300	Free	1 r.	300	Free	Free	Free	nil
	Heavy worker.....	3,050	425	Free	300	Free	1 r.	425	Free	Free	Free	nil
	Very heavy worker.....	3,750	540	Free	300	Free	1 r.	425	Free	Free	Free	nil
	Normal consumer.....	2,275	60	3,750	125	125	4.2 F. Mk.	125	2,100	---	---	60
Finland.	Normal consumer.....	1,365	60	3,750	125	125	4.2 F. Mk.	175	7,000	---	---	60
	Children 0-1 year.....	1,820	60	3,750	120	125	4.2 F. Mk.	175	4,200	---	---	60
	Children 1-3 years.....	2,730	60	5,620	120	125	4.2 F. Mk.	125	4,200	---	---	60
	Children 4-13 years.....	2,730	60	5,620	120	125	5.1 F. Mk.	125	2,100	---	---	60
	Adolescents 14-17 years.....	3,640	60	5,620	120	125	5.1 F. Mk.	150	2,100	---	---	60
France.	Light worker.....	3,640	60	5,620	120	125	5.6 F. Mk.	175	2,100	---	---	60
	Heavy worker.....	4,550	60	5,620	120	125	5.6 F. Mk.	175	2,100	---	---	60
	Very heavy worker.....	2,100	55	900	300	1 r.	120	50-70	41 nil	50	25	.35
	Normal consumer.....	1,655	125	900	300	1 r.	120	50-70	41 nil	50	25	.35
	Children 0-3 years.....	2,100	95	900	300	1 r.	120	50-70	41 nil	50	25	.35
†	Children 3-6 years.....	2,100	55	900	300	1 r.	120	50-70	41 nil	50	25	.35
	Children 6-13 years.....	2,625	55	900	300	1 r.	120	50-70	41 nil	50	25	.35
	Young persons 13-21 years.....	2,625	55	900	300	1 r.	120	50-70	41 nil	50	25	.35
	People over 70 years.....	2,450	55	900	300	1 r.	120	50-70	41 nil	50	25	.35
	Heavy worker.....	2,450	55	900	300	1 r.	120	50-70	41 nil	50	25	.35
†	Very heavy worker.....	4,200	55	900	300	1 r.	120	50-70	41 nil	50	25	.35
	Engine drivers.....	2,800	55	900	300	1 r.	120	50-70	41 nil	50	25	.35

Hungary.....	Normal consumer.....	2,660	2,000	140	Free	140	Free	1	1 r.
	Children 0-3 years.....	2,660	2,000	140	Free	140	Free	1	1 r.
	Children 3-14 years.....	2,660	2,000	140	Free	140	Free	1	1 r.
	Heavy worker.....	3,710	2,000	140	Free	140	Free	1	1 r.
	Very heavy worker.....	5,110	2,000	140	Free	140	Free	1	1 r.
Baltic States.....	Normal consumer.....	2,000	2,000	140	Free	140	Free	1	1 r.
	Children 0-3 years.....	1,000	2,000	140	Free	140	Free	1	1 r.
	Children 3-6 years.....	1,000	2,000	140	Free	140	Free	1	1 r.
	Younger persons 6-18 years.....	2,700	2,000	140	Free	140	Free	1	1 r.
	Night worker.....	2,700	2,000	140	Free	140	Free	1	1 r.
	Heavy worker.....	3,400	2,000	140	Free	140	Free	1	1 r.
	Very heavy worker.....	4,400	2,000	140	Free	140	Free	1	1 r.
	Jews ^a	850	2,000	140	Free	140	Free	1	1 r.
Netherlands ^a	Normal consumer.....	1,880	3,000	145	Free	145	Free	1	1 r.
	Children 0-3 years.....	1,880	3,000	145	Free	145	Free	1	1 r.
	Children 4-13 years.....	1,880	3,000	145	Free	145	Free	1	1 r.
	Young people 14-20 years.....	2,290	3,000	145	Free	145	Free	1	1 r.
	Heavy worker.....	2,790	3,000	145	Free	145	Free	1	1 r.
	Very heavy worker.....	3,690	3,000	145	Free	145	Free	1	1 r.

¹ Weekly rations: Calculated on basis of 4.3 weeks per month.

² 100 grams of flour equals 130 grams of soft bread.

³ Generally including dried beans and peas.

⁴ Meat: As purchased including bone and waste, unless otherwise indicated.

⁵ Fats: All fats including butter, margarine, lard and vegetable oil.

⁶ Substitute or mixture.

^a 1 kilogram of sugar for preserving in addition—May 31-June 27. Normal consumer receives 50 grams of sweets, children 75 grams.

¹¹ Normal consumer gets 400 grams of skimmed milk.

¹² Expectant and nursing mothers receive the same ration.

¹³ Rationed according to supply. Ration for May 1943—16 grams a week.

¹⁴ Including 475 grams of flour in terms of bread.

¹⁵ Including 700 grams of flour in terms of bread.

¹⁶ Rice, semolina, oatmeal, biscuits reserved for children.

¹⁷ Rural and urban communities respectively.

¹⁸ Expectant and nursing mothers receive the same ration.

¹⁹ Oatmeal and barley.

²⁰ Since May 1943 rationing through retailers on basis of family size, ordinary consumption and economic position.

²¹ Butter.

²² Potato flour.

²³ Consumers with tobacco card receive reduced rations.

²⁴ Weekly value. Special ration 5 F. marks from Sept. 16-30. Fish locally rationed.

²⁵ Double amount of cheese can be obtained on the fat ration.

²⁶ Children under 6 months receive 340 grams; children 6-12 months receive 170 grams.

²⁷ Expectant and nursing mothers receive 4,200 grams.

²⁸ Children under 7 years.

²⁹ Wine is rationed at 1 litre per week for normal consumers, 2 for heavy workers, 3 for very heavy workers.

³⁰ Département de la Seine.

³¹ Rural and urban, respectively.

³² Expectant and nursing mothers get 3,500 grams per week.

³³ Locally rationed.

³⁴ Including 60 grams of flour in terms of bread.

³⁵ Including 300 grams of rice per month.

³⁶ Children and old people receive 30 grams of sweets per week.

³⁷ Including 200 grams of rice per month.

³⁸ Chocolate.

³⁹ Including 55 grams of chocolate.

⁴⁰ Including 30 grams of chocolate.

⁴¹ The higher figure relates to Budapest, the lower to rural districts.

⁴² Margarine and lard only—butter irregularly distributed.

⁴³ Expectant and nursing mothers receive the same ration.

⁴⁴ Children under 12.

⁴⁵ According to supply.

⁴⁶ Expectant and nursing mothers receive the same ration.

⁴⁷ Young persons 6-14 years.

⁴⁸ Jews employed in war industries receive normal consumer rations. Those not so employed receive half.

⁴⁹ According to official information relating to December 1943 potato rations were 4,000 grams and milk rations 1,750 grams for "normal consumers." Had it been possible to take these figures into account calorie figures of total "normal consumer rations" would have turned out about 100 calories more than indicated below.

⁵⁰ Including 70 grams of flour in terms of bread.

⁵¹ Children under 14 years get 50 grams of sweets and all consumers receive 50 grams of chocolate.

⁵² Normal consumer gets 1,300 grams and adolescents 14-20 years receive 1,750 grams skimmed milk per week.

⁵³ Children under 2 years receive 60 grams of rice. Children 2-4 years receive 60 grams of oatmeal.

⁵⁴ Expectant and nursing mothers receive the same ration.

⁵⁵ Night workers receive from 175 to 225 grams of meat.

TABLE III.—*Legal food rations in the late autumn of 1943—Continued*
(Grams per week; 1 ounce = 28.4 grams)

Explanation: r = rationed; l. r. = locally rationed; p. r. = point rationing; blank = no information

Country	Consumer category	Bread ² and flour (in terms of bread)	Cereals ²	Potatoes	Sugar	Jam honey	Meat ⁴ and meat products	Fats ²	Liquid milk (whole)	Cheese	Eggs (pieces)	Coffee ⁶
Norway	Normal consumer	1,820	100 80	3,000	200	70	(² 20)	210	20 nil	45	nil	nil
	Children, 0-2 years	1,010	160	3,000	200	70	50	210	5,250	45	nil	nil
	Children, 2-5 years	1,140	160	3,000	200	70	50	210	5,250	45	nil	nil
	Children, 5-12 years	1,820	160	3,000	200	70	50	210	3,500	45	nil	nil
	Young people, 12-20 years	2,800	60	3,750	200	70	300	210	1,750	45	nil	nil
	Heavy worker	2,800	60	4,500-6,000	200	70	300	245-315	nil	45	nil	nil
	Very heavy worker	2,950-3,640	60	4,500-6,000	200	70	300	100 nil	nil	45	nil	6 30
	Normal consumer	2,250-2,850	75	2,000	75	125	100	125-225	1. r.	nil	nil	30
	Children, 0-2 years	1,125	75	2,000	75	125	100	125-225	1. r.	nil	nil	30
	"Privileged" in and heavy workers	2,250-2,850	125	4,000	105-135	185	225-400	375	Free	Free	Free	Free
	Normal consumer	2,100	125	2,000	80-250	Free	500	475	Free	Free	Free	Free
	Heavy worker	4,200	125	2,000	80-250	Free	500	110	Free	100	1	1
	Normal consumer	104 1,375	55	1,000	75	75	250	110	3,500	100	1	1
	Children, 0-2 years	2,425	55	1,000	75	75	250	110	3,500	100	1	1
	Children, 2-5 years	2,425	115	1,000	75	75	250	245	nil	100	1	1
	Heavy worker	2,000	115	1,000	125	100	100	245	Free	Free	Free	100 20
	Normal consumer	2,000	Free	Free	250	Free	100	100	Free	Free	Free	110 1
	Children, 0-3 years	100 1,050-1,750	Free	Free	340	Free	100	100	Free	Free	Free	110 60
	Normal consumer	111 1,515	300	Free	425	45	500 14	110 250	Free	Free	Free	110 60
	Heavy worker	111 1,515	300	Free	425	45	500 14	110 250	Free	Free	Free	110 60
	Children, 0-5 years	1,135	300	Free	425	45	500 14	110 250	Free	Free	Free	110 60
	Children, 5-8 years	1,515	300	Free	425	45	500 14	110 250	Free	Free	Free	110 60
	Children, 8-15 years	1,705	300	Free	425	45	500 14	110 250	Free	Free	Free	110 60
	Young people, 15-20 years	1,895	300	Free	425	45	500 14	110 250	Free	Free	Free	110 60
	Heavy worker	1,895-3,790	300	Free	425	45	500 14	110 250	Free	Free	Free	110 60
	Normal alternative A in	1,105	80	Free	425-630	60	420	310-440	Free	Free	Free	110 60
	Normal alternative B	1,105	110	Free	425-630	60	420	310-440	Free	Free	Free	110 60
	Children, 0-5 years	1,290	235	Free	115	60	Nil	105	2,905	50	110 2	60
	Children, 5-15 years	1,755	80	Free	175	60	140	115	3,720	140	110 2	60
	Young people, 15-18 years	2,445	80	Free	115	60	140	115	4,115	50	110 2	60
	Heavy worker	2,445	80	Free	115	60	140	115	4,305	50	110 2	60
	Very heavy worker	3,155	80	Free	115	60	140	115	4,305	75	110 2	60
	Very heavy worker	3,155	80	Free	115	60	140	115	4,305	95	110 2	60

IRELAND¹⁰⁷ Butter.¹⁰⁸ Tea only.**SPAIN**¹⁰⁹ Rations vary inversely with income.**SWEDEN**¹¹⁰ Swedish rationing system contains about 40 different professional categories. The maximum and minimum rations are indicated above.¹¹¹ Bread free in restaurants.¹¹² Including 70 grams of potato starch.¹¹³ Instead of 100 grams of sugar, consumers are permitted to buy 140 grams of sirup¹¹⁴ and 125 grams of artificial honey.¹¹⁵ During the second two weeks of July, the above rations were reduced by 20%. Mut-¹¹⁶ ton free since February 1944.¹¹⁷ Extra allowance of 38 grams per week of butter allowed for period from Jan. 10 to¹¹⁸ Feb. 21.¹¹⁹ Cream free.¹²⁰ Expectant mothers receive additional 330 grams of cheese a week.¹²¹ Expectant mothers receive 3 eggs a week.¹²² Children 3-17 receive 6 grams of cocoa per week.¹²³ Normally half of the normal consumer ration. It may sometimes be somewhat¹²⁴ higher or lower.**SWITZERLAND**¹²⁵ Consumers are permitted to exchange coupons of certain foodstuffs at the following¹²⁶ rates (Autumn 1943): 250 points of meat = 100 grams of cheese; 100 points of beans, peas,¹²⁷ or 100 grams of butter = 200 grams of cheese; 1 liter of milk = 1,000 grams of cheese.¹²⁸ In addition certain quantities of food released from time to time on the so-called¹²⁹ "blind" coupons. It would appear that, in December, extra cereals for a normal con-¹³⁰ sumer amounted to 195 grams a week.¹³¹ Including 95 grams of flour in terms of bread.¹³² The chocolate ration is 35 grams per week, other candy 10 grams.¹³³ In addition 50 grams of egg powder.¹³⁴ Points per week for coffee, tea and cocoa.¹³⁵ In addition 25 grams of egg powder.¹³⁶ Including 185 grams of flour in terms of bread.**Source: Food Rationing and Supply 1943-44, League of Nations.**¹ Weekly rations: Calculated on basis of 4.3 weeks per month.² 100 grams of flour equals 130 grams of soft bread.³ Generally including dried beans and peas.⁴ Meat: As purchased including bone and waste, unless otherwise indicated.⁵ Fats: All fats including butter, margarine, lard and vegetable oil.⁶ Substitute or mixture.⁷ These rats refer to Northern Italy; according to the latest information on Southern Italy, New York Times, Feb. 4, 1944, the eased imports from the United Nations will allow civilians behind the combat lines 1,400 grams of bread a week as compared with the present ration of 875 grams.⁸ Rural and urban communities respectively.⁹ Pulses and potato flour.¹⁰ Special distribution of 1 kilogram sugar in month of August.¹¹ All consumers receive 500 grams of tinned fish per week.¹² Normal consumers receive 750 grams and adolescents 1,750 grams of skimmed milk¹³ per week.¹⁴ Children under 12 years receive 100 grams of rice.¹⁵ Expectant and nursing mothers receive the same ration.¹⁶ Adolescents 12-15 years receive 3,500 grams, 16-18 receive 1,750 grams.¹⁷ Germans receive the same rations as in the Reich. Information regarding Jews¹⁸ differs but according to information available their rations for bread (395 grams per week)¹⁹ and sugar (45 grams per week) are about half normal consumer rations and they receive²⁰ no meat, fat, or milk.²¹ Poles not entitled to wheat bread, wheaten flour, rolls, luxury pastry, and cakes.²² Poles not entitled to veal and pork, ham, poultry game, salt, fresh and smoked fish,²³ sardines and mackerel, anchovies, marinated fish and crabs.²⁴ Information as regards the fat differs but it is reasonable to assume that normal²⁵ consumers and children receive none.²⁶ "Privileged" refers to official employees and workers in industries performing special²⁷ tasks for the Germans and their families.²⁸ Bucharest only.²⁹ 250 grams are oatmeal, the rest maize flour.³⁰ Including 150 grams of flour in terms of bread.³¹ Pulses.³² Belgrade.**YUGOSLAVIA—SERBIA**¹⁰⁰ Belgrade.

The caloric value of these legal rations for the "normal consumer" in the autumn of 1943 is compared with April 1942 in table IV.

In most countries legal rations were increased in 1943, due largely to a good harvest; in some countries of which Germany is one, the improvement was substantial. Imports of cereals, sugar, and to some extent fats are largely responsible for the improvement in Finland, Norway, and Belgium.

TABLE IV.—*Calorie rations of normal consumers, April 1942 and autumn 1943*¹

	April 1942	Autumn, 1943		April 1942	Autumn 1943
Bulgaria.....		2,085	Belgium.....	1,355	1,555
Germany.....	1,625	1,930	Norway.....	1,270	1,480
Finland.....	1,070	1,780	Poland.....	975	1,200
Protectorate (Bohemia-Mo- ravia).....	1,685	1,740	France.....	1,075	1,115
Netherlands.....	1,705	1,580	Northern Italy.....	1,000	1,065

¹ Food Rationing and Supply, 1943-44, League of Nations, 1944, p. 22.

Workers' diets in 1943 compared with prewar consumption and with normal requirements are presented in diagrams I and II.

The conclusions of the League of Nations report with respect to the relative position of the different countries in 1943 is as follows:

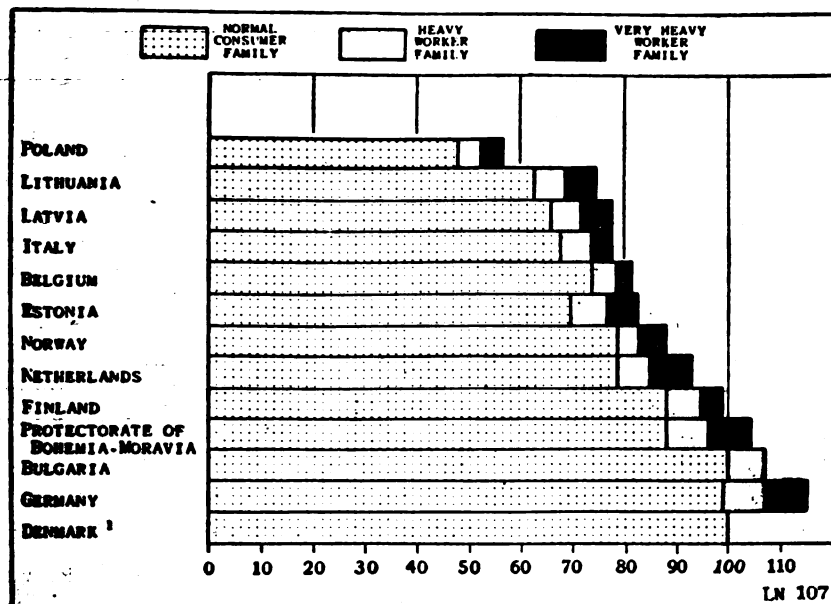
"The theoretical calorie intake appears up to prewar levels in Denmark, Germany, Bulgaria, Rumania, and Hungary; in most cases, and in Germany in particular, the intake is sufficiently high to meet the accepted average requirements of 3,000 calories a day per adult male. In the protectorate, Belgium, Finland, the Netherlands, and Norway, rations represent between 2,500 and 2,800 calories per adult male, which in most areas is lower than before the war; the national averages, however, cannot (on the basis of official rations) be considered critically short, though more or less severe shortages occur among special consumer groups. In the Baltic states, Slovakia, France, and Italy, rations represent between 2,400 and 1,500 calories. Both physiological needs and peacetime consumption were far from identical in these countries, but rationing is drastic in all cases. The average rations are too low to permit of full working efficiency and optimum health.

"In Poland, Greece, parts of Yugoslavia, and by all indications occupied Russia, rations in 1942 were so low that actual famine was frequent. In 1943 the situation in these areas, except possibly occupied Russia for which information is lacking, conditions have recently improved. Still, levels of consumption are so low that many people, particularly in the towns, would appear to live in a state of semistarvation" (pp. 52-53).

In the spring of 1944 average weekly food rations were those set forth in table V.

DIAGRAM I.—*Workers' diets in the autumn of 1943 as percentage of prewar consumption*

[Calories per consumption unit per diem]

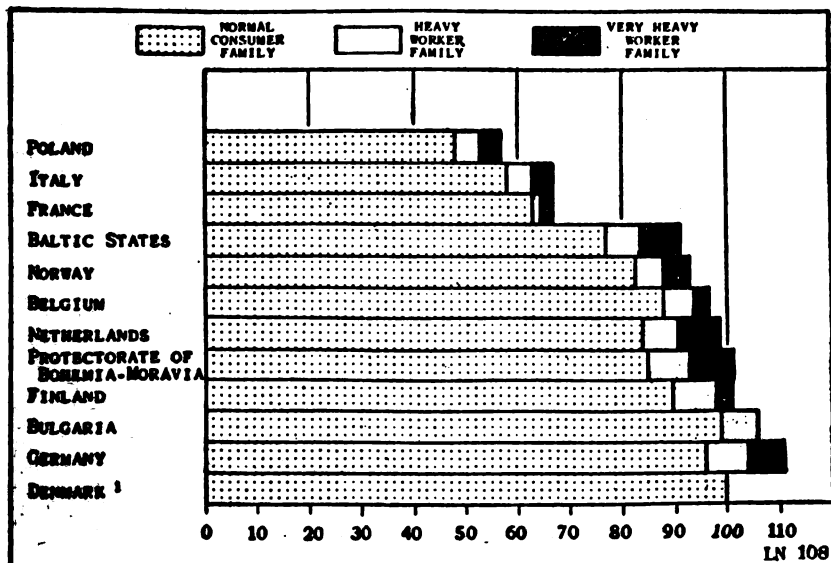


¹3,000 calories or more.

Source: Food Rationing and Supply, 1943-44, League of Nations.

DIAGRAM II.—*Workers' diets in the autumn of 1943 as percentage of normal requirements (3,000 calories)*

[Calories per consumption unit per diem]



¹3,000 calories or more.

Source: Food Rationing and Supply, 1943-44, League of Nations.

TABLE V.—Average weekly food rations in enemy and enemy-occupied countries, spring 1944, normal consumer

	Grams				Liters milk
	Bread	Meat	Sugar	Fats	
Germany.....	2,425	250	225	218	1 1.12
Protectorate.....	2,425	250	250	178	1.4
The Netherlands.....	1,800	125	250	146	1 1.75
Norway.....	1,820	(¹)	200	210	1.75
Italy.....	1,400	{ ² 80 ⁴ 30	125	37	None
Belgium.....	2,100	140	230	105	None
Denmark.....	2,350	(²)	350	300	(¹)
France.....	2,100	(¹)	125	{ ² 42 ⁴ 32	None
Finland.....	1,750	260	60	125	2.1
Slovakia.....	1,050	200	{ ² 230 ⁴ 175	60	.7
Hungary.....	1,750			140	None
Baltic States.....	2,000	250	150	180	None
Bulgaria.....	3,500	400	125	200	(¹)
Poland.....	2,100	100	75		(²)
Rumania.....	2,100	250	{ ² 300 ⁴ 50	250	

¹ Skimmed milk.
² Locally rationed.

³ Urban.
⁴ Rural.

⁵ Unrationed.
⁶ Non-German.

STATEMENTS ON INDIVIDUAL COUNTRIES

GERMANY

Prewar government control over consumption of specific commodities was prompted by the policy of self-sufficiency. Measures took the form of prescriptions on the use of specific raw materials and substitutes, propaganda and price controls. There were no great scarcities. Up to the outbreak of war good-quality consumer goods were, with few exceptions, freely available at controlled prices for everyone who could afford them.

The day war broke out the situation changed radically. Food and soap were rationed immediately; textiles, footwear, and fuel shortly thereafter; 1942 marked a new stage in German rationing. There was marked deterioration in the supply of consumer goods and services to civilians. Production was slowed up and valuable stocks destroyed by the air war. The wholesale destruction of dwellings vastly increased the demand for household furniture, clothing, and textiles.

Of all consumer goods food rations were most stable—on the whole the food ration at the beginning of the fifth year of war did not compare too badly with those at the end of 1939.

The clothing ration deteriorated constantly. In 1943 the clothing ration for most articles was suspended for all nonpriority adults. There was a similar development in various categories of household goods. With intensified war the sale of household articles to other than air-raid victims and the war-disabled was frequently suspended in the raided districts and cut to a minimum in the rest of the country.

Food

The restrictive effects of rationing of the German diet had not become serious by the end of 1943. The average daily calorie intake had fallen barely 10 percent. A feature that distinguished the German situation from that of the occupied countries was the relatively few occasions on which it was necessary to change the rations because of supply fluctuations. The major reason, of course, for Germany's comparatively good food situation was her policy of raiding the food stores of the occupied countries.

The war years had, however, brought considerable deterioration in the quality of the diet with animal products representing less than one-fifth of total calories. By late 1944 the German food situation began to deteriorate at an accelerated pace. Rations were reduced to a bare minimum for maintenance of health and activity and daily intake was less than 1,900 calories.

Clothing

Clothes rationing, begun a few weeks after the outbreak of hostilities, imposed drastic restrictions and limited clothing purchases well below customary standards. Moreover purchasers frequently found it impossible to purchase the needed garments.

The continually increasing discrepancy between demand and supply led to the suspension of the rationing for all adult nonpriority holders. This suspension was still in force in December 1943. Available evidence indicates a drastic decrease in quality of existent goods by that date. The extreme shortage of leather made special difficulties for footwear. By the end of 1943 one serviceable pair of shoes made it impossible to obtain a permit.

Housing

Germany entered the present war with a serious housing shortage. Since March 1943 there has been a general cessation of new building. Air raids by the end of 1943 had made several millions homeless and compulsory billeting regulations calculated to leave no empty space in the premises were made effective in June 1943.

GREECE

Complete and accurate information as to the standard of living in Greece, both for prewar and war years, is incomplete, either as to the areas covered or the commodities considered, or both, but the following statement includes the most satisfactory figures available at present.

Food

Greece, although essentially an agricultural country, normally imported large quantities of cereals, particularly wheat, in the form of livestock for slaughter; milk products; and all its sugar supply. Right from the beginning of this war, as soon as Greece was cut off from outside sources, the food situation started deteriorating, climaxing in the year 1941-42, during which starvation was spread all over the country. The prewar estimated average consumption of foodstuffs for the period of 5 years, 1933-37, is computed as 403 kilograms per capita with a caloric content of 2,433. Half of the caloric content was derived from grains, showing a poorly balanced diet.

No country in Europe has suffered more from a shortage of foodstuffs during the years of occupation than Greece. The importation and distribution of grain through the Joint Relief Commission beginning in 1942 improved food conditions somewhat in the Athens-Piraeus area, but not to any appreciable extent in other parts of the country. Ration allowances of bread and other essential foodstuffs through the JRC were very low and even the meager quantity allowed was often unobtainable for weeks at a time. The black market with its prohibitive prices could replenish the low ration allowance only for an extremely low percentage of the population. A satisfactory determination of the standard of living during the period of enemy occupation is not possible because, except for the ration allowance of foodstuffs, other essentials of life could only be obtained at varying black market prices, and some of them like clothing and footwear were entirely unobtainable.

Cost of living

It is estimated that according to Greek standards in the year 1938 the minimum cost of living in Greece was approximately 11,000 drachmae, or \$73, per capita annually (National Bank of Greece Year Book for 1939). For a family of four the average earnings were sufficient to cover this cost for each member. This cost of living was based on the expenditure needs of a small urban family. It represents a level of living inferior to the internationally agreed upon standard of minimum subsistence.

After liberation the Bank of Greece in April 1945, made a study of the cost of living in Athens for a "minimum subsistence" and a "bare subsistence" and of the percentages of these subsistence levels obtainable with the income of civil servants and wage earners. The analysis was made to show the monthly costs for a family of two and a family of four at each of the levels. No effort was made to ascertain the availability of supplies of all commodities included, nor was the study based upon an examination of existing consumption patterns. However, as their designations imply, they are assumptions of minimum and bare needs and as such

are reasonable. According to the bank's analysis a family of two at the "minimum" level requires an income of 15,497 drachmae, or \$103, per month and a family of four requires 21,463 drachmae, or \$143, per month.

To purchase the "bare subsistence" commodities a family of two requires an income of 10,061 drachmae per month, whereas a family of four must have 14,240 drachmae per month.

According to the scales of earnings prevailing in Athens now, the following table shows the percentage of the two indexes which wage and salary earners are able to obtain:

	Percentage of minimum subsistence commodities which can be purchased according to extremes (lowest and highest) of incomes	Percentage of bare subsistence commodities which can be purchased according to extremes (lowest and highest) of incomes
2-PERSONS FAMILY		
	<i>Percent</i>	<i>Percent</i>
Civil servant.....	31.1 to 59.4.....	55.7 to 91.4.....
Employee.....	37.4 to 64.5.....	57.6 to 99.4.....
4-PERSONS FAMILY		
Civil servant.....	31.7 to 48.5.....	47.8 to 73.....
Employee.....	32.6 to 52.2.....	49.2 to 78.7.....

It must be noted that the day laborers who do not work a full month are not able to provide their families with the insufficient percentages shown above. Moreover, it must further be noted that prices are highly unstable and are advancing so that the condition shown may grow progressively worse. This is especially true for the month of May 1945, during which the previously existing inflationary trend took a sharp upward movement, causing the disappearance of many essential commodities from the market. Black-market commodity prices during this period were absolutely out of reach for 99 percent of the population. It required a half a year's earnings of a full-time employed laborer to purchase a pair of shoes and an equally fantastic amount of currency to purchase clothing. Obviously, pensioners and indigents who are extremely numerous, though not specifically identified as a class, are faced with grave want.

Conditions in the rocky islands of the Aegean, including Dodecanese, were even worse. In Piraeus, the main port of Greece, which has been the favorite air-raid target of the German and Allied air fleets, as well, a drive for the collection of money and clothing was launched.

Shelter

The shelter condition in Greece presents another acute problem for solution. One thousand four hundred villages have been destroyed or bombed throughout the mountainous and remote regions of Greece as a result of German reprisals. There was heavy destruction in the dwellings of the suburban areas of Athens and Piraeus during the December-January civil conflict. As a result, it is estimated that close to a million people have been rendered homeless.

Health

The unprecedented number of people stricken with malaria and tuberculosis in Greece represents a major problem in any program of relief and rehabilitation. Local investigations have revealed that in some areas approximately 70 percent of the population suffers from malaria. In other areas approximately 60 percent are tubercular.

YUGOSLAVIA

Food

Prewar conditions.—The diet in Yugoslavia before the war was unbalanced and unsatisfactory with about 80 percent of all caloric intake derived from cereals, more than half of which was corn. Although the average caloric intake was very high, the diet was poor. One half of all peasant households, because of small farms and their low productivity, were not able to produce enough

food for themselves. Members of such households had to look for seasonal and other work off of their farms. Thus, considerable areas were called "passive." Since employment opportunities were scarce, food consumption in the closing months of the crop year often bordered on starvation in many areas. Actually the rural population in "passive regions" had to be supplied by the government with relief shipments of cereals.

On the other hand the northeastern parts of Yugoslavia had a considerable surplus of cereals, meat, fats, and eggs, and the country regularly exported quantities of these products. These exports, however, were not an expression of real surpluses of food above and beyond the actual needs of the country, but of the low purchasing power of the broad strata of the people of Yugoslavia. It is with good reason that these exports were referred to as "hunger exports."

Wartime developments.—With the occupation and dismemberment of Yugoslavia in 1941 Germany took over the food-surplus areas in the north and utilized the surpluses. In other areas, reduced seeding, reduced numbers of livestock, lack of seed, fertilizers and implements and the steady guerrilla fighting combined with scorching reduced the available food supplies to a point where malnutrition and near starvation were prevalent in many areas. The rationing system in the cities—none was in existence for rural areas—was only nominal with only periodical distribution of food. The black market, based on barter, was the prevailing system of food provisioning.

Starvation of hundreds of people occurred after the liberation of the Dalmatian coast in November and December 1944. Even at the conclusion of hostilities there existed some surplus cereals in the original surplus areas but due to lack of transportation they could not be moved. Reports indicate that prices differ within areas of less than 50 miles in the relation of 10 to 1. At the close of hostilities in the northern parts of Yugoslavia in May 1945 urban people had a starvation ration of 35 to 40 grammes of bread daily. Airborne supplies were necessary to prevent large-scale starvation.

Clothing

A large proportion of peasants wore home produced garments and sandals, but on the whole the clothing standards were very low. Before the war Yugoslavia consumed about 50,000 tons of textiles and textile raw materials, of which more than 40,000 tons were imported.

There was no import of textiles or shoes through the 4 years of war and the Allied sources estimated the deficiency in clothing as of October 1944 at 70 percent.

Housing

Both rural and urban housing in Yugoslavia was poor before the war. Thus for example in the prewar province of Drina the rural population of 1,250,000 had in all 106,000 beds at their disposal. In Belgrade more than half of the people suffering from tuberculosis slept not only in the same room, but in the same bed with other people.

It is estimated that approximately one-seventh of all families in Yugoslavia have had their houses destroyed or badly damaged. In fact, certain areas which changed hands dozens of times and in which the Germans pursued a policy of scorching, are completely obliterated.

Health

Although Yugoslavia had before the war some of the most advanced public health legislation in the world, lack of physicians, medical facilities, etc., in addition to other factors, were responsible for a very poor state of health of the population. Bad nutrition was perhaps one of the worst reasons for it, but bad housing, bad clothing, and general backwardness were the basic contributing factors. Infant mortality was one of the highest in Europe (about 145 in 1938). Malaria, tuberculosis, and other diseases were widespread.

Because of conditions prevailing during the war there has been serious deterioration in the level of health and it may take years before even the low prewar standards are reached.

ITALY

Food

From reports received from the field it is apparent that until recently the food situation in urban centers of liberated Italy was worse than it had been under Axis rule.

Conditions in Rome may be considered to a certain extent typical of that prevailing in other large urban centers of southern and central Italy. In considering this information, however, it should be remembered that it does not give a

complete picture of the food situation in Italy since a large section of the Italian population, especially in the south and in the center, is employed in farming, and the food situation for the farmers has not changed very substantially during the last 2 years.

Official reports indicate that Nazi-Fascist distribution of basic foodstuffs in Italy, including Rome, in June 1943 corresponded on the average to 916 calories per day. This figure includes all foodstuffs rationed on a nation-wide scale, i. e., bread, alimentary paste or rice, edible fats and sugar. The officially rationed foodstuffs distributed in Rome after liberation corresponded to the following daily calorie value:

July 1944	645	December 1944	791
August 1944	792	January 1945	707
September 1944	817	February 1945	780
October 1944	793	March 1945	815
November 1944	717	April 1945	951

As this table shows, there has been some improvement in the food distribution since liberation, yet the amounts distributed at fixed prices under the official rationing system are even now less than one-half the calories regarded as the minimum normal daily calorie intake for an average adult.

The main reasons for the decreased distribution of essential foodstuffs made after the liberation were:

1. The almost complete disruption of the country's transportation system;
2. The smaller amount of available supplies because of decreased local production; and
3. The deterioration of distribution controls due mostly to fear of further depreciation of the country's currency and the consequent hoarding of foodstuffs by the farmers.

The difference between the calories obtainable through rationed commodities distributed at fixed prices and the minimum necessary for subsistence must be acquired by the average Italian in the open (black) market. Black-market prices prevailing in Rome under Allied rule show a marked increase over those prevailing in that city under Nazi-Fascist occupation. This was obviously a consequence of the scarcity of available foodstuffs for the reasons given above and of the inflationary process rampant in liberated Italy.

In evaluating the consequences of the rise in prices during the period under consideration it should be remembered that rigidly controlled salaries and wages increased at a much slower rate than free market prices, thus making the situation of the civilian population in Italian urban centers even more difficult.

A comparison of black market prices in the city of Rome prevailing in September 1943 (about 9 months before the city's liberation), in November 1944 and in April 1945 is given below:

Price in lire

Commodity	Unit	September 1943	November 1944	April 1945
Bread	Kilogram	20	85	95
Wheat flour	do	35	100	125
Rice	do	35	280	(?)
Potatoes	do	7	45	44
Beef	do	67	390	850
Olive oil	Liter	180	485	417
Butter	Kilogram	125	800	925
Sugar	do	42	630	1,250
Eggs	Each	6	35	23
Milk	Liter	5	55	70

Rationed foodstuffs distributed in Rome to normal consumers since liberation and their caloric values by whole calendar months were as follows:

Items	July 1944		January 1945		April 1945	
	Kilograms	Calories	Kilograms	Calories	Kilograms	Calories
Bread.....	6.200	17,143	6.200	17,143	6.000	16,590
Meat.....	.185	719	.100	193		
Pasta.....			.600	2,092	1.510	5,265
Flour.....					.800	3,197
Oil.....	.050	446	.240	2,140	.277	2,470
Cheese.....	.012	46				
Fish.....	.100	156				
Wine (liters).....			.375	23	9.556	588
Vegetables.....	.200	606	.100	191	.100	66
Sugar.....	.100	656	.029	119	.090	309
Average daily calories.....		645		707		951

Clothing

Although there was a pronounced shortage of textiles in Italy during the war, Italy's needs were somewhat less acute than those in other Axis-controlled territories. With the outbreak of war, Italy lost more than 90 percent of her cotton supply; her factories, however, were in part converted to the production of synthetic fabrics.

Rationing of clothing in Italy began in November 1941. Points allowed for a year to various groups of persons were as follows:

	Points
Type A cards, adults (aged 15 or over).....	120
Type B cards, boys and girls (aged 5 to 14, inclusive).....	96
Type C cards, small children (aged 1 to 4, inclusive).....	72
Typical values of these points in 1943 were:	
Man's shirt.....	14
Man's suit.....	83
Man's overcoat.....	85
Woman's winter dress.....	44

During the war shoes were particularly scarce and substitutes for leather consisting of special textile uppers with composition soles and heels were widely used.

After liberation the scarcity of clothing and shoes increased materially since such articles are produced mainly in the northern provinces and practically no imports from abroad were possible. The need for clothing in devastated areas was, and still is, particularly acute. To relieve this need, used clothing in considerable quantities is now being imported from the United States. The presence of a very active black market in clothing further emphasizes present civilian shortages.

Housing

Because of shortages of fuel and electric current a series of restrictions were placed on heating and lighting throughout Italy during the war.

During the first months after liberation heating and, in part, lighting, were entirely unavailable because of lack of coal and electricity. Although with the liberation of the north, the lack of electricity has been relieved in part, that of coal continues to be extremely acute, and there is expected to be very little of it available for heating purposes this winter.

Destruction of housing as a result of the war has been heavy in southern and central Italy, although it was concentrated mainly in port and combat areas. In port areas whole city blocks have been wiped out. In Naples, for example, 10 percent of the dwellings are reported to have been completely destroyed; 14 percent heavily damaged; and an additional 43 percent damaged. Destruction has been most serious in combat areas. Cassino is perhaps the best-known example, but there are many other towns which have suffered extremely heavy damage if they happened to fall in areas where protracted fighting took place. As a result of the destruction, the homeless have had to be evacuated to refugee camps or billeted in only partly damaged buildings in the same community.

The problem of relieving these conditions continues to be difficult because of the acute shortage of transportation, materials, and supplies.

CZECHOSLOVAKIA

Food

By the spring of 1942 approximately 97 percent of Czechoslovak food commodities were rationed. Quantities were varied by age, sex, and occupation. The "normal consumer" was permitted 1,685 calories daily; children were allowed less and workers more—resulting in an average per-capita ration of 2,390 calories. By the fall of 1943 the ration for the "normal consumer" was 1,740 calories.

It must be emphasized, however, that these rations indicate a claim to a certain quantity of food and were by no means a guaranteed ration. This is especially true of meats and fats. Indeed, the Czechoslovaks suffered from a serious shortage of protein and calcium foods. Further, staple foods such as bread deteriorated greatly through the use of potato flour and the fat content of milk was reduced one-third.

There was a significant shift in the type of food commodity consumed. The figures below show the percentage change compared to 1929-30 for certain major food items:

	Percent
Bread and flour.....	-20
Potatoes.....	+55
Meat and meat products.....	-52
Fats.....	-39
Eggs.....	-51

The following table shows a detailed break-down of gram allowances for the population in Bohemia and Moravia. Allowances were increased somewhat for those engaged in heavy work. The food situation in agrarian Slovakia was a little better than in Bohemia and Moravia.

Average weekly adult food consumption, 1931-32, and weekly rations for the normal consumer, specified dates, Bohemia-Moravia

[Quantities in grams]

	Average adult weekly consumption, 1931-32		Weekly rations for "normal consumer"			
	Manual worker	Clerical worker	Original ration, Oct. 8, 1939	Dec. 23, 1940-Jan. 19, 1941	Dec. 22, 1941-Jan. 18, 1942	Apr. 13-May 10, 1942
Bread and flour.....	3,475	2,804	2,900	2,250	2,250	2,000
Meat.....	730	968	500	500	400	300
Fats.....	407	421	210	160	169	164
Butter.....	78	171	70	35	40	35
Lard.....	237	175	70	35	20	20
Margarine.....	62	48	70	90	109	109
Milk.....	3.21	3.71	1.751	1.751	1.751	1.751
Eggs (units).....	3.5	5.3	(?)	1	1	1.5
Potatoes.....	2,076	1,513	(1)	(1)	3,000	² 2,500-10,000
Fruit.....	683	1,038	(1)	³ 500	³ 250	⁴ 250
Sugarless jam.....	20	26	(1)	(1)	⁵ 350	⁵ 350
Sugar.....	593	550	400	300	⁵ 300	⁵ 250
Coffee.....	18	25	(6)	(7)	7.5	-----

¹ Unrationed.

² For storing.

³ Apples for children.

⁴ Oranges for children.

⁵ If jam ration is used, the sugar allowance was 75 grams only.

⁶ 20 coffee or 2.5 tea.

⁷ 2.5 tea.

Clothing and footwear

From the earliest days of the Nazi occupation Czechoslovakia experienced a clothing and footwear deficiency. With all the textile, clothing, and footwear factories either dismantled or used solely for war production, the stocks available to civilians were soon exhausted. After 4 years of strict rationing, the validity of all clothing and shoe rations was revoked in the early part of 1943, and sales were formally forbidden. Even repair shops were closed down to free manpower for occupations essential to the German war machine.

Shelter

While no detailed studies are available on Czechoslovak shelter and housing conditions during the war, it is known that large numbers of Czechs were dispossessed from their houses and apartments to make room for evacuees from the old Reich. In order to conserve fuel and manpower during recent winters it was forbidden to heat public buildings, restaurants, hotels, theaters, cinemas, shops, schools, and prisoners' barracks.

Health

As in other countries occupied by the Germans, general health conditions have deteriorated. In particular, dietary deficiencies have contributed to an increased incidence of disease. While there are no statistics available on the mortality rate and the state of health in Czechoslovakia, a clear indication of conditions is given by the fact that the number of tuberculosis patients in one Prague hospital had increased 100 percent 2 years after the occupation. Reliable estimates of the mortality rate from tuberculosis in Prague showed a 5.6 percent increase in 1940, 26.4 percent in 1941, and 35.2 percent in 1942. The deportation of many doctors and dentists and the closing of medical schools for a number of years was an added complication.

FRANCE

Food

Legal rations as compared with Germany, 1943.—The League of Nations publication, Food Rationing and Supply, 1943-44, gives the following figures as of the autumn of 1943:

	Daily calorie intake from—									
	Bread	Cereal	Potatoes	Sugar	Meat	Fat	Milk	Cheese	Eggs	Total
FRANCE										
Normal consumers.....	780	30	100	70	45	65	-----	20	5	1,115
All consumers.....	770	35	100	75	60	95	85	20	5	1,245
GERMANY										
Normal consumers.....	900	75	400	170	95	200	60	25	5	1,930
All consumers.....	958	80	400	175	117	235	115	25	5	2,110

NOTE.—Normal consumers are adults over 21 and under 70 not engaged in heavy work.

Average consumption in 1943-44.—Estimated average consumption in 1943-44 compared with prewar consumption was as follows:

Commodities	Kilograms per head per year		
	Prewar	1943-44	1943-44 percent of prewar
Flour and meal.....	115.0	127.0	110
Potatoes.....	167.0	147.0	88
Sugar (refined).....	22.0	10.6	48
Meat and offals.....	48.0	24.0	50
Fats and oils (fat content).....	12.2	5.8	48
Liquid milk:			
Whole.....	103.0	64.0	62
Skim.....	(?)	20.0	(?)
Cheese.....	5.4	2.7	50
Eggs.....	9.6	5.0	52
Fruits.....	34.0	12.5	37
Vegetables (including tomatoes).....	55.0	37.0	67
Wine.....	180.0	75.0	42

Nutrients in the food consumed.—Generally speaking the farm population has been far better fed than the urban because they are not dependent upon the rationed supplies. It is estimated that in 1943-44 approximately 16 percent of the bread grain, 60 percent of the whole milk, 60 percent of the fats, and 30 percent of the meats consumed by the farm population came from off the ration.

The following table shows the nutrients in prewar food consumption and those in 1943-44. It is evident that the nonfarm population fared far worse than the farm.

Nutrient	Prewar total population	Nutrients per head per day, 1943-44		
		Total population	Farm population	Nonfarm population
Calories	2,970	2,230	2,820	1,900
Proteins (grams)	81	69	89	58
Animal	34	30	27	17
Vegetal	47	49	52	41
Fats (grams)	80	41	50	36
Carbohydrates (grams)	380	360	450	310

Recent situation.—The rations in the summer of 1944 and for February and March, 1945 were as follows:

	Summer 1944	February-March 1945
Bread (grams daily)	300	350
Cheese (grams weekly)	50	20
Meat (grams weekly)	180	150-250
Fats (grams monthly)	135-180	150-250
Sugar (grams monthly)	500	500

It was not possible to provide even these rations in all areas. For example, in Paris only 100 grams of the monthly ration of fats was distributed in February.

According to a reliable source, official food rations during the past winter amounted to 1,255 calories while the total obtainable food was slightly short of 2,000 calories. Legal rations in Paris were as follows:

	Calories
October 1944	1,650
November	1,280
December	1,320
January 1945	1,240

The situation in midspring 1945.—Meat: Livestock numbers have fallen sharply during the war, especially during the last 12 months, owing to various factors but in particular to German requisitions. In contrast with an annual prewar production of 1,465,000 tons of meat, there has been a loss of nearly 300,000 tons. Cattle feed supplies fell from 5,410,000,000 units in 1938 to 3,882,000,000 in 1942 and 2,580,000,000 in 1945. The present meat ration of 150 to 250 grams a week could not be supplied for periods of several weeks in many cases, and in some places there has been no meat at all.

Fats: Excess slaughter of cattle, and of cows in particular, cut milk yields and produced a decline in butter production. Before the war the average per capita consumption of edible fats and oils in France was at least 13 kilograms yearly, of which more than half was provided by imports. Current production may provide no more than a ration of 200 grams (7 ounces) a month for ordinary consumers. In southern France (Montpellier) the fat ration has been about 160 grams (5½ ounces) monthly. No butter was distributed in Paris in January.

Milk: The present milk ration is only three-fourths of a liter per day for children up to 6 years, pregnant women, and persons on special diets. Owing to transportation inadequacies, the difficulties of distribution are considerable, and are further aggravated by the lack of milk cans, containers, etc. In many cases it is impossible to supply this restricted ration.

Sugar: The beet crop could not be fully processed owing to lack of coal for the factories, the coal available being reserved for immediate needs.

Clothing and footwear

In 1938 France utilized 500,000 metric tons of textile raw materials, of which 90 percent were imported. About 270,000 tons were absorbed by the clothing industry.

In 1942 the tonnage of textile materials allocated to the French civilian clothing industry by the Germans was only 35,000 tons (about 13 percent of 1938); it was 28,000 tons in 1943 and it would have been 27,000 tons in 1944.

A table of the different quantities produced in 1938, 1943, and 1944 follows:

	In units			Percent- age, 1944 of 1938
	1938	1943	1944	
Tailor-made men's clothes.....	3,200,000	2,800,000	1,700,000	22
Tailor-made women's clothes.....	7,000,000	3,072,000	768,000	11
Tailor-made men's linen.....	2,500,000	800,000	200,000	8
Tailor-made women's linen.....	1,600,000	600,000	150,000	9
Ready-to-wear men's clothes.....	8,600,000	4,000,000	994,000	11
Ready-to-wear women's overcoats.....	3,000,000	373,000	125,000	4
Ready-to-wear women's linen.....	20,000,000	4,000,000	2,500,000	12
Ready-to-wear men's linen.....	55,000,000	11,000,000	3,500,000	6

¹ Approximately.

During the winter of 1945, and aside from top priorities factories working for the military, it could be said that the French clothing industry was practically at a standstill.

During the period of German occupation, the leather stocks of France were ruthlessly exhausted by the occupying powers. It is said that the manufacture of 9,000,000 pairs of leather shoes per annum, providing one pair every 4 years for each Frenchman, was a maximum that could not be exceeded.

In 1945, the French authorities plan to produce 40,000,000 pairs of shoes, but this is conditioned by the import of 18,000 tons of tanning extracts and of 19,000 tons of sole leather.

Coal rations for private households

During the occupation, the amount of coal allotted to households depended on the number of people living there. For the winter of 1941-42, a family of from one to three received 8 hundredweight of coal, and a further 4 hundredweight for every two additional people. In Paris, the ration was still smaller; a small family got only 4 hundredweight of coal.

Since liberation, the situation has not improved and, in fact, the 1944-45 winter was practically the worst the French population ever suffered.

The present production of coal in France does not exceed two-thirds of the prewar production and the latter did not cover all French needs by twenty to thirty million tons a year.

BELGIUM

Food

Legal rations.—According to the League of Nations' publication *Food Rationing and Supply* the legal rations entitled the Belgian normal consumer to 1,555 calories per head per day in the autumn of 1943. The ration was only 1,355 in April 1942.

Estimates of total consumption.—Estimates of the average consumption of principal foodstuffs for the total population during the prewar period and 1943-44 follow:

Commodities	Kilograms per head per year		
	Prewar	1943-44	1943-44 as percent of prewar
Flour and meal.....	118.0	98.0	83
Potatoes.....	168.0	205.0	122
Sugar (refined).....	28.0	24.0	86
Meat and offals.....	44.0	21.0	48
Fats and oils (pure fat content).....	16.7	6.0	36
Liquid milk, whole.....	78.0	18.0	23
Eggs.....	10.2	1.2	12
Cheese.....	3.3	2.5	76
Vegetables.....	41.0	60.0	146
Fruits.....	25.0	24.0	96

Nutrients in the food consumed.—Of course, there were sharp differences between the consumption among farmers and nonfarmers. The following table gives the quantities of nutrients contained in food supplies consumed per head per day.

Nutrient	1943-44			
	Prewar total population	Total population	Farm population	Nonfarm population
Calories.....	2,900	2,020	2,870	1,850
Proteins (grams).....	75	58	88	52
Animal.....	28	18	31	15
Vegetable.....	47	40	57	37
Fats (grams).....	91	38	62	33
Carbohydrates (grams).....	400	360	490	330

The present situation.—The food situation in Belgium is still fairly bad. A comparison between the daily legal rations of normal consumers early in 1944 and early in 1945 follows:

[In grams]

	Dec. 12, 1943-Jan. 21, 1944	Dec. 17, 1944-Jan. 16, 1945		Dec. 12, 1943-Jan. 21, 1944	Dec. 17, 1944-Jan. 16, 1945
Bread.....	300.0	350.0	Cheese.....	6.6	.....
Meat.....	20.0	35.0	Potatoes.....	500.0	500.0
Margarine.....	6.6	13.3	Pulses.....	8.3	4.2
Butter.....	8.3	3.3	Jams, jellies.....	20.0	30.0
Sugar.....	33.3	33.3	Oatmeal.....	8.3	.....

These rations represented 1,462 calories in the early period and 1,595 in the later.

All rations are not met in full; the deficit has been most marked in butter and to a lesser extent in margarine. Black market operations are still flourishing.

Clothing and footwear

The clothing situation in Belgium during the war was probably no better than that in France. According to a report of October 1943, the Belgians were at that time in immediate need of 1,200,000 complete outfits, one-third for men, one-third for women, and one-third for children.

As of October 1943, one pair of shoes per hundred inhabitants was released for children under 16. No one over that age was allowed to buy shoes.

Coal rations for private households

Coal rations for Belgium were 220 pounds for the February-March period in 1943 for a household of one to four persons. Every additional four persons was allotted 110 pounds. During the winter of 1942-43, families of two or more persons to whom gas was not available were supposed to receive a special ration of 275 pounds of coal for kitchen use. There were reportedly extra rations for sick people and prospective mothers but these were hard to obtain. The situation with regard to firewood was equally difficult and other means of heating were not effective. Gas pressure was generally low. Electric heaters were expensive and of poor quality. Heating systems using benzine, alcohol, or gasoline were useless because fuel was unobtainable.

LUXEMBURG

Food

Before the liberation, Luxemburg was submitted to the same system of rationing as in use in the Reich itself; the legal rations were therefore those of Germany, i. e., much higher than in France, Belgium, or Holland. The daily average for the farm population in 1943-44 was around 3,200 calories and for the nonfarm population around 2,250 calories.

The legal rations since liberation according to a speech by the Minister of Supply of the Luxemburg Cabinet on May 17, 1945, are as follows: September 1944, 1,750 calories; December 1944, January 1945, and February, 1,350 calories; March, 1,440 calories; April, 1,540 calories; May, 1,830 calories.

Heavy workers received an average of 500 more calories per day per head.

NORWAY, THE NETHERLANDS, DENMARK

The food situation in 1943-44

The League of Nations' study on Food and Rationing, 1943-44, gives detailed break-downs of ration allotments for various countries including Norway, Denmark, and the Netherlands. Among other data there is included a comparative estimate of workers' diets in percentages of prewar consumption standards which gives these figures for the families of very heavy workers: Norway, approximately 88 percent; Netherlands, approximately 93 percent; Denmark, approximately 100 percent; Germany, approximately 115 percent.

In summarizing its classifications this report states that as of 1943 the theoretical calorie intake appeared to be up to prewar levels in Denmark, Germany, Bulgaria, Rumania, and Hungary. In most cases the intake was high enough to meet the accepted requirements of 3,000 calories a day per adult male. The Netherlands and Norway were grouped in a second category whose rations reached between 2,500 and 2,800 calories per adult male, figures which, in most areas, were lower than before the war. On the basis of the authorized rations it is stated that the levels of the national averages could not be considered critical though more or less severe shortages occurred among special consumer groups.

Another report on the food situation in European countries gives these estimates of quantities of nutrient content in food supplies consumed per head per day in terms of calories:

	Prewar	1943-44
Norway.....	2,800	2,310
Denmark.....	3,250	3,020
Netherlands.....		2,160

Recent conditions

Denmark.—In 1944 the prospects were that indigenous food supplies in 1944-45 would be slightly in excess of those in the previous year. Certain surpluses were built up or maintained to the end of the war. In the weeks following liberation several installments of food, particularly butter and pork, were sent to nearby countries such as Norway and the Netherlands.

Norway.—The 1944 harvest in Norway was unexpectedly low in the staple crop of potatoes. Early reports of the fish catch for the season of 1945 indicate that the yield is large in most varieties of fish.

The Netherlands.—The circumstances accompanying liberation in the Netherlands, resulting in a division between the liberated area and the occupied region, aggravated the food problem in the western half of the occupied region with heavy urban centers during the winter of 1944-45. In some instances near-famine conditions prevailed. In order to alleviate the worst shortages special measures were taken by the Allies just before and just after liberation. For example, the Allied Air Forces flew in special consignments of food to be dropped from planes and provisions were made for supplying intravenous feeding in some of the worst cases of malnutrition. Recent reports suggest that sufficient supplies have been brought into the earlier liberated area to bring the average consumption up to 2,000 calories per day.

Clothing

Denmark.—The war cut Denmark off from her normal sources of textile raw materials and finished products and forced her to rely on domestic production and raw materials and upon substitutes. In order to supplement available supplies of wool use was made of rabbit wool, cow hair, and horse hair. No cotton was available but a substitute known as Cotonin was produced by a special process from flax and hemp tow. This fiber when mixed with rayon staple fiber (cellwool) was woven into material suitable for workmen's clothing. The general leather shortage affected the shoe supply situation in Denmark less than it did in most countries. It appears that Germany made little attempt to deprive Denmark of her hides, leather, or leather manufactures. However, leather production for a time was down to only 60 percent of the prewar level. The deficiency of various kinds of leather led to the manufacture of wooden-soled footwear and to the tanning of fish skins.

Norway.—The supply of textiles was affected during wartime by shortages of raw materials, particularly cotton, and the resulting failure to replace garments

as they wore out. German requisitions aggravated the shortages in some notable cases such as the rather thorough going requests for certain types of sports clothing and for woolen blankets. Some idea of current needs may be gathered from a reference to the imports in a representative prewar year (1938):

	Tons		Tons
Wool-----	758	Cotton yarn-----	3, 656
Wool waste-----	138	Linen and hemp yarn-----	1, 057
Raw cotton-----	324	Artificial silk yarn-----	356
Cotton waste-----	982	Pure silk cloth-----	167
Hemp-----	3, 225	Cotton piece goods-----	4, 788
Jute-----	1, 136	Woolen piece goods-----	1, 962
Woolen yarn-----	1, 372		

The Netherlands.—The clothing shortage was felt early in the war. The Germans from the outset requisitioned all raw materials stored in clothing factories, and in August 1940 instituted clothes rationing on a level insufficient to meet elementary needs. Further restrictions were added from time to time and new requisitions of textiles were called for in December 1944. To make matters worse, Germans used part of the clothing industry which might have been producing for local consumption on orders for the armed forces. Requests by the Netherlands authorities have been particularly heavy for permission to make purchases of grey cotton cloth, woolen yarns, ready-made garments for both men and women, industrial clothing and household textiles.

Shelter

Denmark.—Denmark suffered, on the whole, much less destruction by bombing than did most German-occupied territories. There was a severe shortage of housing facilities, however, during the war due mainly to the influx of German officials and German workers and to forced evacuations from fortified areas. Some deterioration took place and repairs lagged but relatively the situation was better than might be expected in an occupied country.

Norway.—The German occupation severely aggravated the housing problem not only through the overcrowding brought about by the heavy influx of German military and civilians but also by the outright destruction of buildings. A careful estimate of the number of dwellings and apartment buildings destroyed during the hostilities in 1940 places the figure at 7,500. In the autumn of 1940 some 30,000 persons were still reported homeless in the northern part of the country. By 1943 less than 2,000 houses, or roughly 20 percent of the 7,500 homes estimated destroyed had been rebuilt. From time to time there was new destruction as a result of commando raids along the coast. In the autumn of 1944 the Germans resorted to widespread destruction on a major scale in the northern province of Finnmark, in conjunction with a scorched-earth policy. A fairly reliable estimate contended that one-fourth of the buildings in the Province may have been destroyed, or roughly an equivalent of 2,500 dwellings. At the time of liberation, therefore, the shortage of housing may have been somewhere in the neighborhood of the initial figure of destruction in 1940, namely 7,500 buildings.

The Netherlands.—Considerable damage was caused during the initial German invasion to housing facilities, while Allied bombings from time to time helped to aggravate the shortage. It was estimated at the beginning of 1943 that 13,000 families were still "doubled up" in Rotterdam as a result of the German bombing in 1940. Many dwellings along the coast were destroyed or made uninhabitable by the Germans in connection with their fortification plans.

POLAND

Food situation

The food situation in Poland has been among the worst in Europe. In large cities like Warsaw and Lodz, thousands died of starvation. The frightful shortage of food could not attributed only to a decline in agricultural production. In 1942 the Germans exported from territory that comprised approximately 50 percent of Poland, more than twice the amount of rye, wheat, flour, and bran formerly exported from all of Poland. Eighty percent of the 1942 harvest was confiscated by Germany. A German report for November 1942 (Report of the Bureau of Agriculture and Alimentation of the Warsaw District) discloses that in October 1942 the "normal consumer" was receiving 75 grams of meat per week. Beginning in March 1941 the Polish population was not permitted to obtain wheat flour, fruit, poultry, onions, and honey.

There was considerable disparity between official rations and food actually obtainable and fantastic price levels prevailed in the black market. Before liberation, the price index of foodstuffs on the black market was 3,300 for Warsaw. (July 1937=100.)

Health situation

The extremely serious food situation has led to physical exhaustion of the population and to reduced resistance to disease. Health conditions in Poland are among the worst in Europe. By February 1942 there were an estimated 50,000 deaths from typhus. Malnutrition; shortage of hospitals, doctors, medical supplies; break-down of health services; lack of adequate housing facilities in towns ruined by bombardment; lack of fuel for heating; lack of wearing apparel and footwear contributed to the spread of disease. In the first half of 1941, the incidence of tuberculosis in Warsaw was 300 percent of the incidence in the corresponding half of 1940. Rickets, bone diseases, dysentery, and infantile diarrhea prevail.

Clothing situation

Five years of war have completely exhausted prewar stocks of clothes in Poland. The clothing situation has been especially disastrous for children. Before liberation, the only people receiving clothing coupons were those farmers who got them as a premium for supplying food-stocks in excess of their quotas. Neither the peasant, the worker, nor the office employee had the right to purchase footwear, underwear, nor any other clothing at normal prices.

On December 31, 1935, there were 1,870,000 spindles and 47,000 looms in the cotton industry in Poland; in addition there were 799,000 spindles and 14,000 looms in the woolen industry; 36,500 spindles and 1,700 looms in the linen industry, and additional ones producing jute and silk. In 1938 Poland exported textiles to the value of 59 million zlotys, and yet the clothing shortage occurred because all manufacturing was exclusively for the Germans.

There were over 525,000 children in Poland in 1943 who were in desperate need of clothing.

Housing situation

There are no over-all statistics available on the devastation of the cities and villages of Poland. All available information indicates however that the housing situation in urban communities in Poland is very serious. Sixty-one Polish towns were bombed within the first few hours of the German invasion. It is estimated that in Warsaw 85 percent of the houses on the left bank of the Vistula have been destroyed and 25 percent of the houses in Praga, a suburb of Warsaw, have been destroyed. In round figures, this means the loss of 525,000 habitable rooms out of a total of about 600,000. According to the calculations of the Provisional Government of the Polish Republic, the following materials will have to be used during the next 10 months in the reconstruction of Warsaw: 40,000,000 bricks, 60,000 cubic meters of sand, 20,000 tons of cement, 30,000 tons of lime, 373,000 square meters of glass, 610,000 square meters of bituminous paper, 200,000 square meters of tarred paper, 25,000 cubic meters of timber for building, 10,000 cubic meters of joiners' timber, and 8,000 tons of steel fittings. While some of the big Polish cities were captured intact, due to the hasty retreat of the Germans, others are in the same condition as Warsaw. The situation in rural communities is better than in the cities. Nevertheless, in 1942 alone, 348 villages were burned to the ground, 1,800 villages were evacuated, and all of their inhabitants either killed or deported.

×

1. 1759²: 431^{pt. 6}

ELIMINATION OF GERMAN RESOURCES FOR WAR

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
FIRST SESSION
PURSUANT TO
S. Res. 107
(78th Congress)
AND
S. Res. 146
(79th Congress)
AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS.



PART 6

NOVEMBER 1945

ADDITIONAL MATERIAL SUBMITTED BY THE
WAR DEPARTMENT

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

74241

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, Utah, *Chairman*

EDWIN C. JOHNSON, Colorado	WARREN R. AUSTIN, Vermont
LISTER HILL, Alabama	STYLES BRIDGES, New Hampshire
SHERIDAN DOWNEY, California	CHAN GURNEY, South Dakota
HARLEY M. KILGORE, West Virginia	CHAPMAN REVERCOMB, West Virginia
JAMES E. MURRAY, Montana	GEORGE A. WILSON, Iowa
JOSEPH C. O'MAHONEY, Wyoming	JOHN THOMAS, Idaho
ROBERT F. WAGNER, New York	
TOM STEWART, Tennessee	
BURNET R. MAYBANK, South Carolina	

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, West Virginia, *Chairman*

ELBERT D. THOMAS, Utah	CHAPMAN REVERCOMB, West Virginia
EDWIN C. JOHNSON, Colorado	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

LETTER OF TRANSMITTAL

WAR DEPARTMENT,
CIVIL AFFAIRS DIVISION,
Washington, October 26, 1945.

HON. HARLEY M. KILGORE,
*Chairman, Subcommittee on War Mobilization,
United States Senate, Washington, D. C.*

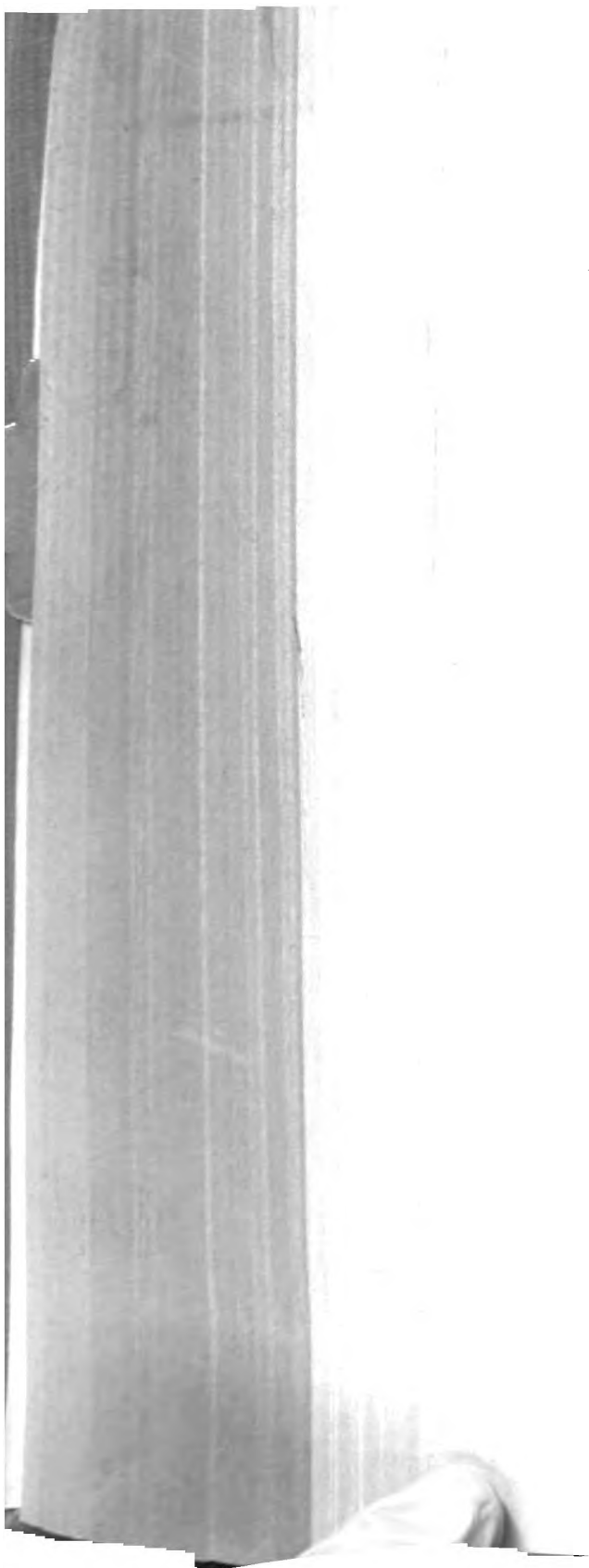
DEAR SENATOR KILGORE: Your letter dated October 24, 1945, requesting copies of correspondence between Puhl and Funk, of the Reichsbank, was received today.

There are four letters in the group bearing dates of March 19, 23, and 30 and April 6, 1945, copies of which have been delivered to you. The letters are not classified, and consequently you are free to make such use of them as may be desired.

Sincerely,

J. H. HILLDRING,
*Major General,
Director, Civil Affairs Division.*

III



INTRODUCTION

The letters printed in translation below, written from Switzerland by Emil Puhl, former vice president of the Reichsbank, to Walther Funk, former president of the Reichsbank and Minister of Economics for the Reich, were recently uncovered by United States investigators searching the records of German industrial and financial institutions. They describe the manner in which the Germans, when defeat was imminent, were able to use neutral countries to build up a network of economic and political reserves for future aggression. These letters, submitted by the War Department at the request of the subcommittee, supplement the evidence presented at subcommittee hearings on the war-making techniques and resources which still remain at Germany's disposal.

As indicated in the testimony of the State Department before this subcommittee, in the course of the war representatives of the United States, Great Britain, and France approached neutral governments and requested that they uncover and immobilize German assets subject to their jurisdiction and prohibit transactions involving such assets. The purpose of these requests was to cut off Germany's economic reserves in neutral countries and to destroy the base for further German aggression. It was recognized by all that if these requests were effectively carried out it would be a serious blow to Germany's war effort and to Nazi plans for another war.

In the early part of 1945 representatives of the three Governments sent a delegation, headed by Mr. Lauchlin Currie as the personal representative of the President of the United States, to negotiate with the Swiss Government. This so-called Currie Mission was considered successful in obtaining an agreement by the Government of Switzerland to take all necessary measures for uncovering and completely immobilizing German assets subject to its jurisdiction. Shortly after the Currie Mission left Switzerland, Emil Puhl, a leading Nazi banker, visited Switzerland and entered into negotiations with Swiss officials with a view to counteracting the effect of the Currie Mission. His progress in negating the Allied efforts is reported in these letters to Funk, who has been indicted as a war criminal. Puhl's repeated emphasis on future Swiss-German relationships shows how Nazi financiers hoped to save themselves from the consequences of military defeat and resume their activities on an international scale after the war was over. Puhl expressed satisfaction with his achievements in his final letter, written April 6, 1945, when the Allied armies were overrunning Germany:

The result of my drawn-out endeavors can be summarized in stating that it is quite a considerable achievement which is thought to be impossible by many sides that under the present general, political and military conditions we have come to a written agreement with a Swiss institution. Every day, I could almost say every hour, I was able to convince myself of how many German-Swiss connections exist which will not stop now after it has been possible to find a basis for the continuation of certain payments.

* * * * *

The basic importance of the concluded agreement lies in the fact that the absolute stopping of payments between Germany and Switzerland which our opponents tried to obtain did not materialize and that payments within the framework of justified German-Swiss relations can be continued. I myself have wondered whether there was any sense to continue with the discussions. For us to break off the negotiations would have been a cheap success for our opponents. Our Legation was very much of the same opinion. The fact that also President Weber [of the Swiss Nationalbank] repeatedly and strongly advised me to continue in my endeavors made a forceful impression. He pointed out that under the given present day conditions an agreement between the Nationalbank and the Reichbank would be of far reaching importance beyond the present day. I was glad to hear about the respect in which our institution and signature is held in the world.

All in all I believe that we can be satisfied that we succeeded in obtaining the above described arrangements for German-Swiss payments. Whatever form events will take, such connections will always exist between our countries, and the fact that there exists a contract agreement may be of considerable importance for the future.

Despite the efforts of the Currie mission and the assurances of the Swiss Government that German accounts would be blocked, the Germans maneuvered themselves back into a position where they could utilize their assets in Switzerland to support their war effort, could acquire desperately needed foreign exchange by the sale of looted gold, and could conceal economic reserves for another war. These moves were made possible by the willingness of Swiss Government and banking officials, in violation of their agreement with the Allied Powers, to make a secret deal with the Nazis. The Puhl-Funk correspondence makes it clear that the principal concern of the Swiss was the prospect of future business dealings with a postwar Germany, irrespective of its political character and its relationships to the peace- and freedom-loving nations of the world.

As indicated in the preliminary report of this subcommittee on eliminating Germany's war potential, neutral governments were integrated into the Nazi plans for global war. The facilities of these governments were used to cloak economic penetration by the Nazis and to assist them in the concealment of their external assets after military defeat. These assets must be seized in order to destroy Germany's economic potential for another war as well as to rehabilitate those countries who were victims of German attack. German reserves in foreign countries are still held inviolate by the protective laws and attitudes of governments with close prewar commercial ties with the Nazis. United Nations collaboration is necessary in order that effective steps may be taken to eliminate economic reserves in neutral countries which are still serving German aggressive aims.

HARLEY M. KILGORE,
Chairman, Subcommittee on War Mobilization.

ELIMINATION OF GERMAN RESOURCES FOR WAR

ADDITIONAL MATERIAL SUBMITTED BY THE WAR DEPARTMENT

Puhl, Vice president.

ZURICH March 19, 1945.

To the President of the German Reichsbank,
Minister of Economics Dr. WALTHER FUNK,
Berlin C III, Reichsbank.

VERY HONORABLE MINISTER OF THE REICH: It has been already a few days since I arrived in Switzerland and it is possible for me to evaluate somewhat the situation. I could say that in general it is much worse than I even imagined in my most pessimistic expectations. By this I don't mean the general situation, which mostly depends on the press. It is a fact that the press is being substantially influenced by the Anglo-Saxons and it does not seem that any changes in this respect are possible. The opinion I heard in responsible circles is for us of much greater importance. It is becoming more and more apparent that the decree of 17-February to block German accounts is of a political character and was given in order to appease the Anglo-Saxons. It is still impossible to find out how fargoing are the concessions made to the Anglo-Saxons. It is the opinion of very pessimistic observers that a registration of German accounts and shares in Switzerland will soon take place. At some later date this will be made available in some way to the enemy. It would be superfluous for me to say what this would mean to our firms which have innumerable connections with the Swiss economy. The fact that the National Bank is unfortunately being more and more eliminated by government agencies made on me the most unpleasant impression. According to the decree of 17 February all payments for Germany are to be made in the National Bank but the permission as to their disposition is being issued by the "verrechnungstelle". This way the National Bank ceased to be independent in that respect. Mr. Weber was apparently attacked very fiercely by his closest colleagues because he gave in in this respect. The fact that the "verrechnungstelle" is a very bureaucratic institution and further that it is going to charge ¼% for granting the permission, which is an exorbitant fee, makes the business trade even much harder. It further even managed to stop the payment of money which was transferred from the Reichsbank for use of our Embassy.

The large number of cables from the Reichsbank on Mr. Hirs' (general director of the National Bank) desk proved to me how fargoing is the stagnation in the German-Swiss payments relations. I was shocked to find out that also the account of the Reichsbank has been blocked. This way Switzerland is trying to use our financial reserves for her own purposes. I found out from the different conversations I held, that there is no doubt that it is the intention of

Switzerland to take away from us the German credits and to charge it against Swiss claims. Among other things I have been informed that payments for German firms will be made at the National Bank in France and this bank would not care how the equivalent in Reichsmarks will be paid to the receiver. I don't have to add that I expressed on this occasion my great surprise about this kind of procedure. Friday and Saturday I had endless discussions with President Weber and General-Director Hirs, but unfortunately so far without any results. A meeting at the local National Bank is scheduled for to-day (Monday 19 March 1945) at 4 o'clock and representatives from Government agencies in Bern will attend this meeting. I am planning to present the following demands:

1. The Reichsbank account at the National Bank should be exempted from the seizure and should be kept as a free account. To support my point of view I shall bring their attention to the fact that in 1931, when Germany introduced her foreign currency policy, the accounts of the note banks were kept free. No blocked accounts ever existed at the Reichsbank as it would happen now with the Reichsbank account at the National Bank. Therefore I shall demand reciprocity.

2. I shall ask for exact regulations, covering the execution of all transactions, so there should be no delay in carrying out payments made and approved. I shall also express our surprise that payments for our Embassy have been denied, which constitutes an unfriendly move of the highest degree towards a friendly power.

3. I shall ask to be put in a position to make gold sales with the purpose to fill up our account at the National Bank, in case it should get exhausted. On this occasion I shall ask the question whether the embargo on gold, which was decided against us, is also being applied in case of other note banks. I shall most strongly protest against the discrimination of Germany and the German Reichsbank. In this respect I heard from Mr. Weber that the Anglo-Saxons agreed that certain payments of ours be made in gold (Embassy expenses, welfare of prisoners of war, affairs of a protective power). Anyway it is my opinion that I should make a general demand for acceptance of gold. Should these demands not be satisfactorily complied with, I shall declare that we will have to take under consideration whether we should continue to keep in force agreements as the Standstill agreements, payments of interest of the Funding Bonds of the Conversion Bank, payments to insurance companies and many more. I will also have to ask to be allowed to pay certain amounts from our accounts in foreign currency and not in Swiss Francs. To this category belong payments to the German Embassy at the Vatican, which we are unable to provide by any other way. Unfortunately I have no illusions about the outcome of the negotiations after the highest authorities have decided to carry on a policy of "boot licking" to the British and Americans. The fear of the Russians must be the main factor responsible for this policy. They are looking towards the Anglo-Saxons for protection. It is further interesting that the public does not know anything about the many strong demands which were made by our opponents from Switzerland in the political and military field. It seems that the American and British delegation made here a more or less good impression. By the way the second gentleman from the American delegation had the good "American" name Schmidt.

I would like you, very honorable Minister, to consider these statements as a private information. When the session is over I shall forward an official report to the Foreign Office by way of the Embassy. I keep here constantly in touch with the Embassy. It is my opinion that it is not the intention of the Swiss to break off relations. However as things stand at present and because of the specific way the Swiss carry on negotiations, whereby every single point has to be clarified, it should be anticipated that unfortunately the negotiations will last for a long time. Therefore I should like to ask you to decide whether I should continue the negotiations until reaching a more or less satisfactory result, or whether they should be interrupted or discontinued.

On my trip I was further very disappointed with my stay in Basle. Mr. Hechler's health condition seems to be much worse than I had anticipated. Though he is back in the bank, his condition is serious. When he saw me off, he could hardly walk up the little ramp at the station. We wish him with all our heart a speedy improvement. Fortunately his new housekeeper is taking good care of him and he would like to thank you once more for your intervention to send this lady to Switzerland. The management of the Bank for International Settlements disappointed me in so far as they asked my approval to postpone this year the publishing of the final financial statement and also the payment of dividends. Since we are the largest stockholder it is natural that this payment is for us of great interest. Though I naturally understand the point of the President of the Bank for International Settlements to strengthen the bank internally at the present time as much as possible, I objected very strongly from the German viewpoint to the idea of not paying the dividends. To-day we really need every single franc and the dividends amount to a few hundred thousand francs. Because of my objection an official questionnaire will be sent to the Presidents of note banks and I think, Mr. President, that you and the two other gentlemen should favor the opinion of paying the dividends. Should we be overruled by the remaining presidents of note banks it cannot be helped, but we should anyway support our point of view.

The management of the Bank for International Settlements received the approval of the American delegation for the trade negotiations, to accept from us gold to cover the interest due from us. Using the slogan of "the stolen Belgium gold" the British and Americans were peddling in an unimaginable way and driving everybody crazy here. The President of the Bank for International Settlements is going to Paris shortly, to pay a formal visit to the new President of the Banque de France on the occasion of the latter's taking over the new office.

Mr. Jakobsen is going to Stockholm via London. He was invited by a national-economic institution in New-York to give there a short lecture on financial problems in Europe. Evidently there is a great interest for economic problems of Central Europe and Mr. Jakobsen is considered to be an expert on these problems. It is interesting that it was mentioned in the invitation that, though it should be a short lecture only, both the travel expenses from Europe to America and back and a four weeks stay in the United States will be paid for. (Mice are caught with bacon).

As significant of the interest of the American delegation towards German affairs one considers here the fact, that they bought tickets for the concert of Furtwangler which was to be held in Zurich, but which due to the stench made on the part of the Socialists did not take place.

Yesterday, Sunday, I visited Mr. von Wedel, who was brought to Samaden by Swiss friends. He is under good care of Prof. Ruppana, a friend of Saurbruch. I have though the impression that his condition is a very serious one. His weight is hardly 100 lb. and I could best describe his condition by quoting a Swiss Lady (of French origin) in whose company he dined "that death was sitting at our table."

Personally, I am suffering a lot because of lack of any news from Germany. May I ask you to authorize Reichsbankdirektor Reinhardt to find some way to transmit to me and Reichsbankdirektor Reinel either by the way of the Bank for International Settlements, the Embassy, or the National Bank any news concerning my family and my home. I hope that you and your wife are all right. My compliments and heartiest regards and

Heil Hitler, yours very obedient,

ZURICH (SWITZERLAND), 23 March 1945.

DR. WALTHER FUNK,
*Reich Minister of Economy and
President, Deutsche Reichsbank,
Berlin C-111.*

DEAR MR. MINISTER: I hope my last report of 19 March has been received by you. In writing my report of today, I feel rather depressed over the course of the present negotiations here in Switzerland although my discussions with the (Swiss) National Bank have finally taken a turn somewhat for the better.

In the meeting of 19 March which I mentioned in my last report, I had an opportunity to discuss the subjects which you had brought to my attention. It seemed that at any rate the National Bank understood our conception of the problem. Likewise the representatives of the Swiss government such as Messrs. Hotz and Homberger showed some appreciation of our position. As regards the gold question however, they emphasized over and over again that they did not desire gold but preferred coal or iron. As a matter of fact, these gentlemen expressed themselves about the Swiss banking system and its role in a way which was not very flattering to their system. Again I had the impression that the banks inclusive of the National Bank are not consulted very frequently at the present time by the government authorities. No discussion at all was made of the fact that in addition to an exchange of commodities there exists banking and payments of actual funds which, of course, constitutes a part of industrial economy and is of benefit to the nation. This observation is extremely strange considering the economic direction of a nation such as Switzerland, i. e. a country which after all has large financial interests and capital investments throughout the world. On the whole the Swiss regard economic relations with us solely as a matter of a bilateral exchange of commodities.

The situation as well as our negotiations are even more complicated by the influence exercised upon purely economic events by the foreign

policy which is becoming increasingly worse. It is obvious that the Anglo-Saxons have led the Swiss to make such far reaching commitments to them as to sacrifice vital Swiss interests in other spheres including all financial and other payments with Germany.

The meetings of the succeeding days progressed insofar as we discussed a payment plan in which was to be applied to the account of the Reichsbank at the National Bank. This fortunate progress was due to no small extent to the efforts of the National Bank. The payment plan was to include also the credits of the Reichsbank in the hands of private loan banks. The plan was to allot certain sums of money to the various phases of financial transactions. The plan was to remain in effect for approximately half a year. This would have enabled us to exercise a free reign within the limits of that sum of money, that is, we would not be subjected to the bureaucratic methods of approval which is customary here as far as the individual payments are concerned.

The plan provided for an allocation of definite amounts covering interests from coal, interest from holding funds, funding bonds, new credits, debits in France, German-Swiss transactions on a small scale, insurance traffic, transfer of financial creditors, that is bond holders, electric power, etc. The sum total of these amounts approximately balanced our credits. For practical purposes a condition thus would have been achieved which would have made it possible to continue payments without letting the economic circles involved feel the existing limitations and approval methods.

Furthermore the Nationalbank declared itself ready to continue accepting gold. We had thought of an amount of approximately 15 million francs. The Swiss did not intend to "buy" this gold from us but to accept it in payment of payments to diplomatic legations, military establishments, interned personnel, and the Red Cross. It goes without saying that this procedure is merely another name for it. Although these negotiations as usual involved considerable "rope pulling" we nevertheless arrived at a fairly reasonable basis of operation.

Yesterday, Thursday, Legation Councillor Kohli, the representative of the political department, suddenly informed me that the Swiss government could not approve this payment plan. The government did not know, he said, whether or not adequate amounts were reserved for the individual allocations, and it was feared that other Swiss creditors not included in this plan might remain at a disadvantage. He recommended therefore to drop the payment plan entirely and suggested that the Reichsbank simply submit requests for payment to Zurich. These requests were to be checked here in Zurich and to be paid in emergency situations with due regard for our limited credits.

I turned this plan down forthwith and called attention to the fact that the recommendation was impracticable from a technical point of view, not to say absurd. I pointed out that such a plan would cause us to send to Zurich continuous payment requests which we had already paid in marks. We would not know of course whether or not these requisitions would be filled with the result that a large number of unfilled requisitions would collect before long; present difficulties encountered in postal transactions would tend further to aggravate this situation. Such unfilled requisitions are considerable even now. I was shown long lists of unaccomplished payments by

every bank that I visited. From a technical point of view the conception of the term emergency case does not apply at all. For example in our holding sector it was said that only those Swiss banks should receive the interest in funds which were in a weak condition. As a matter of fact the thought that brought up was that our payment requisitions should be governed by that point of view. In other words, this would require the Reichsbank to pass judgment on the soundness of the Swiss banks in its foreign transactions. I need not emphasize that such a plan was out of the question. Yet, even though the Swiss accounting agencies had chosen such a procedure, none of the holding banks would have tolerated it and would have shortly cancelled the holding agreement. I saw absolutely no appreciation of the operations of the banking system, the very existence of which depends on credit.

Conditions are similar in all other respects. In case of the funding bonds which are guaranteed by the Reich, it would be especially inconvenient to cash individual coupons simply because the owner may be "in need," whereas the Reich would become delinquent in the payment of the other coupon.

It goes without saying that these impracticable propositions are based on a political background. On the one hand the political authorities probably are concerned over the danger that a payment system which functions only half way would not satisfy the hostile tendencies of the Allies. On the other hand agitation has been spread meanwhile by ambitious politicians as, for instance, Duttweiler with the object of rallying interests which claim to have suffered damage in Germany. Recent additions have been furnished these circles by Swiss citizens who have returned to Switzerland because of the air raids. It is well known that ambitious individuals like Duttweiler invariably take advantage of the dissatisfaction complex in order to put a halt to these tendencies which are detrimental to the due execution of economic problems in difficult times. The government prefers to sacrifice many other Swiss interests which are justified but do not raise such a loud clamor.

All in all the discussions caused me to realize more and more the fact that a lack of appreciation of realities and not to say ignorance had the first word. The conceptions under discussion were extremely narrow and on a very low level. The people here refused to recognize the destructive effect of a blocking system which will bring about a manipulation of funds so to speak.

I realized that no real study had been made of the inter-relationship and the more far reaching effects of a compulsory administration of funds because foreign creditors had lost money. No one seems to realize that any form of compulsory administration in a nation based on peace time economy will bring about interference in commercial transactions, lower the influx of foreign investments, interrupt banking, render it difficult to maintain competition in commercial transactions and so forth. The fact that a nation at war requires a compulsory administration naturally is considered an entirely different matter. Simply because of the presence of a few clamoring voices the Swiss are willing to disregard the interests of large sections of the Swiss economy, individual Swiss creditors, and many other circles. Of course, influence is exercised also by the fact that the Swiss expect us to meet with the catastrophe in the future and say that everything

will be done with shortly and it may be just as well to discontinue negotiations without delay.

Naturally I strongly objected to allow these arguments with the result that it was decided to discuss the matters further with the Swiss authorities and to bring them also before the federal council. An answer is expected by Tuesday or Wednesday of next week. I would have preferred to depart immediately and have stated so officially. I remarked that in times like these there was no point in carrying on endless discussions while we would be more useful at home working in the interests of our hard fighting nation.

However, if you, dear Mr. Minister, are of a different opinion, I shall remain here and wait for the answer promised by the Swiss. It may be possible after all that my statements have made some impression. Besides, Minister Koecher of our legation, who sends his compliments, is likewise of the definite opinion that we should leave nothing untried in order to arrive at a satisfactory and reasonable solution, that is, to make possible a transaction of payments which would function at least to some degree of satisfaction.

Today I shall call on Mr. Joehr, president of the Kreditanstalt, whom I know to side with us for logical reasons. It may be possible that he can take action in Bern. Moreover, I intend to discuss matters in detail tomorrow with the directors of the Nationalbank, these gentlemen not being here today. As far as the Reichsbank itself is concerned, the discussions hold very little promise. I also remarked that the entire negotiations resembled the case in which the farmer had placed his cow in the barn of his neighbor; and that this neighbor now informed the farmer that he was using the cow for himself but would kindly permit him to attend the butchering and perhaps express a wish as to who should receive the front quarters or the hind quarters. To be sure in that connection it must be admitted that the bad neighbor would butcher the cow even though the farmer did not arrive.

Regarding the sale of gold to the Nationalbank, I was firmly determined to send for the gold at Constance on my own initiative for the Nationalbank was highly insistent claiming that our enemies might take some counter measures against the Swiss government. However, my experiences of last night have caused me to defer this plan. I do not believe that I can assume responsibility for sending additional valuables into Switzerland unless the disposal is more highly clarified than it has been in the past.

While I am submitting this report to you as president of the Reichsbank in such great detail, I have sent a telegram today to the foreign office informing it of the proceedings. In the event that you are of a different opinion as to the basic procedure I would appreciate your informing me so. Otherwise I shall wait to see what counter proposals the Swiss will make next week and then request the final decision.

I continue to be overrun by requests originating with the Swiss bankers and economists. The action taken by the Bern government has created a great deal of bad blood. Tension is said to exist even within the Swiss government, due to the fact that individual federal councillors do not agree with the politics favored by Mr. Stucki. However, it is doubtful whether this is of much help to us at the moment.

Almost hourly my thoughts return to Berlin and you may well imagine how uncomfortable and unsatisfactory my position here is.

I have had no word from my family and have been unable to send word to them from here. Perhaps Mr. Reinhardt may be permitted again to try informing my wife that I am as well as conditions permit.

I hope, dear Mr. Minister, that both you and your wife are in good health. With best regards and Heil Hitler, very respectfully yours,
(PUHL, Vice President, Reichsbank).

PS: This is my fourth report. The first report was sent from Wurzburg, the second from Constance, and the third from Zurich.

I also enclose further a letter from the Nationalbank wherein the Nationalbank refuses to make payment to the Japanese. May I ask that this letter will be forwarded to Mr. Wilhelm, Director, Reichsbank, with the information that I had discussed the matter with Mr. Kitamura when he called on me. He asked us to supply him with gold but I refused his request. Perhaps it is possible to employ our large credits in yen for that purpose.

ZURICH (SWITZERLAND), 30 March 1945.

Dr. WALTHER FUNK,
*Reich Minister of Economy and
President, Deutsche Reichsbank,
Berlin, C-111.*

DEAR MR. MINISTER: Yesterday I took the liberty of sending you a wire from the German legation at Bern as follows:

After great efforts the discussions have led to positive results insofar as the Swiss are now prepared to permit disposal of Reichsbank credits in conformity with a plan on which we have agreed. Generally speaking, these payments are the same as those which we have made in the past and which we would automatically pay even though a blocking system had not been introduced. Thus any blocking of payments which the enemy might have intended to force upon Germany in this respect has been broken. Furthermore, the Swiss are prepared to purchase gold provided it is used for definite purposes such as payment of legations, military personnel, etc. Unfortunately, the negotiations cannot be concluded today by means of correspondence between the Reichsbank and the Nationalbank as planned because of the holidays when all offices are closed. Likewise it was impossible to comply with the intention of bringing gold to Switzerland.

We have a definite promise that both matters will be accomplished by the middle of next week. The negotiations are greatly handicapped and delayed by the internal differences of opinion especially between the national bank and the Swiss government. I shall report in detail by letter tomorrow.

I shall render an official report by wire to the foreign office upon final conclusion of the discussions.

As you may gather from the foregoing, our negotiations have made some progress in the meantime. In my last report, I mentioned that the Swiss had assured us that they would go into the matter and all of its ramifications once more despite the fact that they were opposed to the entire matter on principle at the time. I was disappointed at the time because the Swiss were of the opinion that it would take considerable time to arrange another meeting. However, I have learned that the Swiss meanwhile have worked hard on the matter and that many discussions with interested parties have taken place.

Mr. Vieli, Director of the Swiss Kreditanstalt, who has been head of the Swiss legation in Rome for a number of years and is an old acquaintance of mine discussed the conferences with me stating that serious efforts were made to arrive at a reasonable solution. I took

advantage of the time to enter into a series of discussions. Quite a number of interested Swiss parties came to me on their own initiative and requested such conferences. Thus, for instance, I saw Mr. Joehr, president of the Kreditanstalt, Mr. Jäberg, president of the Bankgesellschaft, Mr. Speich, president of the Bankverein, Mr. Zoeli, director of the Eidgenössische Bank, Mr. Rens, director of the Basler-Handelsbank, and a member of the Swiss holding committee, Mr. Tuerler, director of the Bankverein, and Mr. Rasi, director of the Eidgenössische Bank.

At any rate my efforts have been successful insofar as influential members of Swiss economy at Bern have advocated the reasonable regulation of the problems and a continuation of the payment transactions between Germany and Switzerland. All realize the fact that the blocking of German credits has a far reaching effect also upon Swiss interests at home. There is a difference between blocking Croatian and German credit. It is realized that the blocking regulation had been sacrificed on the altar of politics in haste and is contrary to "democratic procedure"; that is, those concerned had not been consulted. The Swiss now are surprised at the repercussions caused by this measure.

Opposition has visibly increased against minister Stucki who promised the Allies to block German credits. On the other hand none of the government authorities nor the Nationalbank dare to take any action or assume any responsibility for steps which might be contrary to the general political trend of conforming strongly with Allied desires. Consequently the most simple problems must be submitted to the federal council, a body which is divided in its own opinion. That is the reason for the horrible delay in the negotiation.

All of this has created an unfavorable political background for our discussions which originally were intended to confine themselves to conferences between the two banks alone. The negotiations gradually develop more and more into a continuation of the negotiations held by our economic delegation. Since that conference did not produce a definite agreement, but provided merely for a *modus vivendi*, my discussions lack a firm foundation in this respect.

My negotiations have been attended continuously by members of the local legation in order to insure a continuity of the general policies. The assistance given me by the legation in this respect has been considerable. Our discussions on banking matters were greatly overshadowed by political considerations, at least indirectly so. It is obvious, therefore, that all political events reflected upon our own business affairs. A most unpleasant incident was created by the publication of the attached manifest which made minister Stucki practically a martyr. No explanation has been given as to the origin of this manifest and the reason for its publication at this time. I do not know to what degree the Allies have made efforts to sabotage a reasonable regulation of the payment transactions between Germany and Switzerland. Nevertheless, there are indications that the Allies observed the proceedings closely.

Therefore, I anticipated the meeting of 28 March with some degree of anxiety. It was found that even the highest authorities in Switzerland have become convinced that some sound action is absolutely necessary to prevent a complete rupture in the economic relations between Germany and Switzerland as a result of the blocking of

credits. This showed that my many discussions were successful after all. Without going into the technical details I may state that Switzerland basically is prepared to continue payment transactions with Germany. In other words Switzerland does not wish to create a condition which would mean a break in relations. The Swiss realize that any financial transaction between two nations as constantly pointed out by me is founded on a legal basis which is broken when the obligations are not met.

It does not matter in that connection what consequences might arise from such a rupture, that is, whether it might lead to a cancellation of a treaty, confiscation of property, discontinuation of diplomatic relations, protests, legal processes, etc. In any case the result will be complete destruction of economic relations.

We are now considering an agreement with Switzerland which would de facto abolish the complete blocking of the Reichsbank accounts, the Reichsbank being the carrier of German-Swiss payment transactions. In general we have agreed on a payment plan which provides for payments as follows:

- Interest gained from coal credits;
- Interest gained from holding credits;
- Interest and amortizations gained from funding bonds;
- Interest and amortizations gained from new credits;
- Requirements of inter-state trade on a small scale;
- Capacities of insurance companies in the year 1944;
- Interest gained from debits in francs in the year 1944;
- Coverage of the deficit in the transfer funds of the bookkeeping agreement between Germany and Switzerland as of 31 December 1944;
- Subsidy given the transfer fund from outstanding obligations up to 30 April 1945;
- Capital emergencies, especially for Swiss nationals returning from Germany;
- Funds placed at the disposal of the Reichsbank for small payments in Switzerland;
- Supply of electric power.

In the case of the individual payments we shall determine amounts to cover requirements temporarily until 1 May. We agreed further to continue the regulation subsequent to that date. The allocation of such a short period of time may be of benefit also to Germany. By that time we shall be in a better position to see how many funds have been used as a result of unfilled requisitions for payment, what payments have been placed to our account and what other requirement there might be.

Essentially the payment plan covers payments which we would make even though no blocking regulations existed. The amounts to be determined in part shall consist of general amounts while the employment of detail amounts may be determined by the interested parties. This agreement in fact wipes out the payment blockade against Germany which the Americans and British have made such strenuous effort to achieve. It leaves the Reichsbank a free hand to make dispositions in detail and does not subject it to approval by the Swiss clearing house.

I was successful further in imposing a condition which, though small, is quite important, that is, to free all of our payments from the

extremely high approval charges of one half percent. I entered into a discussion of the approval problem not only in our own behalf but on the urgent request of the German Chamber of Commerce in Switzerland as well. Since the blockade extends also to German firms residing in Switzerland and these are compelled to pay the charge for each approval, these business establishments would have to pay the charge whenever they withdraw funds for the payment of wages, taxes, and many other items. The high cost of this charge thus practically constituted a special tax imposed upon German-Swiss firms as compared with firms of purely Swiss ownership. In the case of the large German firms located here such as Siemens, I. G. Farben, and many others, these expenditures amounted to several hundred thousands of francs each year. This charge which is actually prohibitive for small establishments will be drastically reduced or dropped entirely. In that respect the local German firms may be thankful to the Reichsbank.

The problem concerning gold continues to represent a special subject of my negotiations. Here too it was revealed that considerable internal differences of opinion exist in Switzerland and rendered my situation quite difficult. There is a considerable difference in views between the Nationalbank and the government authority. Whenever the government representative made a concession to me in that respect, the Nationalbank refused to confirm. On the other hand, whenever the Nationalbank and I reached an agreement the government representative refused to give his approval. Various opinions are represented even within the Nationalbank itself. The underlying reason for this may be the fact that the Nationalbank considers itself forced against the wall so to speak by the blocking regulation which make it responsible for the administration of the blocked accounts, but delegates the right of approval to the clearing house.

Unfortunately the Nationalbank has been forced to make great sacrifices in connection with its independence in business administration all of which may have been the cause of misunderstanding and accusations.

Besides, everyone in Switzerland hesitates to enter into an agreement with us for fear of the wrath of the Allies. There is a general "buck passing" and nobody will assume responsibility.

The foregoing clearly illustrates that the independence of the banks is a thing of the past. We in Germany have solved this problem better insofar as the forced control of funds is concerned by permitting the Reichsbank freedom of action in the administration of its own affairs. This left the Reichsbank in a position to enter into negotiations, a factor which no longer exists in Switzerland to a like degree.

The foregoing shows further that the problem of further valuation cannot be solved by the "independent" banks, but that they will become political problems of the government, with the banks acting as agents at best.

Nevertheless, our negotiations have resulted in a continued acceptance of gold from Germany although this gold is to be used for the payment of legations, military expenditures, prisoners of war, Red Cross, etc. This problem is of great importance because it incorporates the maintenance of the ability of the German government to pay its obligations.

Mr. Koecher of our legation asked me repeatedly to do everything in my power to give financial insurance to the maintenance of this service. The allocation of gold for these purposes is justified in every respect inasmuch as the services mentioned above probably must be performed for quite a period of time and will benefit German nationals.

When I saw that on the whole we had made fair progress by Holy Thursday, I was ready to issue instructions to transfer the gold from Constance to Bern on Saturday before Easter. This was in agreement with Mr. Rossi, vice-president of the Nationalbank and representative of that part of the directorate which is located at Bern.

Suddenly, word came from Zurich yesterday that this was not feasible for technical reasons. We went as far as to furnish one half of the amount of gasoline required for the transfer of the gold. Whether or not the refusal may be traced to a fear of assuming responsibility and a desire to submit the matter first to the federal council, I do not know. I was told that the reason for the refusal was the fact that no business transactions took place during the Easter holidays; that is true of course. We must not forget that Switzerland is the land of Zwingli and Calvin who was an even greater reformer. I gained the impression that a matter such as transporting gold was not proper during these days of absolute inactivity. This inactivity extended even to the theaters and movie houses which were closed from Good Friday to Easter Monday; even business houses were prohibited from exhibiting their wares in the show windows on those days. The city is completely dead and I am able to write this report today, Good Friday, only thanks to the accommodation of a secretary of the consulate who happens to be on Holiday duty. Everyone has gone into the country even though the weather is terrible.

There are at present three tons of gold marked for shipment to Zurich while one and a half tons have been allocated for future payments on B. I. Z. interests. Inasmuch as there are six tons of gold lying at Constance, I would have liked to transfer the remaining 1.5 tons also to the Nationalbank. Our legation considers that amount absolutely necessary in view of the ever increasing costs involved in the expenditures mentioned above. This problem likewise was the source of a continuous game of hide and seek among the Swiss gentlemen with the result that no one cared to assume responsibility. However, it may be that I shall find a safe place for these 1.5 tons of gold.

At my insistence we negotiated until yesterday afternoon. I might say that the Swiss did not lack in paying me personal attentions, such as arranging a large breakfast in my honor yesterday. Of course, this fact became immediately known to our enemies. It is remarkable further that Swiss bankers and industrialists again and again called on me despite the fact that the enemy observed everything. Unfortunately the Easter holidays cause an interruption in our negotiation. In general we have agreed to place all of our negotiations in documentary form after the holidays by means of correspondence between the Nationalbank and the Reichsbank.

I hope also to find a definite solution to the gold problem after the holidays and pray nothing will happen in the meantime. The correspondence probably will be quite voluminous for a large number of subsidiary problems must be regulated. For example, the installation of a number of special accounts is a matter which requires discussion.

Above all I have insisted on our receiving free francs in return for free Reichsmarks which the Reichsbank might release for any reason. That is important as it will enable us to use these francs to transfer funds into a third country. I would charge Mr. Hinz, Reichsbank councillor, with the technical execution of this correspondence. In addition to Reichsbank Director Reinel, Mr. Hinz has given me valuable assistance here; he has been placed on temporary duty with the legation head by Mr. Wilhelm. The difficult postal connections would require that Mr. Hinz be given certain powers. Eventually his assignment here may develop into a permanent representation of the Reichsbank. Such representative positions have proven to be quite effective in the case of other banks.

Owing to the unfavorable political situation I do not feel that my mission here should be concluded until all concerned have signed and the gold has been transferred. In that connection I wish to confirm the authority conferred upon me by Reichsbank Director Reinhardt to remain here until matters have been settled. The local German authorities are of the same opinion. Any action on our part which might cause the plan for an agreement to collapse would be a success for our enemies.

Being separated from home at the moment is a heavy moral burden. During the Easter holidays I shall return to Germany and go to Constance. It is simply impossible for me to remain here where everybody is celebrating while Germany is in such dire distress. I would have preferred to return to Berlin; that, however, is impossible there being no fairly rapid communication of any kind. To travel by plane is out of the question. The Tuesday after Easter I shall resume my work here and hope to complete it shortly. Personally I am still very much worried not having heard from my family. Local reports seem to indicate that the region where my wife resides is already included in the combat zone. I am greatly concerned over our Reichsbank in Berlin.

I hope that you, dear Mr. Minister, and your wife are well. In any case I wish to take this opportunity to extend you Easter greetings. I add my greetings to my colleagues in the Reichsbank Directorate. Being without a secretary it is impossible for me to keep up correspondence to any extent.

With best regards and Heil Hitler,

Very respectfully yours,

(Sig.) PUHL, *Vice President.*

Puhl, Reichsbank Vice President.

BERN, 6 Apr. 1945.

To: President of the Reichsbank, the Minister for Economics

DR. WALTHER FUNK,

Berlin C 111, Reichsbank.

Previous communication: My report of 30 Mar. 1945 (1 copy, 7 enclosures).

Yesterday after long efforts the results of my discussions here were put down in writing. The discussions of the last days which partly were very detailed were developed on the basis described in my last report. Right after the Easter Holidays which I spent in Germany

the work was again taken up with great zeal. New questions arose for discussion again and again. Also my talks took the usual course of such international negotiations. After a somewhat favorable beginning a severe crisis during the second week, then an agreement on the main points and then shortly before the conclusion a series of new, more or less difficult points.

Today (Friday) the matter was supposed to be approved by the Swiss Bundesrat (Confederate Council) and then signed this afternoon. But I heard just now that for technical reasons the draft did not pass the Bundesrat. Now it can not be brought up again before Tuesday of the following week. We do not think that this is an intentional delay. Therefore, we shall have to postpone the signature until Tuesday. Since I agree with the gentlemen from the legation that nothing will be changed in the results reached in the negotiations, I sent the following telegram to the Foreign Office today:

Discussions concerning the exchange of payments have been concluded. The signing will take place after the approval of the Bundesrat, which was supposed to take place today but which due to technical reasons will not take place until the following Tuesday.

The result is as follows: In future substantially the account of the Reichsbank with the National Bank will be used for all German-Swiss payments. For this account the blocking has been suspended to the extent that payments will be made after a payment plan agreed on for the time being for three months to start on Feb. 1. This plan includes the items of the interest for coal credits, holding credits, funding bonds, new credits, franc debits, requirements of inter-state traffic on small scale, insurance traffic, transfer service, electric power, and a certain amount for the free disposal of the Reichsbank. I have obtained that Reichsbank dispositions will be free of charge.

This success which means that we have practically broken the payment blockade desired by the enemy and which enables the continued existence of numerous German-Swiss public and private contracts, was only possible by concluding the transfer arrangements on the basis earlier considered by us for the same period.

I further succeeded in inducing the Nationalbank to make further gold purchases to insure the fulfilment of Reich liabilities towards Switzerland as protecting power of prisoners of war and internees, for Red Cross and Reich representatives. I gave instructions for the transfer of three tons of gold to Bern today. Because of fundamental considerations suddenly arising in Basel the BIZ (Bank for International Settlements) did not take over any gold, as had been known at the Reichsbank.

I intend to depart for Berlin in the Swiss courier automobile this coming Tuesday together with Reinel.

As the form in which the results of our negotiations are to be written up we have chosen an exchange of notes between the Swiss National Bank and the German Reichsbank. A copy of the drafts of these notes, as far as our accounts are concerned, is added to this report as enclosures Nos. 1, 2, and 3. The fact that the Accounting Office (Verechnungstelle) is giving instructions to the Nationalbank on how to conduct its accounts is worth noticing and indicative of the existing situation.

In the gold question, however, the Nationalbank has kept its independence which is a good thing. I succeeded in concluding a gold transaction involving about three tons, in spite of the fact that this is certainly very disagreeable to our opponents. The draft of the exchange of notes in the gold transaction is added as enclosures Nos. 4 and 5.

The transfer of the gold took place today. I instructed Reichsbankdirector Reinel to take charge of the transfer, and the Nationalbank had obligingly sent its Director Schwegler to come along to Constance.

The result of my drawn out endeavors can be summarized in stating that it is quite a considerable achievement which is thought to be impossible by many sides that under the present general, political and military conditions we have come to a written agreement with a Swiss institution. Herein also lies the significance going far beyond the various regulations. It has become possible to avoid the breaking of the thin thread of German-Swiss economic relations, a danger which was brought about through the blocking of German accounts by the Swiss Government to an extent probably not expected by it. Every day, I could almost say every hour, I was able to convince myself of how many German-Swiss connections exist which will not stop now after it has been possible to find a basis for the continuation of certain payments. The various branches extend very far, be it in respect to redeeming obligations of the Reich or payments for our diplomatic service, for our prisoners of war, for other public obligations of all kinds, or be it in respect to the possibility of settling obligations between banks, insurance companies and numerous firms, or just small matters as the maintenance of border traffic with Lichtenstein, for which the prince there had asked special consideration from me.

In future the account of the Reichsbank with the Nationalbank will be the main carrier of German-Swiss payments. However, we received assurances that in issuing permits covering the accounts of our private banks with the Swiss private banks a somewhat liberal policy will be followed. Looking at the state of affairs, though, these transactions will not be considerable. The fact that the practice of unblocking the accounts of Germans living in Switzerland and German firms established there will be liberal as we were assured by the Swiss gentlemen repeatedly, will be a pleasing side effect, though of no immediate concern to us.

The basic importance of the concluded agreement lies in the fact that the absolute stopping of payments between Germany and Switzerland which our opponents tried to obtain did not materialize and that payments within the framework of justified German-Swiss relations can be continued. I myself have wondered several times in the course of the unfortunately long negotiations whether there was any sense to continue with the discussions. For us to break off the negotiations would have been a cheap success for our opponents. Our Legation was very much of the same opinion. The fact that also President Weber repeatedly and strongly advised me to continue in my endeavours made a forceful impression. He pointed out that under the given present day conditions an agreement between the Nationalbank and the Reichsbank would be of far reaching importance beyond the present day. I was glad to hear about the respect in which our institution and signature is held in the world.

All in all I believe that we can be satisfied that we succeeded in obtaining the above described arrangements for German-Swiss payments. Whatever form events will take, such connections will always exist between our countries, and the fact that there exists a contract agreement may be of considerable importance for the future. Anyway, the contrary, the breaking off of the innumerable connec-

tions, would have been a rubble pile which would have presented immense difficulties. But now it can be hoped that even in the future conditions between the Reichsbank and the Nationalbank will continue somewhat satisfactorily.

The circumstance that economic reasoning was on my side as I was assured by innumerable Swiss circles again and again proved to be of advantage in my negotiations. The blocking of German accounts has been nothing but a mere political action. Hardly anybody in the economy was consulted. Now it becomes evident that Switzerland is having some kind of government control of foreign currency (Devisenzwangswirtschaft) without having wanted it. And it becomes apparent that the control in this country will be much more severe than ours, since here it originates from unscrupulous political-administrative considerations, while in our case it started from purely economic facts, i. e. the impossibility of transfers. E. G., I had to protest strongly against the regulation that interest coupons which had been guaranteed by the Reich (the Funding Bonds of the Konversionskasse, e. g.) were supposed to remain unpaid, even though means for payment had been put aside. In the frame work of our control over economy we have never prevented foreign debtors from paying their coupons. How unbending the Swiss ideas are can be seen from the fact that in the course of the discussions I was told, among other things, that in the case that a free currency (like escudos) should be sold to Switzerland on the part of Germany blocked francs would result, a thing that is unthinkable in Germany. Also in our case the foreigner could sell his blocked marks, though at a loss. Here however, I was told repeatedly that from the Swiss standpoint nobody cared how the German who has been credited with a franc deposit in the blocked collective account at the Nationalbank could get to his reichsmarks. There is no doubt that this state of affairs can not be maintained for any length of time. Also here one will have to take the same path as we did, i. e., it will be found out that one regulatory statute will have to be followed by the next and that the decrees which aim to regulate state controlled economy have a fertility like rabbits. Without doubt, future Swiss regulatory statutes will be influenced by the innumerable arguments which arose in my negotiations, since this is still virgin country for the Swiss.

The figures put in the payment plan are for that reason only frame work. Their use can be regulated in detail in some items as the payments for electric power by the interested parties. However, in the case of the so-called transfer agreement, i. e., the arrangements concerning the long-term liabilities, it was necessary to come to a conclusion. This agreement was made through an exchange of notes between the Legation and the chairman of the Swiss Government Committee. I am also enclosing the draft (enclosures nos. 6 and 7), but I want to point out once more that all enclosures are in draft form only, though we do not expect that any changes will take place before Tuesday when the Bundesrat will have to give its approval. This agreement only contains considerations which we held in our discussions with Ambassador Schnurre.

I have fixed the amounts for only three months with the Swiss considering the instability of all things and the difficulties to fix any exact figures. This period starts on Feb. 1, and therefore ends May 1. After that new discussions will have to take place with the Swiss.

Since in May anyway the scheduled Holding Conference (Stillhalte-konferenz) will have to take place, this could be combined with it. The talks which will be necessary then should probably be easier, since a way has been found once. In these discussions the German departments which have to register special interests could represent their points of view. This time as I have mentioned I had to negotiate alone because of lack of communications with Berlin.

I shall give the necessary regulations about exchange of payments to our bank and the German private banks as soon as I return.

The discussions with the Nationalbank on the gold question were as I have already indicated in a certain sense more pleasing, since it had assured itself a greater freedom of action. After all a note bank has above all to take the responsibility whether it wants to create new currency means by taking in gold or not. We have chosen the form that the gold will be used for payment of the liabilities of the German diplomatic and consular services in Switzerland, for payments for prisoners of war and internees and the Red Cross at Genf. All these services are of greatest importance and will go on for a long time yet. The surrender of gold is therefore justified in any way, since it serves Reich interests in its most immediate form. Also in this large field much had already come to a standstill. Those who had claims on benefit payments were no longer paid, the money for salaries had not yet been transferred, and numerous liabilities could not be satisfied. I believe that also in this field a great service has been rendered to the esteem in which the Reich is held by opening a way to continue normal dealings. The separation of these payments from the running account is welcome to our bank in so far as these sums are not charged to this account.

In order to safeguard the technical functioning of payments under the disturbed communications, I shall empower Reichsbankrat Hinz at the Nationalbank and Mr. Thiersch in Basel to use the account in case corresponding Reichsmark values are available say, at the Reichsbank in Constance. That will especially be necessary to keep up the above mentioned settlements of accounts which are of immediate Reich interest. All other technical questions as the transfer of Reichsbank accounts from private banks to the Nationalbank, have been regulated by me from here.

The day before yesterday I received a bad surprise, when the BIZ all of a sudden told me that fundamental considerations had arisen about taking over the well-known 1.5 tons of gold. Of course, also here political considerations are in the back ground. I have told the members of the board of the BIZ that the fact that the board of directors has its actions, which are without doubt to the interest of the bank, sanctioned by political institutions, is difficult to reconcile with the responsibility which the board of directors of a bank should take. At any rate, the Reichsbank has offered to settle its liabilities, and I want to point out that this settlement has so far not been accepted. I shall try to get this in writing since it may prove important for future negotiations.

Incidentally there are rumors going around here to the effect that American circles have approached Mr. Jacobson who is presently in London with the intention to bring about a possible fusion of the BIZ Organisation with the banking plans made at Bretton Woods. The president of the BIZ is also in London at the moment.

Our poor Hechler, however, is not doing too well. I hope that his stay at Locarno will help him. I have also great worries about our Mr. von Wedel who is ill, especially after seeing the opinion of Prof. Ruppana who is treating him in Samaden.

I have thought it appropriate to invite the influential Swiss gentlemen as well as our ambassador and Consul General Ruter this evening to a supper in Bern in your name, Mr. Reichsminister, as well as the name of the Directorium. I owe the German gentlemen a great deal of thanks for their collaboration, and have in the last analysis found much understanding from the Swiss side. The personal relations are now as before of greatest cordiality and are playing a decisive role in all negotiations, so that it is well worth to cultivate them. It is pleasing to note again and again in all these events how strong the cultural ties are that connect our two countries, even if the political opinion of the broad mass is not in our favor today.

For my return trip the organisation of which is not quite simple the Swiss Government has obligingly put two seats in their own courier automobile at my disposal. I had planned to depart this coming Tuesday. If the proposals pass the Bundesrat only on that day, it is possible that the departure will have to be postponed for another day. Unfortunately, my stay here has lasted so long that I shall have to give up the idea of visiting my family on the return trip, since according to the news here they are now in enemy occupied territory. I have, however, no idea where my wife and my youngest son are at present. I shall be glad when I am back in Berlin where no doubt a lot of work and worries are waiting for me.

I hope, Mr. Reichsminister, that you have been well in the meantime considering the conditions. I do not want to conclude this report without sending you and your wife my best regards.

With Heil Hitler!

I remain, very respectfully yours,

(Sig.) PUHL.

×

14. M59²: G31 87.7

ELIMINATION OF GERMAN RESOURCES



HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
FIRST SESSION
PURSUANT TO
S. Res. 107
(78th Congress)
AND
S. Res. 146
(79th Congress)
AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS

PART 7

DECEMBER 1945

I. G. FARBE MATERIAL SUBMITTED BY THE
WAR DEPARTMENT

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, Utah, *Chairman*

EDWIN C. JOHNSON, Colorado	WARREN R. AUSTIN, Vermont
LISTER HILL, Alabama	STYLES BRIDGES, New Hampshire
SHERIDAN DOWNEY, California	CHAN GURNEY, South Dakota
HARLEY M. KILGORE, West Virginia	CHAPMAN REVERCOMB, West Virginia
JAMES E. MURRAY, Montana	GEORGE A. WILSON, Iowa
JOSEPH C. O'MAHONEY, Wyoming	— — — — —
ROBERT F. WAGNER, New York	— — — — —
TOM STEWART, Tennessee	
BURNET R. MAYBANK, South Carolina	

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, West Virginia, *Chairman*

ELBERT D. THOMAS, Utah	CHAPMAN REVERCOMB, West Virginia
EDWIN C. JOHNSON, Colorado	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

ELIMINATION OF GERMAN RESOURCES FOR WAR

PREFACE TO I. G. FARBEN MATERIAL

To: Office of Military Government, United States (Germany).

This is a report on the investigation of I. G. Farbenindustrie Aktiengesellschaft, Frankfurt am Main, Germany. The investigation is one of a series initiated by Financial Branch, G-5 USFET and the Finance Division, United States Group Control Council, with respect to the international asset position of Germany. After certain functions of the Finance Division had been transferred to the Division of Investigation of Cartels and External Assets, the investigation was continued and this report prepared by the latter Division.

A basic purpose of this investigation was to uncover as much information as possible concerning the nature and location of the far-flung and carefully concealed external assets of I. G. Farben. The investigation was, therefore, an important phase of the program adopted by the Allied Powers at Potsdam to strip Germany of all of her external assets in the interest of future world security and to use such assets for the relief and rehabilitation of countries devastated by Germany in her attempt at world conquest.

As the investigation proceeded, it became apparent that because of the size and significance of I. G. within Germany and because of its influence in the chemical and related industries throughout the world, the company's external assets could only be properly identified and appraised within the framework of I. G.'s structure as a whole. Accordingly, as the basis for a statement and evaluation of the significance of Farben's extensive and varied foreign holdings, this report attempts to present a picture of the complex financial and industrial Farben structure. Since the primary purpose of the Allied Powers in acquiring all German holdings in other countries is to prevent their use by Germany in waging a third world war, the report also sets forth certain evidence uncovered during the course of the investigation concerning the integration of Farben's activities with the military needs of the Reich in preparing for and waging a war of aggression. The report describes the methods used by I. G. Farben in penetrating into the economic life of foreign countries as a means of achieving world domination of the chemical industry, as well as the cloaking devices designed to conceal Farben's external investments and interests. The story of the growth of the Farben empire by looting of foreign industrial enterprises and properties following military conquest is also described.

The bulk of the information was obtained from records of I. G. Farben, which were collected from its various offices and storage places throughout Germany, and those retrieved from secret caches, which had been used when the American occupation seemed imminent. The

remainder of the information was obtained through interrogations of leading I. G. personnel who have been placed in custody since the institution of the investigation. It is significant that this is the first investigation of this scope ever conducted in Germany of Farben records and Farben officials. During the period of both the Weimar Republic and the Third Reich, this proud and powerful firm was never thoroughly investigated even by its own government.

A preliminary report was issued on September 12, 1945. However, certain of the evidence disclosed in that report cannot be made public because of the possible prejudice which might result to the interest of this Government. Accordingly, it was necessary to prepare this revision which excludes the information in question. Moreover, as a result of further analysis made in connection with the revision, it has been possible to add material not contained in the original report. This report is fully documented.

The team assigned to this investigation was headed by Mr. H. B. Ritchin, and consisted of Messrs. Neil A. Devine, H. K. Dreman, Bernard Glaser, Shepard J. Hollander, Lawrence Linville, John J. Purcell, Abè Weissbrodt, First Lt. Edwin M. Cage, Master Sgt. Eberhard Gunther, Tech. Sgt. Frank M. Harvin, Staff Sgt. William Freundel, Staff Sgt. Ralph H. Goldner, Staff Sgt. Paul N. Weil, T4g Fred A. Williams, T5g Nathan H. Volkman, and Pvt. Alexander Stevenson. Miss Belle Mayer of the Treasury Department assisted in the writing of this report.

Lt. Albert I. Edelman, USCGR, Chief of the External Assets Investigations Branch, and Orvis A. Schmidt, Deputy Director of Finance Division, assisted the undersigned in the direction of the investigation.

B. BERNSTEIN,

*Colonel, GSC, Director, Division of Investigation of Cartels and
External Assets, Office of Military Government.*

NOVEMBER 1945.

SUMMARY OF I. G. FARBEN MATERIAL

In 1927 Chancellor Stresemann, then head of the "democratic" German Government, appraising Germany's economic potential stated: "What have I as a trump in my hands aside from I. G. and the coal people?" The I. G. referred to was I. G. Farbenindustrie A. G., the largest, most powerful chemical combine in the world. What the chancellor did not have to say, as this report conclusively demonstrates, is that without the trumps of I. G. Farben and the rest of German heavy industry Germany could not have prepared for and launched a destructive war against the peace-loving nations of the world. And I. G. Farben, its size more than doubled in 12 years of tremendous expansion after 1927, was a trump which, together with the remainder of Germany's industrial potential, almost enabled Hitler and Goering to extinguish the flame of freedom and human decency everywhere.

I. G. Farben, nominally a private business enterprise, has been and is, in fact, a colossal empire serving the German State as one of the principal industrial cores around which successive German drives for world conquest have been organized. With a net worth of RM. 6,000,000,000 at the very minimum, its domestic participations comprised over 380 other German firms. Its factories, power installations, and mines are scattered all over Germany. It owns its own lignite and bituminous coal mines, electric power plants, coke ovens, magnite, gypsum, and salt mines. Its foreign participations, both admitted and concealed, number over 500 firms valued at a minimum of RM. 1,000,000,000. Its holding companies and plants blanket Europe; and its house banks, research firms, and patent offices are clustered around every important commercial and industrial center in both hemispheres. In addition to its numerous foreign subsidiaries, I. G.'s world-wide affiliations included hundreds of separate non-German concerns and ranged over a score of industries. Its cartel agreements numbered over 2,000 and included such major industrial concerns as Standard Oil (New Jersey), the Aluminum Co. of America, E. I. du Pont de Nemours, Ethyl Export Corp., Imperial Chemical Industries (Great Britain), the Dow Chemical Co., Röhm & Haas, Etablissements Kuhlmann (France), and the Mitsui interests of Japan.

Not only did Farben furnish Germany with the sinews of war, but it constituted one of Germany's most effective weapons of economic and political warfare against the other nations of the world. So tremendous and complex were its operations, however, that their full significance and scope may never be known. This report does not pretend to tell the complete story. In anticipation of Allied victory, thousands of Farben's secrets went underground along with other German resources to lay the foundation for World War III; and thousands of its important files were, according to the testimony of its responsible officials, destroyed just prior to the advent of the

Allied troops. The investigation reported herein, however, has confirmed what heretofore have been mere speculations; and has uncovered a wealth of evidence proving conclusively (1) that without I. G.'s immense productive facilities, its intensive research, and vast international affiliations, Germany's prosecution of the war would have been unthinkable and impossible; (2) that Farben not only directed its energies toward arming Germany, but concentrated on weakening her intended victims, and (3) that this double-barreled attempt to expand the German industrial potential for war and to restrict that of the rest of the world was not conceived and executed "in the normal course of business." The proof is overwhelming that I. G. Farben officials had full prior knowledge of Germany's plan for world conquest and of each specific aggressive act later undertaken pursuant thereto, that they planned their operations accordingly and anticipated expanding their empire on the plunder acquired.

There follows an outline of some of the more significant specific disclosures contained in the report:

1. Farben made Germany self-sufficient in materials which she previously lacked

It was Farben's task to make Germany self-sufficient in certain critical war materials which Germany lacked and which are indispensable to modern warfare—rubber, gasoline and lubricating oils, magnesium, fibers, tanning agents, fats, explosives, and so forth. The nature and purpose of I. G.'s assignment were clearly stated by Dr. Struss, chief of I. G.'s technical bureau and one of the principal technicians responsible for carrying out this assignment, in a speech exhorting increased production of synthetic gasoline. Dr. Struss explained:

Italy won the Abyssinian war by modern weapons. In modern wars the consumption of gasoline for motorized troops, tanks, airplanes, is immense. * * * Although provisions had been made beforehand, it was impossible to store these enormous amounts of gasoline needed in the Italian territories on the coast before the war. As Italy has no petroleum of her own, she was relying on the continual import from abroad.

Nearly all the petroleum in the world is controlled by the United States of America and the countries that are members of the League of Nations. If, therefore, gasoline had also been included in the sanctions, as proposed by England and France, the war would have come to an end very soon. Italy could win the Abyssinian war and build her empire only because England and France could not carry into effect their intentions.

This example will make it clear to you that it is quite out of question that Germany will run the risk of a similar situation and for this reason also the German demand of fuel has to be covered by Germany herself before long.

Between 1933 and 1943 vast sums were devoted to an extraordinary intensification of I. G.'s research activities designed to develop substitutes for products not available to Germany and processes for the expansion of production from indigenous raw materials. These are a few examples of what was done. To compensate for Germany's deficiency in bauxite, the raw material necessary in the manufacture of aluminum, I. G. concentrated on the development of magnesium. To make Germany independent of rubber imports, I. G.'s experts developed the famous buna process for the manufacture of synthetic rubber. Whereas, prior to 1936, Germany had obtained all pyrites from abroad, I. G. built a new plant at Wolfen for the production of sulfuric acid from German gypsum. Lacking America's wealth of

natural oil, I. G. with its famous hydrogenation process, manufactured motor fuels and lubricating oils from coal.

Certain processes and materials which I. G. could not present to the Nazis directly from its own laboratories and stock piles, it procured for them from its cartel cohorts in foreign countries. From America I. G. obtained the newly discovered method for the production of iso-octane and its utilization for motor fuels. This process, according to one of I. G.'s leading scientists, originated—

in fact entirely with the Americans and has become known to us in detail in its separate stages through our agreements with them (Standard Oil, New Jersey) and is being used very extensively by us.

The process for producing tetraethyl lead, essential for the manufacture of aviation gasoline, was obtained for the Nazis by I. G. Farben in exactly the same way. Of this important acquisition, an I. G. official stated:

It need not be especially mentioned that, without lead-tetraethyl the present method of warfare would be unthinkable. The fact that since the beginning of the war we could produce lead-tetraethyl is entirely due to the circumstances that shortly before, the Americans had presented us with the production plants complete with experimental knowledge; thus the difficult work of development (one need only recall the poisonous property of lead-tetraethyl which caused many deaths in the United States of America) was spared us, since we could take up the manufacture of this product together with all the experience that the Americans had gathered over long years.

It was, moreover, the first time that the Americans decided to give a license on this process in a foreign country (besides communication of unprotected secret experimental knowledge) and this only on our urgent requests to Standard Oil to fulfill our wish. Contractually we could not demand it, and we found out later that the War Department, in Washington gave its permission only after long deliberation.

I. G. exploited its cartel connections with American firms not only to obtain these important processes, but also to obtain certain critical materials themselves. Because of its relations with Standard Oil of New Jersey, I. G. acted as agent of the German Government in contracting for \$20,000,000 worth of high-grade aviation gasoline and lubricants. (Actually, \$14,000,000 worth was delivered.) This fuel was transported to Germany and stored there; and the foreign exchange necessary for payment was supplied by the German Government. And, in 1938, when Germany had not yet begun to produce tetraethyl lead, essential to aviation gasoline, Farben, at the request of the Air Ministry and in conjunction with one of its Swiss subsidiaries, arranged to borrow 500 tons of the lead from the Ethyl Export Corp. of the United States. Farben, of course, did not return the borrowed lead to the American company and willingly forfeited the \$1,000,000 which it had put up to secure the return of the lead.

Farben not only procured critical raw materials for the German war effort, but also acted as custodian of such materials. As early as 1935 I. G. began stock-piling materials for the various branches of the Wehrmacht. For example, by order of the Luftwaffe, I. G. had projected plans for a huge magnesium plant at Aken in 1933 and another at Stassfurt shortly thereafter. By 1935 production began in the Aken plant. The stocks of magnesium were stored in the form of incendiary-bomb casings by order of the Ministry of Economics and the Ministry of War. Not only did I. G. stock-pile its own production but at the same time it purchased large stocks of magnesium from the Dow Chemical Co. of America to build up its reserves for the Luft-

waFFE. From 1936 on, I. G. began accumulating stabilizers for explosives from all parts of the world; and so far as the stock-piling of chemicals was concerned, the Wehrmacht actually ordered I. G. Farben to accumulate as large stocks of phosphorus and cyanides as they could possibly obtain.

2. Farben production was indispensable to the German war effort

The German war machine could not have functioned without the wide range of products manufactured for it by Farben. Of 43 major products manufactured by Farben, 28 were of primary concern to the German armed forces. I. G. manufactured all of the synthetic rubber produced in Germany, all of the methanol, the serums, and lubricating oils. I. G. provided 95 percent of the poisonous gases and well over 90 percent of the nickel and plastics. Eighty-eight percent of the magnesium used by the Luftwaffe in its aircraft and incendiary bombs came from Farben, as did most of the nitrogen and explosives for the buzz bombs and V-2's.

Not only did Farben produce practically the entire German supply of these and other essential war materials, but all other German chemical companies and numerous strategic German industries were almost totally dependent upon Farben for raw materials, for intermediate products, and for technical assistance. Above all, these other German war industries could not have functioned effectively without the I. G. Farben know-how which was supplied to them.

In order to enable I. G. to execute this tremendous war-production job there was, of course, a great expansion of its manufacturing facilities. In the years preceding the war, more than RM. 4,250,000,000, supplied principally by the German Government itself, were invested in new plants, mines, and power installations. Just as the expansion of I. G.'s research activities was backed by the German Government, so too was the expansion of its productive facilities. Thus, for example, as early as 1936 the Wehrmacht which had requested the construction of numerous types of plants guaranteed the purchase of all production therefrom.

A compelling example of the special services performed by I. G. for the German armed forces in the production of weapons of war is the case of poison gases. In 1938 the German Government, dissatisfied with the progress made in the development and production of poison gases, called upon Farben to handle the problem. New I. G. plants for the production of these gases swung into operation and eventually, as indicated above, I. G. achieved 95 percent of the total production of poison gases. By order of the German Government many of these plants were completely destroyed before the occupation by the Russians; and all existing stocks of poison gas were destroyed. But at least one of these terrible secrets which the Germans hoped to save for the next war has been uncovered. This investigation has disclosed that an I. G. Farben official at Wuppertal-Elberfeld developed the deadliest poison gas in the world. This gas, unknown to the military authorities of the Allied Nations, could have penetrated any gas mask in existence. I. G. originally carried out its poison-gas experiments on monkeys; later on human beings. For the latter purpose, inmates of concentration camps were selected, and I. G. Farben officials, concerned only with creating weapons capable of assuring German world conquest, were unmoved by this use of

human guinea pigs. Dr. ter Meer, one of I. G.'s leading scientists, who will be described in detail at a later point, justified the experiment not only on the grounds that the inmates of concentration camps would have been killed anyway by the Nazis but also on the grounds that the experiments had a humanitarian aspect in that the lives of countless Aryan workers were saved thereby. Needless to say, these gases were not only used on helpless people during the stage of experimentation, but were later used to exterminate whole groups in concentration camps such as Auschwitz.

The facts disclosed by this investigation concerning I. G. Farben's part in supplying the German armed forces with weapons of destruction make it clear that Dr. von Schnitzler, member of I. G. Farben's managing board of directors and chairman of its all-powerful commercial committee, was not boasting when he stated in an address of welcome to the Spanish Ambassador on February 10, 1943:

But only during the war could German chemistry prove itself worthy of the task. It is no exaggeration to say that without the services of German chemistry performed under the Four-Year Plan the prosecution of modern war would have been unthinkable.

3. *Farben was a Nazi agency for world-wide military and economic espionage*

I. G. Farben's organization, both domestic and international, served the Nazi government as a principal agency for military and economic espionage throughout the world.

I. G.'s N. W. 7 office in Berlin, originally organized in the 1920's as I. G.'s liaison office with the various governmental agencies in Berlin, was transformed by Dr. Max Ilgner into the economic intelligence arm of the Wehrmacht. Ilgner was the nephew of Hermann Schmitz, I. G.'s president, and was also a member of I. G.'s managing board of directors. This organization is described in detail below, but some indication of its tremendous expansion in preparation for and during the war may be gathered from the fact that its expenditures in 1943 were RM. 7,000,000 as compared with RM. 997,000 in 1932.

The largest and most sinister department of N. W. 7 was the so-called statistical department (VOWI) which was formed by Dr. Ilgner in 1929. This department, which became in fact the economic intelligence arm of the Wehrmacht, was obviously unjustified from a business point of view, and the purpose and nature of its research and market inquiries were evidently mystifying to some of the commercial employees of I. G. who were not in on the secret. Dr. Ilgner received the strong support of top I. G. officials and the government, and soon his brain child was flourishing under the expert direction of one Dr. Reithinger. Reithinger was particularly well qualified for this job of superespionage. In addition to his outstanding ability as a statistician, economist, and analyst, he had traveled extensively in many foreign countries, including the United States, England, France, and Russia. During his travels Reithinger had carefully cultivated the friendship of persons and institutions influential and important in the fields of economics and statistics, and "had arranged an intense exchange of statistical work with the various statistical organizations in Germany and abroad."

Reithinger's department was staffed with men of recognized ability. They began immediately to compile comprehensive statistics dealing with the economic, financial, and social life of many foreign countries.

This department's tremendous compilation of data on foreign populations, unemployment, production, consumption, agricultural and industrial capacities, currency circulation, taxes and duties, deposits and capital of banks, capitalization of important private companies, etc., most of which obviously had no value to I. G. as a chemical and dyestuffs manufacturer, was indispensable to the government of a country preparing for world conquest.

This statistical agency reached its prewar peak of activity when in 1937-38 it became the central agency for collecting and correlating economic intelligence gathered throughout Germany. Through the boundless energy of Dr. Max Ilgner social gatherings of prominent economists of the world were arranged, and from them priceless opinions and information were obtained on such topics as international foreign trade developments, the international raw material situation, and methods of international trade. Moreover, as a result of these meetings, the already close relationship between N. W. 7 and many German Government agencies became even closer. N. W. 7 became in fact a recognized collaborator of the Statistische Reichsamt, the Reichsbank, the Ministry of Economics, the Foreign Office, the Ministry of Agriculture, and the Ministry of Finance.

With the outbreak of war, N. W. 7 became the focal point of requests for economic intelligence from many Nazi agencies. It began to look like what it actually was—an adjunct of the German Government. Many of the VOWI employees were ordered to military service with the Wehrwirtschafts- und Rüstungsamt (Office of War Economics and Armament), but actually performed the same duties with Dr. Ilgner's office. The vast fund of information gathered by Dr. Reithinger and his staff proved invaluable to the OKW (Army Supreme Command). In fact, VOWI was so highly regarded by the high command that at the outbreak of war it considered taking over the entire agency. However, this was resisted so strongly by other government agencies which were also dependent on it for assistance and VOWI was able to service the requests of the OKW with such rapidity and so completely, that it remained part of the N. W. 7 office.

From 1937 on Dr. Reithinger and his entire staff concentrated on the preparation of surveys of factories in foreign countries. These surveys were prepared under direct orders from the Wehrmacht and were used by the Luftwaffe in selecting bombing targets. The VOWI also carried on extremely important investigations with respect to all European countries, and particularly England, concerning the capacity and location of facilities for the production and transport of aircraft, munitions, and other armament, the raw-material situation in these industries, and oil imports, exports, and refineries. This information was also used by the Nazi high command for bombing and other purposes. Said Dr. von Schnitzler, "For all European countries they made up plans"—plans of death, destruction, complete annihilation, which almost achieved complete success.

In order to carry out its many tasks, VOWI needed a well-organized international intelligence network. This it possessed in Farben's vast empire of foreign holdings and connections. With German ownership carefully concealed in most cases, it furnished an ideal organization for the superspy job assigned to it. In some cases, Farben's foreign subsidiaries were owned outright. More often, however, I. G. strived to maintain a semblance of legal independence though, in fact,

it exercised complete control over the firm. The company cloaked its direct and indirect ownership and control of hundreds of its foreign subsidiaries by utilizing every conceivable device known to the legal and "extra legal" mind, including the use of nominees, option agreements, fictitious or intervening transfers, dividend and loan agreements, pool agreements, endorsements in blank, escrow deposits, pledges, collateral loans, rights of first refusal, management contracts, service contracts, patent agreements, cartels, and withholding know-how. Geheimrat Hermann Schmitz, I. G.'s president, was known throughout the industrial world as "the master of financial camouflage." He more than justified this designation. In 1940, I. G. Farben was able proudly to inform the German Government that—our measures for camouflage have proved to be very good during the war, and have even surpassed our expectation in numerous cases.

After the outbreak of war in September 1939, the Anglo-French navicert control system threatened to cut off German exports to South America and other parts of the world, thereby depriving Germany of foreign exchange, and also of imports vitally needed for the prosecution of the war. The manner in which I. G.'s hundreds of ostensibly independent national concerns having no apparent ties with the Axis were used to combat this blockade is by now fairly well known. What is not so well known is the role these I. G. cloaked companies played in supplying VOWI, and thereby the Nazi High Command, with economic and political intelligence.

Chemnyco, Inc., the American economic intelligence arm of I. G., is an excellent example of these effective espionage methods. In the guise of an American company Chemnyco was able to supply the Wehrmacht with facts and figures concerning the American economy. Utilizing normal business contacts Chemnyco was able to transmit to Germany tremendous amounts of material ranging from photographs and blueprints to detailed descriptions of whole industrial developments. In 1939 in the midst of a United States Government investigation, Chemnyco's vice president, Rudolf Ilgner, a naturalized American citizen and brother of Max Ilgner, ordered the destruction of a considerable part of the company's files. How invaluable the information received from Chemnyco was is indicated in a letter dated August 3, 1940, from N. W. 7 to the Minister of Economy, which stated:

Extensive information which we receive continuously from the Chemnyco about the American company is indispensable for our observations of the American conditions, especially with a view to the technical development, the possibilities for export, and the competition of foreign countries and companies, especially England. Moreover, this material is, since the beginning of the war, an important source of information for governmental, economical, and military offices.

The N. W. 7 office had contact men all over the world called the I. G. Verbindungsmänner. The Verbindungsmänner, in the main, were officials of the leading I. G. firm in the particular country. One of the principal duties of these Verbindungsmänner was to submit monthly reports pertaining to economic, political, and military matters. With respect to politics, the reports included such subjects as internal political developments, the composition of new governments, the effects of the Proclaimed List and the British Black List, inter-American security, labor, immigration, political reactions within the

respective countries to current events, pro-Axis and anti-Axis propaganda, and the purposes of special diplomatic missions. Matters of vital military interest contained in these reports included a discussion of additions to the merchant navies in various Latin-American countries, a reporting of ship movements (including convoys), statistics concerning tonnage in ports, port facilities, construction of new highways and bridges, the condition of rail transportation between the Latin-American countries, the operations of Pan American Grace Air Lines, shipments of war materials to the United States and Great Britain, the Argentine military mission to the United States, rearmament in Chile, and the acquisition of air and naval bases by the United States.

4. *Farben was a spearhead of the Nazi psychological and economic warfare programs*

I. G. Farben performed tremendous services for the Nazis in financing and disseminating propaganda designed to create disunity among various foreign nations and among various political, religious, and racial groups within such countries. I. G. Farben performed equally great services for the Nazis in undermining the war potential of foreign countries by means of its cartel agreements, monopoly position, and its penetration of the chemical and related industries throughout the world.

(a) *Dissemination of propaganda.*—I. G. organized for its large-scale part in the Nazi propaganda program in the same careful, efficient way it had in the case of other war operations. It first acted to assure that all I. G. Farben agents abroad were thoroughgoing Nazis. On September 10, 1937, the all-important commercial committee of the board of directors of I. G. Farben passed a resolution which stated in part as follows:

It is hereby understood that in no case will men be sent to our foreign companies who do not belong to the German Labor Front and who do not possess a positive attitude toward the New Order. The men who are to be sent should make it their special duty to represent National Socialistic Germanhood. Especially are they to be instructed that upon entering our companies they are to make contact with the Ortsgruppe of the respective Landesgruppen (organizations of the Nazi Party within the various countries) and regularly participate in their meetings as well as in the Labor Front. The sales departments should also see to it that an appropriate amount of national socialistic literature is given to them. The cooperation with the A. O. must become more organic. It appears practical, together with the A. O., to work out a uniform plan, for the purpose of detecting defects still existing in our foreign companies to the end that they can be eliminated.

Needless to say, this policy was faithfully executed. Moreover, as was pointed out above, the Verbindungsmänner were, in all cases, highly trusted agents carefully selected by N. W. 7 and approved by the Auslands organization (the foreign organization of the Nazi Party).

A few examples of I. G.'s propaganda operations will suffice to indicate the nature and importance of its services to Nazi psychological warfare.

I. G. worked directly with the "Aufklärungs Ausschuss," the overseas propaganda department of the German Government, in disseminating anti-American propaganda in Argentina. Thus, in 1939, Farben reviewed for this German propaganda organization a series of 381 articles against the United States for publication in Argentine newspapers, suggesting the names of newspapers in Buenos Aires

which could be used effectively for the dissemination of such articles. For this purpose, Farben made available to the German propaganda department the services of Heinrich Homann, I. G. Verbindungsmann for Argentina.

Farben, which had for years been engaged in the dissemination of pro-German propaganda in Latin America through the schools, the press, and libraries, was particularly effective in securing wide distribution of Nazi propaganda. One of its customary devices for obtaining publication of propaganda was the club of its advertising. Thus, for example, in February 1938, the pharmaceutical department of I. G. agreed on the following advertising policy:

Advertising in journals hostile to Germany shall on all terms be avoided. Commercial and advertising considerations have to be put in the background as compared with the more important political point of view.

(b) *Furnishing other propaganda agencies with foreign exchange.*—Not only did I. G. engage directly in the dissemination of propaganda, but it was also a principal agent for furnishing foreign exchange to German governmental agencies engaged in this and related psychological and economic warfare operations abroad. In Brazil, alone, during 1940 and through January 1942, the agencies of the Bayer division furnished the equivalent of RM. 3,639,343 to the German Embassy and to representatives of the NSDAP. In Spain when the German Embassy wanted Spanish pesetas, the company raised credits from the Spanish banks and paid back these credits with subsequent peseta receipts. A telegram dated September 2, 1939, to I. G. from the Cia. General de Anilinas, S. A., Mexico City, stated:

In case of war Legation asks firms Mexico to let them have moneys on a loan basis amounts shall be refunded by German Government. Please authorize monthly payments pesos 10,000 on behalf of all I. G. agencies. Mexico press must be influenced.

A notation on the bottom of this telegram states: "Board agreeable Dr. Overhoff informed." These payments abroad were of tremendous importance to the German Government in the acquisition of critical raw materials and in the financing of sabotage, espionage, and propaganda.

All of the I. G. Latin-American firms maintained, unrecorded in their books, secret cash accounts in banks in the names of their leading officials. These accounts were used to receive and to disburse payments of a confidential nature as, for example, the proceeds of sales to firms who did not want to be discovered dealing with the proclaimed list I. G. companies. These are the famous S accounts and S finance offices, of which little has been known in the past. The assets thereby secreted, ostensibly unaffected with an Axis taint, were free to finance espionage and propaganda, to bribe, to pay the salaries of Nazi foreign agents, and to give them the wherewithal to carry out their work.

In assessing the importance of those services performed by I. G. Farben for the Nazis abroad, it is important not to overlook the tremendous financial aid given by I. G. in bringing the Nazis to power and maintaining them in power in Germany. Not only did I. G., together with the other German industrialists, make possible Hitler's rise to power by financial and political support, but they maintained the Nazis in power for 12 long years. Each year, Farben made vast annual contributions to the various activities of the Nazi

government and party, including a special annual grant to enable Heinrich Himmler to finance some of his "special" projects.

(c) *Economic warfare through cartel connections and other means.*—Germany's foreign economic policy was aimed at undermining the economic strength of countries with which Germany "anticipated" conflict. In direct testimony, high Farben officials not only admitted to that policy, but also stated that they had played an important part in its formulation and execution. As succinctly stated by one of these officials:

The foremost purpose of the Nazi government and I. G. and all other industrialists was to keep the Wehrmacht all-powerful vis-à-vis all other countries including the United States of America.

The successful execution of this policy was entrusted to a special agency of the German Government, the Reichswirtschaftsministerium, which controlled all foreign economic relations of German industry and finance. Represented in this organization, together with other German industrial concerns, was I. G. Farben.

An outstanding example of the manner in which Farben executed this German policy was its successful effort, by means of cartel agreements with Standard Oil, to delay the development and use of buna rubber in the United States until at least 1940 while at the same time producing sufficient buna in Germany to make the German Army and German industry independent of rubber imports. This investigation has confirmed certain data heretofore presented to the Truman, Bone, and Kilgore committees by the Department of Justice with respect to this transaction which so seriously imperiled the war preparations of the United States. The story in short is that because of Standard Oil's determination to maintain an absolute monopoly of synthetic-rubber developments in the United States it fully accomplished I. G.'s purpose of preventing United States production by dissuading American rubber companies from undertaking independent research in developing synthetic-rubber processes. This Standard accomplished by falsely creating the impression that it had already received the buna process from Farben and was attempting to work out a scheme for licensing the process to the American rubber companies. In fact, Farben had told Standard that it could not then make such process available to Standard. But Standard knew that if the rubber companies realized the situation they would proceed with independent research thus preventing Standard from ever having a monopoly in the field. The diabolical manner in which Farben was able to use the monopoly desires of Standard Oil to accomplish its purpose is clearly revealed by the fact that Farben was able to keep Standard satisfied until 1939 merely by telling Standard that Farben could not yet turn over the buna process to Standard as required by the terms of their cartel agreement because the German Government would not permit it. The investigation has brought to light one new and amazing indication of the manner in which Standard allowed itself to be used by Farben. As indicated above, Standard for some time successfully stalled off the American rubber companies by giving them the false impression that Standard had already received the buna process from Farben and was about to license it to the rubber companies. But as time dragged on and the licenses were not forthcoming, the clamor of the rubber companies became so intense that Standard,

not wanting to reveal the true situation, turned to Farben for an excuse to give the rubber companies. An official of Standard, in October 1939, at a meeting of I. G. representatives in Basle, stated that he had to be provided with an excuse for not getting the know-how. I. G. obligingly cabled Standard Oil to the effect that the authorities would not permit the information to be given to the American firm.

5. Farben was Germany's greatest single source of foreign exchange

I. G. was the dominant factor in the important German chemical export trade. It accounted for approximately 10 percent of the country's total exports of all products and approximately 50 percent of Germany's total exports of chemicals and allied products. In the different sectors of that trade its position varied considerably, being strongest in pharmaceuticals, dyestuffs, and photographic materials in the order named. In 1937, 70 percent of I. G.'s total production of pharmaceuticals, 65 percent of its dyestuffs, and 40 percent of its photographic materials were exported. Its exports greatly exceeded its imports, and its net income from royalty payments and sales of patent rights also was considerable.

These transactions made I. G. Germany's largest single earner of free foreign exchange. Without this foreign exchange (a) Germany could not have purchased the strategic raw materials, equipment, and technical processes unavailable in Germany and essential to Germany's rearmament, and (b) the German Government could not have financed its espionage, propaganda, and other military and political activities abroad in the preparation for and prosecution of the war.

Government pressure on German industry, and in particular on I. G., to increase their procurements of foreign exchange was always strong. With the beginning of the 4-year plan this pressure became acute; but I. G. cooperated fully with the Government in making available all possible foreign exchange for Government purposes. The numerous examples of this have been set forth in detail previously. I. G. also evaded the United States dumping statutes to secure foreign exchange. Finally, when the foreign exchange situation became absolutely desperate, I. G. even sold some of its investments abroad.

6. Farben's dream of world conquest

There is and can be no doubt that from the day of its accession to power the Nazi government planned and prepared for a war of world conquest. This investigation has demonstrated beyond all doubt that the policy of the Nazis was not only known to I. G. Farben and its officials but that it was always a policy with which I. G. fully agreed and which it supported to the full extent of its power and resources. In the words of Dr. von Schnitzler "the development of I. G. during the last 12 years can't be separated from the Government's foreign policy." It is equally clear that I. G. expected that the new order which this policy was to achieve would bestow upon I. G. the title and power of absolute ruler of the world chemical industry.

After the advent of the Nazi regime in Germany the close relationship of I. G. to the Wehrmacht was visibly strengthened. One of the first steps taken by Farben to solidify this union, which is described in glowing terms by Dr. von Schnitzler, *infra*, was the establishment of an office which concerned itself entirely with military liaison.

This was the so-called Vermittlungsstelle W. In a report on the functions of this organization dated December 31, 1935, it was clearly stated that—

The aim of this work is the building up of a tight organization for armament in the I. G. which could be inserted without difficulty in the existing organization of the I. G. and the individual plants. In the case of war, I. G. will be treated by the authorities concerned with armament questions as one big plant which in its task for the armament, as far as it is possible to do so from the technical point of view will regulate itself without any organizational influence from outside (the work in this direction was in principle agreed upon with the Ministry of War (Wehrwirtschaftsamt) and from this office with the Ministry of Economy) * * *. To the field of the work of the Vermittlungsstelle W belongs besides the organizational set-up and long-range planning, the continuous collaboration with regard to the armament and technical questions with the authorities of the Reich and with the plants of the I. G.

By the admission of I. G. officials, this office was established because, by 1934, transactions between I. G. and the Wehrmacht had become so numerous and the I. G.-Wehrmacht relationship had grown so intimate that coordinated liaison was required. It also was established at the suggestion of the German military authorities and "occupied itself principally with problems in connection with a possible war."

Prior to the Allied occupation, I. G. officials destroyed the files dealing with Vermittlungsstelle W matters according to Dr. Struss, who as head of the Secretariat of I. G.'s Technical Committee (Tea Büro) and top assistant to Dr. ter Meer, who directed the affairs of division II, discussed below, was the responsible official.

At approximately the same time that the Vermittlungsstelle W was established, I. G. received orders from the government to prepare production plans in the event of war. "I know," said Dr. Struss, "that a representative of the Ministry of Economics, Dr. Lenz, and a representative of the Ministry of War, Dr. Mureck, assisted in the making of these plans. I remember that Dr. Mureck often told us that the Ministry of War wants the plans drawn up in such and such a way."

Pursuant to these instructions I. G. Farben in 1934 began to mobilize for war. Every I. G. plant prepared its production plans for war and turned them over to the Vermittlungsstelle W which submitted them to the Ministries of War and Economics. By early 1939, these plans, the so-called "MOB" plans for the production of essential military goods, were approved by the Ministry of War and ready to be executed. According to Dr. Engelbertz, manager of I. G.'s plant in Griesheim which produced many vital war chemicals such as intermediates for explosives, carbon electrodes for aluminum, and chlorine electrolyses, his plant received the approved "MOB" plans for its products in March or April 1939 with the understanding that they were to be put into operation at the outbreak of war.

By the middle thirties, I. G. had become so preoccupied with war that the facilities of all its plants were devoted to war games (Kriegsspiele) and to maneuvers in the technical problems which may come up in the event of war. According to Dr. Struss, the war games or Kriegsspiele began in 1934 or 1935 under the supervision of Wehrmacht officials. These games were described in detail by Dr. Struss as follows:

It is true that since 1934 or 1935, soon after the establishment of the Vermittlungsstelle W in the different works, theoretical war plant games had been

arranged to examine how the effect of bombing on certain factories would materialize. It was particularly taken into consideration what would happen if 100- or 500-kilogram bombs would fall on a certain factory and what would be the result of it. It is also right that the word "Kriegsspiele" was used for it. The Kriegsspiele were prepared by Mr. Ritter and Dr. Eckell, later on partly by Dr. von Brunning by personal order on Dr. Krauch's own initiative or by order of the Air Force, it is not known to me. The tasks were partly given by the Vermittlungsstelle W and partly by officers of the Air Force. A number of officers of all groups of the Wehrmacht (Navy, Air Force, and Army) participated in these Kriegsspiele. The places which were hit by bombs were marked in a map of the plant so that it could be ascertained which parts of the plant were damaged, for example a gas meter or an important pipe line. As soon as the raid finished, the management of the plant ascertained the damages and reported which part of the plant had to stop working; they further reported what time would be required in order to repair the damages. In a following meeting the consequences of the Kriegsspiele were described and it was ascertained that in the case of Leuna [plant] the damages involved were considerably high; especially it was found out that alterations of the pipe lines were to be made at considerable cost.

It is significant to note that in all these preparations for war I. G. Farben did more than merely comply with orders and requests of the Wehrmacht and Nazi government agencies. It functioned, in fact, as though it were a research organization of the German Government itself charged with the responsibility of discovering all possible means of increasing the military might of Germany. Farben voluntarily initiated many projects for the Wehrmacht and then proceeded to convince the Wehrmacht of the importance of such projects. This aspect of I. G. Farben's operations is clearly disclosed in a report of Farben's development and experimental work. The report states that—

A whole range of problems had been worked at by the I. G. for its own account and only later, after certain results of experiments could already be seen, the offices of the army were interested in these problems * * *. The cases were respectively rare where the army for its part approached the I. G.

The report estimates that about 40 to 50 percent of the military projects worked on by I. G. "were submitted to the army by the I. G. on its own initiative" and that only a few of them "would have come in directly from the army."

Thus, before the Nazi army attacked Poland, I. G. and the rest of German heavy industry was mobilized and ready after long years of preparation. In describing how perfectly the "MOB" plans worked when put into operation, Dr. von Schnitzler stated, in part, as follows:

All the German industries were mobilized in summer 1939 and in the summer 1939 the Wirtschaftsgruppe Chemie issued an order that the plans for war were in action. In June or July 1939 I. G. and all heavy industries as well knew that Hitler had decided to invade Poland if Poland would not accept his demands. Of this we were absolutely certain and in June or July 1939 German industry was completely mobilized for the invasion of Poland.

These activities of I. G. standing alone would leave no room for doubt that Farben knew for many years that the German Government intended to wage war. Furthermore, as will be shown in detail in the report, I. G.'s leading officials assisted in the formulation and execution of the internal and external policies of the Nazi regime. Its president was a member of the Reichstag. Its leading scientist was one of Goering's chief assistants under the 4-year plan. Its statisticians and economists prepared intelligence for the Nazi high command. Scores of its technicians were constantly on loan to the Air and War Ministries. According to Dr. von Schnitzler, the war was "only the last step of a long prepared evolution" of the Nazi policies.

Not only did I. G. have knowledge of Germany's intention to wage aggressive warfare but it was officially informed almost with exactitude of the timetable of the attack on Poland. Months before that attack Goering's office had informed I. G. that the Nazi war machine would invade Poland in September 1939. Before Hitler's moves against Czechoslovakia, I. G. took steps to take over its leading competitor in that country.

Farben not only planned and prepared for war, but it also planned and prepared for the future when Germany would have conquered the world. In particular, it planned for Farben's part in the new order and for the use of the spoils which Farben was to receive.

In June 1940, with half of Europe already under the Nazi heel and with the downfall of France imminent, Hitler's plans to conquer the world seemed capable of early fruition. I. G., too, had dreams of world empire, dreams which it translated with painstaking clarity into a document appropriately entitled "Neuordnung" (New Order). The document was submitted to the Ministry of Economics. The letter of transmittal which accompanied the document stated that I. G. anticipated the German conquest of Europe, felt that a "new order" for the chemical industry of the world was required to supplement Hitler's new order, and further stated that it was fitting its plans within that framework. The immediate objective of the document was to insure the full cooperation of the chemical companies of the conquered countries in producing for the Wehrmacht. The second objective envisaged the complete incorporation of the chemical industries of Europe, including the British Empire, within the framework of Hitler's new order. The third objective was to eliminate United States competition in the world market. Finally, Farben was preparing to utilize again its vaunted economic warfare weapons, cartels, capital investments, and know-how, in anticipation of a possible conflict between Germany and the United States of America. Although the new order was never finally achieved, much of Farben's plan was put into operation after the Nazi conquest of Austria, Czechoslovakia, Poland, and France. Said Dr. von Schnitzler:

It must be remembered that in preparing the "Neuordnung" we were following the lines of the so-called Gross-Raum-Politik laid down by the Government. We were looking to the overwhelming downfall of France and eventual capitulation of England when we prepared the document. It must be remembered that we knew well the aims and policies of the Government and we knew that it was the intention of the Government to improve its strength in relation to the countries outside of the European sphere. This meant, of course, the United States because outside of Europe the United States was the only strong country with which Germany had to reckon. Therefore, we wrote in the "Neuordnung" that we intended to keep Germany as strong as possible militaristically in relation to the United States. We could accomplish this only by limiting the production of armaments in Latin America. We did not want in the event of an eventual conflict with the United States to permit Latin America to supply the United States of America with war materials. It should be remembered that I. G. had to follow the lines of the Nazi government.

Having made a major contribution to the Nazi war potential, I. G. reaped the profits of aggression.

The signed confession of the head of I. G.'s legal department recites:

To my knowledge, I. G. Farben, its directors and officers, fully approved the Nazi aggression against Poland, Czechoslovakia, and France. I. G. profited considerably from these conquests.

Even prior to the Nazi conquests, I. G. was the major chemical firm on the Continent. Yet I. G.'s acquisitions as a result of conquest were tremendous. Its acquisitions of chemical and dyestuffs firms in the conquered countries totaled approximately RM. 350,000,000. One after the other, it absorbed or eliminated its competitors in the dyestuffs field in the conquered countries until not a single independent dyestuffs company remained. It also absorbed major chemical firms. And by building new war plants in the conquered countries, I. G. increased its capital investments by approximately RM. 700,000,000. Every plant of I. G. in the conquered countries devoted itself to war production. Furthermore, I. G. so increased the technical dependence of industry in the conquered countries on I. G. that it is confident that despite German defeat it can regain its position of control. As stated by von Schnitzler, I. G.'s leading commercial director, on September 7, 1945:

* * * they will need the constant technical help of I. G.'s scientific laboratories as they do not own appropriate installations within themselves.

In conclusion, in the words of Dr. von Schnitzler:

Thus, in acting as it had done, I. G. contracted a great responsibility and constituted a substantial aid in the chemical domain and decisive help to Hitler's foreign policy, which led to war and to the ruin of Germany.

Thus, I must conclude that I. G. is largely responsible for Hitler's policy.

ELIMINATION OF GERMAN RESOURCES FOR WAR

CHAPTER I. WHAT I. G. FARBEN IS

I. SIZE AND CAPACITY

I. G. Farbenindustrie, A. G., was the largest, most powerful chemical trust in the world. As such, it represented the most vital segment of Germany's industrial potential. With a net worth amounting to RM. 6,000,000,000 at the very minimum,¹ its domestic participations comprised over 380 other German firms.² Its factories, power installations, and mines were scattered all over Germany.³ There was hardly a raw material or an auxiliary product required in its manufacturing operations that I. G. did not produce in significant quantities within its own organization.⁴ It owned its own lignite and bituminous coal mines, coke ovens, magnesite, gypsum, and salt mines. I. G.'s world organization included over 500 firms, both acknowledged and camouflaged, valued at a minimum of RM. 1,000,000,000.⁵ Its holding companies and plants blanketed Europe, and its house banks, research firms, and patent firms clustered around every important commercial and industrial center in both hemispheres.

The origin of this industrial giant can be traced to the beginning of the present century. In 1904 Badische Anilin und Soda Fabrik, Ludwigshafen, Farbenfabriken vorm. Friedrich Bayer und Co., Leverkusen, two of the most powerful chemical firms in Germany, together with the Aktiengesellschaft für Anilinfabrikation, Berlin, entered into an agreement to pool their profits and share them according to a prearranged formula.⁶ In the same year Farbwerke vorm. Meister, Lucius und Brüning, Höchst, and Leopold Cassella und Co. also concluded an agreement to pool and share their respective profits. Soon thereafter Badische (Ludwigshafen) and Höchst came to an agreement on the marketing of synthetic indigo, which had recently gone into large-scale production, and over which a competitive

¹ An accurate appraisal of I. G.'s net worth can be made only after an exhaustive audit of the books of its companies and the books of its participations both acknowledged and camouflaged. The booked net worth of the company was RM. 4,025,000,000 but it has been customary for German companies, and particularly I. G. Farben, to undervalue their assets. Mr. Paul Dencker, I. G.'s chief accountant, has estimated that an additional RM. 1,337,000,000 were in hidden reserves not shown on the books. (For an explanation of how the estimates of these hidden reserves were arrived at, see exhibit No. 1.) Even his estimate of RM5,402,000,000 for the net worth of I. G. cannot be accepted as a reasonably accurate figure. It includes only participations which are shown on the books and does not include the company's many camouflaged participations. Mr. Dencker evaluates the company's patents and licenses at approximately RM. 200,000,000. Standard Oil Co. (New Jersey) paid \$30,000,000 for only the United States rights to I. G. hydrogenation patents. Both Dr. von Schnitzler and Mr. Frank-Fahle of the Central Finance Administration of I. G. thought Mr. Dencker's estimate for hidden reserves "conservative."

² For a detailed list of known direct and indirect participations of I. G., see exhibit No. 2. These participations are shown graphically on chart No. 1.

³ Chart No. 2 is a map showing I. G.'s plants keyed to normal labor requirements and to classes of products produced in each plant. I. G.-controlled mines in eastern, central, and western Germany are shown on chart No. 3.

⁴ For details on interplant dependency within I. G. for raw materials and intermediate products, see exhibit No. 3. See also chart No. 4 for a graphic representation of the interdependency in raw materials and intermediate products within Division 2 of I. G. (dyestuffs, chemicals, plastics, light metals, pharmaceuticals, etc.).

⁵ This estimate is based on a survey of the available material relating to I. G.'s external assets set forth as exhibits to ch. II.

⁶ For an historical discussion of this development by a member of I. G.'s managing board of directors, see exhibit No. 4, statement by Paul Haefliger, dated August 6, 1945.

struggle was developing. In 1916 the two groups came together, along with two other firms, comparatively smaller but important in their own special fields, Chemische Fabrik Griesheim-Elektron, Frankfurt a. M., and Chemische Werke vorm. Weiler-ter-Meer, Ürdingen, in the "Interessengemeinschaft der deutschen Teerfarben-industrie" (community of interests of the German coal-tar dye industry). The firms remained independent corporate entities, agreeing to pool and share their profits according to specified quotas. By special agreements, Kalle und Co., Biebrich, and Farbwerk Mühlheim, Mühlheim, were induced to make special agreements with Höchst and Cassella, respectively. In 1925 these nine firms were joined in a thoroughgoing financial merger and the present I. G. was born. This merger marked the beginning of the final phase of a process of concentration which had been going on since the beginning of the century. Thereafter, that process took the form of a "rationalization" of production and sales organizations, and expansion pursuant to one over-all plan. By an important series of agreements in 1926, I. G. secured control over the greater part of the German explosives industry, especially Dynamit Actien-Gesellschaft, Troisdorf (DAG), and Rheinisch-Westfälische Sprengstoff, A. G., major producers of explosives and munitions. Thus, "I. G. represented the combined forces of firms which even before the merger in 1925 were the strongest and the most active ones in the chemistry field in all of Europe, if not the world. They constituted the cells from which the whole technical expansion of I. G. originated."⁷

Even at the time of its formation, however, the Interessengemeinschaft Farbenindustrie A. G. was more than a "community of interests of dye industries," as its name would indicate. It was also the largest producer of heavy chemicals such as acids and caustic soda. It enjoyed a virtual world monopoly of both the young and rapidly growing pharmaceutical industry and the high-pressure industry, typified by the great synthetic-nitrogen capacity which had been built up in Germany during the First World War.

In subsequent years, I. G.'s industrial domain expanded still further into many related and unrelated fields such as plastics and synthetic resins, light metals, rayon and other cellulose productions, detergents, synthetic tanning materials, synthetic rubber, synthetic gasoline and lubricating oils, rare gases,⁸ coal,⁹ and even iron and steel. It had acquired this domain partly through the expansion of existing plants, partly through the construction of new facilities,¹⁰ and partly through its network of participations.¹¹

All in all, I. G. produced between 50 and 55 percent of Germany's total production of chemicals and allied products.¹² It was responsible for approximately 40 percent of Germany's total turn-over in these fields. In 1943 it accounted for 100 percent of German synthetic rubber production; 100 percent of methanol production—indispensable in the manufacture of plastics, synthetic resins and rubber; 100 percent lubricating oils; 100 percent serums; 92 percent of the plasticizers; 90 percent of the organic intermediates; 90 percent of the plastics;

⁷ See exhibit No. 5, statement of von Schnitzler dated August 20, 1945.

⁸ For I. G.'s output of chemical products by plant from 1937 to 1943 see exhibit No. 6.

⁹ For production figures of I. G. coal mines see exhibit No. 7.

¹⁰ Considerable detail on the investment and production program in recent years is given in the statistical compilations offered as exhibit No. 8.

¹¹ Exhibits 9, 10, 11, and charts 5, 6, and 7.

¹² For data on I. G.'s expansion and on its industrial significance, see exhibits No. 12 and 5, statements by Dr. von Schnitzler dated August 21 and August 20, 1945.

88 percent of the magnesium; 84 percent of the explosives; and 75 percent of the nitrogen.¹³ A more detailed description of I. G.'s extraordinary productive achievements is set forth below in chapter III.

Not only did I. G. have a monopoly or a near monopoly in Germany in a great number of finished products, but other German chemical companies and numerous strategic industries were either totally or largely dependent upon I. G. for many raw materials, intermediate products, and for technical assistance. The German soap industry was entirely dependent on I. G. for its supplies of detergent raw materials. The tanning industry obtained approximately 50 percent of its synthetic tanning agents from I. G. The paint and varnish industry looked to I. G. for 65 percent of its raw materials (synthetic resins, solvents, plasticizers). In the plastics field Röhm und Haas, Darmstadt, the only other independent producer, was totally dependent on I. G. for certain important types of intermediates. Similarly dependent was the only other producer of dyestuffs in Germany, Geigy, Grenzach.¹⁴

The German chemical and related industries were particularly dependent on I. G. for patents and know-how. For instance, in the synthetic gasoline field, I. G. actually produced only 33 percent of Germany's total production. Yet if we include the synthetic gasoline plants in Germany which were operated under I. G.'s licenses and managed by I. G.'s technical personnel, the company would have been responsible for approximately 90 percent of Germany's total output of synthetic gasoline. I. G.'s domination of the German chemical and related fields became even more pronounced during the period of preparation for and the prosecution of the Nazi war of aggression.

During the rearmament and war periods I. G.'s sales increased tremendously year by year. In 1936 its total sales amounted to RM. 786,006,000; in 1943 the all-time peak of RM. 3,115,667,000 was reached. During that year I. G.'s German subsidiaries accounted for sales valued at an additional RM. 1,000,000,000 and of these at least 50 percent were made by Dynamit A. G. alone.¹⁵ Among approximately 4,000 chemical firms spread all over Germany, the closest competitor to I. G. in terms of sales was Henckel et Cie., Dusseldorf, manufacturers of soap and allied products, with a turn-over of approximately RM. 200,000,000. The only other chemical companies in Germany with a yearly turn-over of RM. 100,000,000 were Deutsche Solvay Werke (of which I. G. owned 25 percent), and Schering A. G., manufacturers of pharmaceuticals. These firms and the remainder of the German chemical industry could compete with I. G. in only narrow segments of the latter's production activities.¹⁶

Foreign sales were particularly significant. I. G. was the dominant factor in the German chemical export trade. It accounted for approximately 10 percent of the country's total exports of all products and approximately 50 percent of Germany's total exports of chemicals and allied products. In the different sectors of that trade its position varied considerably, being strongest in pharmaceuticals, dyestuffs, and photographic materials in the order named. In 1937, 70 percent

¹³ For figures on I. G.'s production of 43 main products and product groups and its relation to total German production see exhibit No. 13.

¹⁴ For these and other examples see exhibit No. 14, statements by Dr. Oskar Loehr, dated September 8 and August 31, 1945.

¹⁵ For a graphic presentation of I. G.'s sales and sales of certain of its participations from 1926 through 1942, broken down by major products, see chart No. 8.

¹⁶ For a description of the principal chemical firms in Germany, see exhibit No. 15.

of I. G.'s total production of pharmaceuticals, 65 percent of its dyestuffs and 40 percent of its photographic materials were exported.¹⁷ Its exports greatly exceeded its imports. It received important returns from foreign investments.¹⁸ Its net income from royalty payments and sales of patent rights was also considerable.¹⁹ These transactions made I. G. Germany's largest single source of free foreign exchange, providing an average of at least 10 percent of the country's total supply.²⁰

I. G. has been an extremely profitable concern. Even during the "great depression" it did not lose money. As its sales increased in the rearmament and war period, so did its profits.²¹ Gross profits on total operations rose from RM. 47,958,997 in 1932 to RM. 231,007,044 in 1937, RM. 363,038,997 in 1939, and RM. 821,626,559 in 1943. Net profits publicly announced for the same years were RM. 47,013,427, RM. 48,053,329, RM. 56,071,000, and RM. 81,700,000. Net profits announced in the balance sheets are not, however, an adequate indication of the financial condition of the company, especially in a country where a legal limitation had been placed upon dividend rates. They certainly understate the company's earning power. To determine the actual profitability of the company an exhaustive analysis of the books would be required, which cannot be undertaken here. Suffice it to point out that in the later years very large sums were transferred to reserves, and that it cannot be determined to what extent profits announced in the balance sheet include part or all of the income from participations in subsidiary and affiliated companies since it was customary for these also to reinvest their profits in their own operations.²² Dyestuffs were the biggest consistent source of profits to I. G., producing returns ranging from approximately 30 to nearly 40 percent on sales yearly. In recent years chemicals and pharmaceuticals have accounted for a rising share in total "raw profit"²³ and in the latter category the rates of return were over 30 percent.²⁴

"The industrial position of I. G. in Germany had no parallel with any other enterprise."²⁵ It has been estimated that it alone accounted for approximately 5 percent of Germany's total industrial activity.²⁶ In 1943 it employed approximately a quarter of a million people.²⁷ Vereinigte Stahlwerke, the great German steel producer, employed more people, and the state-owned Hermann Goering Werke had absorbed so many companies that its capital and turn-over might have been higher than I. G.'s but "their domains of activity and earning capacity and scientific performance were incomparably smaller."²⁸

¹⁷ See exhibit No. 16, statement by Dr. Struss dated July 4, 1945, showing a break-down of sales in home and foreign markets by major product groups for the years 1937, 1939 and 1943.

¹⁸ See exhibit No. 17.

¹⁹ Some details on income from patents and licenses are given in exhibit No. 18.

²⁰ See exhibit No. 19, statement by Gierlichs dated August 21, 1945. The estimate was based on the relative position of I. G. in Germany's export trade. It does not include foreign exchange derived from direct or indirect, domestic or foreign participations, or from royalty payments, sales of patents, etc.

²¹ For an analysis of I. G.'s profits by years from 1930 to 1945 see exhibit No. 20; statements by Paul Dencker dated August 27 and 30, 1945.

²² Details on I. G.'s income from participations are set forth in exhibit No. 17.

²³ Gross profits prior to payment of taxes.

²⁴ For further details on gross profits in relation to turn-over by major product classification from 1936 to the first half of 1944, see exhibit No. 21. A break-down of sales proceeds by major product classifications for the years 1934 through 1939 is shown in chart No. 9.

²⁵ Exhibit No. 5.

²⁶ Dr. von Schnitzler estimated total German industrial activity in 1943 at between RM. 80,000,000,000 and RM. 100,000,000,000. The chemical and allied industries accounted for approximately 10 percent of the total.

²⁷ For various statistical compilations of I. G.'s labor force see exhibit No. 22.

²⁸ Exhibit No. 5.

Du Pont de Nemours in the United States is the only other chemical company in the world of even comparable size. While Imperial Chemical Industries, England, numbers third to du Pont's second and I. G.'s first, it cannot even be classed with the first two companies. On the Continent of Europe there were only three other fairly large chemical companies—Montecatini in Italy, Kuhlmann in France, and the Aussiger Verein in Czechoslovakia—named in the order of size. I. G.'s field of activity was far wider than any of these. To summarize, in the words of Dr. Georg von Schnitzler, member of the managing board and chairman of the powerful commercial committee:

No single individual company had so large a field of progressive scientific enterprise as I. G. * * * Du Pont was highly progressive * * * the same applies to Union Carbide, the American Celanese, as well as Eastman Kodak Co., but all those enterprises were much more specialized than I. G. and did not cover so large a field of research work as I. G. did.²⁹

The industrial strength of I. G. originated in its laboratories, and has always been based on its research and technical knowledge, protected by aggressive patent tactics. The company was built by technical men, like Duisberg and Bosch, who always—at least until Bosch's death in 1940—formulated major policy for the company. I. G. rarely entered fields already widely exploited by other firms in the industry, but developed their lines of production in new fields. New developments of outstanding importance in the chemical and related fields in Germany were made primarily by I. G. and "research work on a large scale in the chemical field was exclusively done by I. G."³⁰

Vast sums were devoted to research.³¹ In the period between 1932 and 1943 I. G. spent slightly less than RM. 1,000,000,000, averaging an expenditure of rather more than 4.1 percent of average annual gross sales. A significant percentage of these expenditures went into research on products not yet in commercial production, and constant attention was also paid to novel applications of products. Well over 1,000 highly qualified men and women were regularly engaged in research work. In addition, the firm financed research work in many universities and scientific institutes.³²

II. ORGANIZATION AND MANAGEMENT³³

The company was divided into three technical divisions or groups (Sparten). Division 1 concerned itself with high-pressure chemistry, including the production of nitrogen, synthetic gasoline, oils, and also coal. Division 2, the largest, comprised the old inorganic or "heavy" chemical industry, the main branches of the organic chemical industry, dyestuffs, pharmaceuticals and plastics, and the electrochemical industry, mainly typified by the production of the light metals. Division 3 dealt with cellulose chemistry, covering the fields of photographic materials and artificial fibers.³⁴ Technical planning and control was in the hands of the three division chiefs, Dr. Christian Schneider, successor to Dr. Carl Krauch who became chairman of the supervisory board. Dr. Fritz ter Meer and Dr. Fritz

²⁹ Ibid.

³⁰ See exhibit No. 12.

³¹ See exhibits Nos. 23, 24, 25, 26, 27, 28, and 29.

³² These are included under the subhead "Cooperators" in exhibits Nos. 26 and 28.

³³ An analysis of the over-all organization of I. G. is presented as exhibit No. 30.

³⁴ For a graphic presentation of the organization of technical control see charts Nos. 10 and 11.

Gajewski, respectively. If problems arose on which the division chiefs could not make independent decisions these problems were referred to the technical committee.³⁵ This body, of which Dr. ter Meer was chairman, consisted of the three division chiefs, a number of plant managers, and leading technicians. It reported directly to I. G.'s managing board of directors.

The various managers of the main plants were responsible for actual control of production in their own plants and in various subordinate factories. These subordinate plants were usually either situated close to the larger works or constituted their "colonies" which had developed in the "Drang nach Osten" which characterized the expansion of the rearmament and war periods.³⁶ In order to assure uniformity of management in an organization of such size and complexity as division 2, its plants were divided into four "works combines"—upper Rhine, Main Valley, lower Rhine, and middle Germany—under the supervision of Drs. Wurster (Ludwigshafen-Oppau), Lautenschläger (Höchst), Kühne (Leverkusen), and Bürgin (Bitterfeld/Wolfen), respectively.³⁷

The complicated structure of the chemical industry in general, and of I. G. in particular, is reflected in the intricate technical control developed in I. G.³⁸ Many of the plants manufactured products of more than one division, so that an individual plant manager was often subordinate to more than one division chief. Dr. Wurster, for example, was plant manager of Ludwigshafen-Oppau, and head of its inorganic department. Under him were Dr. Ambros, head of the organic department, in charge of Ludwigshafen, which manufactured mainly inorganic chemicals, organic intermediates, antioxidants, dyeing auxiliaries, plasticizers, synthetic resins, synthetic tanning agents, formaldehyde, solvents, plastics, synthetic rubber, and dye-stuffs; and Dr. Müller-Cunradi, head of the high pressure department and in charge of Oppau, which manufactured mainly nitrogen products, but which also did extremely important research work in the field of synthetic oil products. Thus Dr. Wurster was subordinate to Dr. Schneider of division 1 in matters concerning high-pressure chemistry, but to Dr. ter Meer in matters concerning division 2. Again Dr. Kühne at Leverkusen, which produced inorganic chemicals, organic intermediates, dyestuffs, pharmaceuticals, and photographic papers reported mainly to Dr. ter Meer, but also to Dr. Gajewski of division 3.

The sales organization of I. G. was no less complicated.³⁹ Questions of sales policy which concerned the company as a whole were handled by the important commercial committee (Kaufmännischer Ausschuss),

³⁵ The Tea Büro acted as secretariat to this committee. For a statement of its functions, prepared by its chief, Dr. Struss, see exhibit No. 31.

³⁶ The Oppau plant, for example, the earliest producer of synthetic nitrogen by the Haber-Bosch process and the home of much important research work on synthetic gasoline production, was the scientific brain center of the new gasoline plants at Heydebreck and Auschwitz, and also still to some extent of Leuna. The buna plants at Schkopau and Auschwitz had a similar relation to Ludwigshafen, where much pioneer work had been done in the field of synthetic rubber.

³⁷ Ludwigshafen-Oppau was the plant of Badische Anilin- und Soda-Fabrik; Höchst, of Farbwerke vorm. Meister, Lucius, and Brüning; Leverkusen of Farbenfabriken vorm. Friedrich Bayer & Co.; while Bitterfeld/Wolfen is the center of the newer chemical industry built on the lignite fields of central Germany.

³⁸ In considering this control, three things should be borne in mind. First, I. G. was formed from several independent firms each manufacturing a wide range of products. Second, after the merger of 1925-26 comprehensive measures of rationalization were effected which resulted in a greater degree of plant specialization, and, by the same token, interplant dependency. Third, when new plants were built after the merger, their location and production plans were decided upon largely on grounds of technical and economic efficiency.

³⁹ See chart No. 12.

of which Dr. von Schnitzler was chairman, and of which the main sales executives were members.⁴⁰ This committee was responsible to the managing board. I. G. products were disposed of through five main sales combines—the dyestuffs combine; the chemicals combine; the pharmaceuticals combine; the photographic supplies, aromatic chemicals, and synthetic fibers combine; and a special combine through which the products of division 1 were sold. Dr. von Schnitzler was chairman of the first and second groups, General Konsul Mann of the third, which included the products bearing the famous “Bayer” trade-mark, Dr. Otto of the fourth, which included products marketed under the trade name “Agfa,” and Dr. Oster, of the last. The huge chemical sales combine was subdivided into metals under Dr. Haefliger, inorganic products under Herr von Heider, and organic chemicals under Herr Borgwardt. Just as in the case of technical matters, individual plant managers would often have to deal with more than one division chief, so in commercial matters they frequently had to deal with the heads of several sales combines. The leading idea behind this sales organization, a product of the “rationalization” following the 1925 merger, was that products of broadly similar chemical character and similar lines of application⁴¹ should be grouped together.

The huge task of controlling the financial affairs of the company fell to the central bookkeeping department and the central finance administration (“Zefi”).

The latter was part of the office known as I. G. Berlin, N. W. 7, an organization which, with Dr. Max Ilgner, a nephew of the president, as its chief, came to exercise in recent years an increasing measure of financial and economic control over the company.⁴² Besides the central finance administration it contained an economic department under Dr. Reithinger (“Vowi”) and a political economic department (“Wipo”) under Dr. Terhaar. These two departments and the office of the commercial committee (Büro des Kaufmännischen Ausschusses) assisted the company by providing excellent economic and statistical information and by acting as liaison with Government departments. N. W. 7 expanded greatly under the Nazi regime, and its activities took on an increasingly sinister character. These activities will be described in detail below.

Patent departments were maintained at Höchst, Leverkusen, Bitterfeld-Wolfen, and Wolfen (Film), while the central patent office, headed by Dr. August von Knieriem, chief legal counsel for I. G. and chairman of the important legal committee, was located at Ludwigshafen.

These in brief are the bare outlines of the technical and commercial organization of I. G. There remains for consideration the question of how over-all company policy was determined. The management of the company rested entirely with the managing board of directors (Vorstand) and the central committee (Zentral-Ausschuss).⁴³ Since the middle thirties the supervisory board of directors (Aufsichtsrat)

⁴⁰ In addition there were in recent years 2 other regional committees: the East Asia Committee and the South East Europe Committee set up to handle special problems of these areas.

⁴¹ Giving expert advice to consumers on the applicability of products was an important aspect of I. G. sales organization.

⁴² Three studies prepared by I. G. officials on the organization and functions of I. G. Berlin, N. W. 7, are appended as exhibit No. 32. Chart No. 13 is graphic representation of that organization.

⁴³ For a chart indicating the positions and duties of the various members see chart No. 14.

has exercised no actual authority, although according to the bylaws, it was responsible for supervising personnel matters and finances.⁴⁴

The managing board was presided over by the president, Dr. Hermann Schmitz, and was composed of 21 members; 11 of these were chemists who were either division chiefs or plant managers,⁴⁵ 2 were legal advisers,⁴⁶ 1 was the chief engineer of the company,⁴⁷ and 5 were sales executives.⁴⁸ Seven senior members of the managing board—Schmitz, Von Knieriem, Schneider, ter Meer, Gajewski, Hörlein, and von Schnitzler made up the central committee, that is, the inner circle of top executives.

III. OWNERSHIP AND CONTROL

At the present time, the capital stock of I. G. Farben consists of 40,000 preferred shares having a par value of RM. 40,000,000 and 3,928,838 common shares in bearer form having a par value of RM1,360,000,000.⁴⁹

Of the 40,000 preferred shares outstanding, 38,000 are registered in the name of Ammoniakwerk Merseburg G. m. b. H., a wholly owned subsidiary of I. G., and the remaining 2,000 shares, represented by one certificate in bearer form, are in the possession of I. G.'s camouflaged house bank, the Deutsche Landerbank.⁵⁰

The common stock is widely scattered among a minimum of 140,000 stockholders.⁵¹ An investigation made in 1934 by I. G.'s central financial department found that 87 percent of the common stock was owned by corporations and individuals within Germany, while the remaining 13 percent was owned abroad.⁵²

	I. G. original stock shares (in million reichsmarks) (nominal value)	Percentage of total capital stock		I. G. original stock shares (in million reichsmarks) (nominal value)	Percentage of total capital stock
Switzerland.....	24.3	3.57	Spain.....	3.1	.46
Great Britain.....	19.9	2.93	Czechoslovakia.....	3.0	.44
Holland.....	7.4	1.09	Belgium-Luxemburg.....	1.0	.15
United States of America.....	4.8	.71			

Dr. Max Ilgner, Director of I. G.'s central finance department, estimated that slightly over 6 percent of I. G.'s common stock is owned by the following firms:⁵³

Francolor of Paris (51 percent of whose stock is owned by I. G.).

⁴⁴ For a description of the duties of the managing board of directors and the supervisory board of directors, see exhibit No. 33. A list of all the directors who were not members of the managing board, with relevant biographical details, is included as exhibit No. 34.

⁴⁵ Schneider, ter Meer, Gajewski, Hörlein, Bütefisch, Müller-Cunradi, Wurster, Ambros, Lautenschläger, Kühne, and Bärnin.

⁴⁶ Von Knieriem, chief legal adviser, and Brüggemann.

⁴⁷ Jähne.

⁴⁸ Von Schnitzler, Oster, Haefliger, Mann, and Otto.

⁴⁹ For an analysis of the development of I. G.'s capitalization, see exhibit No. 35, statement prepared by Mr. Paul Dencker, chief accountant of the firm, dated August 20, 1945.

⁵⁰ See exhibit No. 36, letter from Dr. Frank-Fähle to Schmitz, dated February 8, 1945.

⁵¹ A rather large percentage is held by the Deutsche Bank and the Dresdner Bank, mainly for the accounts of others. Investigation at their head offices, however, revealed that these holdings contained few large parcels of shares. The president, Dr. Hermann Schmitz, declared in his 1943 tax return to the German Government that he owned approximately RM. 750,000 of I. G. common stock. After investigation, however, he admitted owning RM. 1,250,000 worth of common stock (nominal value).

⁵² See exhibit No. 37, memorandum from Dr. Bannert to Dr. Kersten, dated February 18, 1938.

⁵³ Exhibit No. 38, statement by Max Ilgner dated August 16, 1945. Note, however, that Ilgner's statement is not consistent with the attached statements made by Schmitz and by an official of the Deutsche Landerbank.

Solvay et Cie. of Brussels.

Du Pont de Nemours of Wilmington, Del.^{53a}

Imperial Chemical Industries of London.

Because of the extreme difficulty involved in tracing the ownership of bearer shares, it has not yet been possible to check the accuracy of this estimate. It is also possible that some foreign interests were disposed of during the war.

Although the capital stock of I. G. is widely distributed, control of a decisive percentage of voting power is in the hands of I. G.'s managing board of directors (Vorstand). Since the central executive committee of this managing board nominated the members of the supervisory board of directors (Aufsichtsrat) who, in turn, appointed members of the managing board, the latter is, in effect, a self-perpetuating group which exercises complete control over the policies of the company.⁵⁴ The annual general meetings were, accordingly, mere formalities. A very large percentage of the stockholders were represented by proxy holders who voted the stock. For example, in 1943, shares of a total par value of RM. 865,128,300 were voted, of which RM. 830,155,900, or approximately 96 percent, were voted by proxy. German banks voted shares to the value of RM. 805,839,400.⁵⁵ Executives of the company and the Deutsche Länderbank voted shares having a total value of RM. 316,773,200, or approximately 37 percent of the common stock voted at the meeting. The Länderbank, for example, voted shares to the value of RM. 10,500,000 for its own account and RM. 107,568,200 worth for others. Mr. Max Bangert in charge of I. G.'s banking department in Frankfurt voted RM. 100,-019,500 worth of shares held by the Dresdner Bank in Berlin for others. He also voted shares with a nominal value of RM. 58,320,900 for various individuals and banks.

Dr. von Schnitzler described the meetings as follows:

In the last 12 years, the general assembly (stockholders' meetings) of I. G. had become a pure formality; all the decisions were agreed upon unanimously on the proposal of the chairman and no discussion has ever taken place. I think, in all those years, perhaps a total of half a dozen questions have been asked, mostly on sidelines of no decisive importance. The chairman, formerly Mr. Bosch and later on Mr. Schmitz, gave a short report about the general situation of the firm and then the legal formalities were fulfilled. With all the formalities, the counting of the votes, all lasted about one-half to three-quarters of an hour.⁵⁶

It is worth noting that compared to the common stock, the preferred shares have multiple voting rights of 12½ to 1, so that I. G.'s preferred stock, all directly or indirectly controlled by I. G. represents, potentially, 36.8 percent of the total voting power. The word "potentially" is used because a German law prohibiting companies from voting their own stock or that of their subsidiaries, prevented the 38,000 shares held by Ammoniakwerk Merseburg from being voted. Had it ever become necessary, however, for the I. G. management group to utilize the voting power of these 38,000 shares, the company, according to Hermann Schmitz, would not have hesitated to transfer them to one of its camouflaged companies.⁵⁷

^{53a} A du Pont representative stated that du Pont's total investment in the old Dynamit A. G. and Köln-Fortwell amounted to \$2,395,316 and that when these companies were merged into the Farben set-up at the time of its creation in 1925, du Pont became entitled to receive the shares of I. G. Farben. It was further stated that in 1940 du Pont sold its holdings of I. G. Farben shares.

⁵⁴ See exhibit No. 33.

⁵⁵ For the list of shareholders and their representatives at the 1943 annual general meeting see exhibit No. 39.

⁵⁶ Exhibit No. 40, statement by Dr. von Schnitzler dated August 16, 1945.

⁵⁷ Admitted orally in interrogation.

Since the outbreak of the war the management group was in fact very largely Hermann Schmitz, who had been president of the company since 1935. At that time he succeeded Carl Bosch, who became chairman of the supervisory board of directors. Although legally Schmitz had the highest authority in the company since 1935, Bosch continued to dominate the management until the outbreak of the war when he became seriously ill. At that time Schmitz took over and became, in von Schnitzler's words, "the weak dictator" of the company.

CHAPTER II. I. G. FARBEN'S WORLD EMPIRE

I. G. Farben's economic empire extended throughout the world. Its non-German plants ranged from large works producing a wide variety of chemical products to small installations where I. G. Farben products, imported from Germany, were merely finished and packaged. It also maintained sales agencies, often elaborate organizations giving expert technical service and advice to customers in practically every country of the world. Sometimes these were wholly or partially owned by the parent concern. More often I. G. strove to maintain a semblance of legal independence though, in fact, it exercised complete control over the subsidiary firm. In addition, I. G. Farben owned participations in administrative companies and research organizations domiciled outside Germany which controlled important patents and technical knowledge in various sectors of the chemical industry.

I. G. Farben continued to hold, even in wartime, valuable inventories of high-value products, notably dyestuffs, and pharmaceuticals in the warehouses of subsidiaries and dealers in all quarters of the globe. And one of the company's most valuable foreign assets was intangible, resting in long-established trading connections and in the reputation of products bearing the trade name "Bayer," "Agfa" or "Indanthren."

The problem of determining the amount and location of I. G.'s external assets is complicated by the firm's long-standing habit of camouflaging or cloaking its foreign subsidiaries as independent national companies having no apparent legal tie to the parent concern. I. G. publicly admitted to ownership in only relatively few companies. To discover the rest requires painstaking investigation of the records relating to hundreds of companies situated in every corner of the globe.

The wealth of material now accumulated tells a fascinating story of the company's efforts to conceal ownership. Sometimes these efforts failed; sometimes they succeeded, either wholly or in part. At the request of certain agencies of this Government, however, most of the particulars of that story cannot be made public at the present time and the discussion must be confined to a description of the purposes, history, and techniques of camouflage and to a general statement with respect to the estimated size, type, and distribution of I. G.'s foreign assets.

The schedules of participations and assets of I. G. Farben contained in the appendix of this report represent the combined foreign assets as revealed in the central accounting records of the firm, in its Foreign Participations Report under Military Government Law 53, in the records of the former German Government tax and foreign exchange control offices, and from many additional documentary sources.

In a paper read in Berlin before Farben's legal committee on October 2, 1940, Dr. Gustav Küpper, chief lawyer for the dyestuffs

department and one of the principal camouflage artists, stated some of the main reasons for I. G.'s cloaking activities.¹ Some of these reasons were of long standing, others of comparatively recent appearance. At first the policy was adopted mainly for reasons of commercial or fiscal policy. In the years following the First World War, for example, the weakness of the Reich made it advisable, according to Küpper, to give to the foreign organizations of I. G. "the national character" of the respective countries. Customers sometimes preferred, especially after the world economic crisis of 1931, to buy from national firms so that camouflaging protected the subsidiaries from commercial discrimination. Again, camouflage of foreign branches was often resorted to for the purpose of avoiding the heavier taxes and imposts which various countries came to levy on foreign enterprises as the tide of economic nationalism rose. By this means I. G. saved large sums of money. For example, under a Spanish law designed to protect home industry, heavy taxes and duties were levied on Spanish companies of which more than 25 percent of the capital was owned abroad. This would have meant that I. G. would have had to pay out large sums as a result of its 50 percent participation in Fabricacion Nacional de Colorantes Y Explosivos, S. A. (FNCE). Consequently, half of this holding was transferred to Unicolor, S. A., Colorantes Y Productos, itself a camouflaged subsidiary, and by this subterfuge large sums were saved. Also, an uncamouflaged branch office or subsidiary might be forced to disclose details of I. G.'s balance sheet and profit and loss account; this was a risk I. G. did not wish to run. Furthermore, in the period when national restrictions on the transfer of foreign currency were spreading, I. G. officials thought that foreign branches or subsidiaries would be more closely controlled than national enterprises. Lastly, I. G.'s attempts to dodge the United States Antidumping Act of 1921 resulted in the creation of camouflaged subsidiaries in Canada and Australia.²

As early as 1937, when leading officials of I. G. saw the signs of impending war, really thoroughgoing measures of camouflage began to be taken to prevent the possible seizure or confiscation of I. G. assets in endangered countries.³ In the spring of 1939 I. G.'s legal committee discussed in considerable detail the measures which might be required to protect their foreign properties. Citing the experience in the First World War, the committee concluded that:

The risk of seizure of the sales organization in the event of war is minimized if the holders or similar interests are neutrals residing in neutral countries. Such a distribution of holdings of shares or other interests has the further advantage of forestalling any conflicts which may trouble the conscience of an enemy national who will inevitably be caught between his patriotic feelings and his loyalty to I. G. A further advantage is that the neutral, in case of war, generally retains

¹ See exhibit 1, memorandum titled "Tarnung" of German agencies abroad.

² As defined in the act, dumping exists when the purchase price or the exporter's sales price is less than the foreign market value or, in the absence of this, the "cost of production." "Foreign market value" is defined as "the price at the time of exportation of such merchandise to the United States, at which such or similar merchandise is sold or freely offered for sale to all purchasers in the principal markets of the country from which exported, in the usual wholesale quantities and in the ordinary course of trade for home consumption (or, if not so sold or freely offered for sale for home consumption, then for exportation to countries other than the United States)." . . . "In the ascertainment of foreign market value" . . . "no pretended sale or offer for sale, and no sale or offer for sale intended to establish a fictitious market shall be taken into account." What I. G. did was to establish pseudo-independent companies in Canada and Australia, The Consolidated Dyestuff Corp., Ltd., Montreal and Dychem Trading Co. (Pty.), Melbourne and Sydney, and then quote "foreign market values" to these companies at levels which would give I. G. access to the large United States market. See exhibit No. 2, correspondence during 1936 relating to Consolidated Dyestuff Corp., Ltd., Montreal and Dychem Trading Co. (Pty.), Melbourne and Sydney.

³ See exhibit No. 3, excerpt from minutes of meeting of I. G.'s legal committee held in Berlin, June 8, 1939.

his freedom of movement, while enemy nationals are frequently called into the service of their country, in various capacities, and, therefore, can no longer take care of business matters.⁴

It was, therefore, recommended that neutral influence in I. G.'s foreign agencies be strengthened by the transfer of shares or similar interests to neutral holders.

This scheme was put into practice by I. G. officials all over the world. The specific legal devices used to place ownership apparently in the hands of independent persons and yet at the same time to retain effective control for I. G. were many and varied. For instance, sometimes they required the buyer of the shares to sign an option agreement giving I. G. an irrevocable right to repurchase his shares without notice. Often the prospective buyer chosen by I. G. would not have sufficient funds to acquire the shares. In such cases I. G. would lend the money to him and require him to sign, in addition to the option agreement:

(a) An acknowledgment that the funds used had been loaned to him by I. G., and that I. G. was authorized to acquire his shares in cancellation of the loan; and

(b) A dividend agreement whereby the shareholder (who usually paid I. G. an interest of 6 percent on his loan) agreed to pay to I. G. any dividends received on his shares in excess of 6 percent, while I. G. agreed that the shareholder would receive a dividend rate of not less than 6 percent.

It should be noted that by camouflaging companies in which I. G. had a direct interest, any subsidiaries of these companies were by the same token also camouflaged.

Many other examples could be cited in which the most varied legal artifices were used: Nominees, fictitious or intervening transfers, pool agreements, endorsements in blank, escrow deposits, pledges, collateral loans, right of first refusal, management contracts, service contracts, creditor's rights, withheld know-how, and other devices. One reason advanced by officials of I. G. for the extreme lengths to which the technique of camouflage was carried was that Hermann Schmitz made every effort to live up to the sobriquet ascribed to him by some of his leading associates, "the master of financial camouflage."

At least in the early years of the war, the architects were satisfied with their handiwork, for in 1940 they were able to inform the German Government that their measures for camouflage "have proved to be very good during the war, and have even surpassed our expectations in numerous cases."⁵

It is interesting to note that the German tax authorities themselves were not informed of the details of these protective measures and from time to time attempted to assess the extent of I. G.'s foreign holdings. On one occasion they were urged by the company's lawyers, however, that injury to German interests could easily result from prosecuting such inquiries, and in the end the authorities did refrain from further investigation.

The reasons for the refusal given at the time [to the tax authorities by I. G. officials] were that they feared most severe economic damage would result which must also have a detrimental effect on the German economy and on the German

⁴ See exhibit No. 3.

⁵ Exhibit No. 3a, report to the Ministry of Economics dated September 26, 1940, p. 12.

supply of foreign currency if such information were divulged. * * * we therefore abstain from investigating further how far the location of the management of these * * * firms could be assumed to be in Germany.

Although I. G. officials used great ingenuity in camouflaging the ownership of the company's many foreign branches and participations, they were well aware both of the limitations of the techniques used and of the risks of discovery which they ran during the war. They realized that if their camouflaged ownership of a firm were detected, the entire assets of that company would probably be vested or even confiscated. They therefore prepared a second line of defense and sought to conceal sizable portions of the surpluses earned by the cloaked firms—surpluses which they often could no longer transfer to Germany even if they so wished—thus spreading the risk of discovery of the firms, and at the same time providing a fund which could later be used to rebuild I. G. organizations.⁶ Various methods were used, ranging from the use of false invoices, fake bonus payments to employees, to the camouflaged investment of company funds in cattle ranches, houses, and various other types of real estate.

In addition to the foregoing, all of the I. G. Latin-American firms maintained, unrecorded in their books, secret cash accounts in banks in the names of their leading officials. As early as 1935 Farben recognized that such devices were essential to the operations of their camouflaged agencies in Latin America. Thus, according to Herr Collischonn, one of its agents in Latin America, Farben ordered its Latin-American agencies to establish accounts known as the S cash accounts in order to transact confidential payments which if carried through foreign representations would have impaired the independence of the firm.⁷ Accordingly these accounts were maintained apart from the bookkeeping systems of the I. G. firms and constituted a means by which confidential payments could be made without incurring the risk of detection.

Although I. G. did possess many manufacturing plants abroad, a very large part of its camouflaged assets was, as has already been noted, in the form of companies which were mainly sales agencies for dye-stuffs, chemicals, pharmaceuticals, photographic and other materials produced and exported by I. G. and sold by the camouflaged firms. Without a continuing supply of imports, these firms could not continue to exist. In other words, an important part of I. G.'s foreign assets was "good will," the value of which was to a considerable extent dependent upon the continuance of I. G. exports.

After the outbreak of war in September 1939, the Anglo-French navicert control system, designed to prevent the export of German goods to enemy (German) firms in overseas countries and thus to shut off German foreign exchange supplies, threatened to cut that life line and by the same token to destroy these valuable assets. The German company took two main courses of action to combat these

⁶ This policy was adopted even before the United States entered the war. For example, in a report prepared for the commercial committee on September 18, 1941, Julius Overhoff stated:

"... It must furthermore under all circumstances also be arranged that our agencies remain alive for as long a time as possible. This end cannot be attained by simply leaving the money standing on the other side, because then it may possibly be confiscated. Now some of our agencies, i. e. in Mexico and Peru, have arranged to hold a small extra reserve which does not appear in the books.

"In Mexico the Quimica as well as the AGFA R.M. 100,000 each. In Lima-Cornejo S 20,000 R.M. 7,800. "This is, of course, comparatively little. The possibility should be considered of requesting the remaining agencies also to keep in reserve in the same manner money which could be withheld from possible seizure ... Exhibit No. 4.

⁷ Exhibit No. 5, statement of Hermann Collischonn with respect to 8 finance offices in South and Central America dated June 19, 1945.

measures and thus retain control over its assets. First it attempted indirectly to nourish its offspring, especially in Latin America, by arranging for deliveries to them by firms in neutral countries, notably the United States, the only neutral able to supply such goods in any quantity. Second, I. G. attempted to maintain its exports to foreign agencies by running the blockade.

The story of I. G.'s attempts to support its Latin-American agencies by arranging for imports from neutrals is largely the story of the activities of Alfredo E. Moll, one of the managers of Anilinas Alemanas, Buenos Aires. Moll at first acted as an under-cover purchasing agent in New York. Later after the proclaimed list and export licensing system went into effect, he transferred his activities to Buenos Aires. The story of Moll's operations can best be told from excerpts of correspondence and from statements of I. G. officials.

The plan to have Moll act as intermediary in the United States was discussed in detail at important conferences on cloaking policy held in Italy and Switzerland early in 1940. The manner in which Moll was to operate is revealed in the minutes of the conferences:

A detailed discussion has proved that a delivery of goods of neutral firms to dummy addresses of whatever kind cannot be upheld for any length of time. Therefore in future purchase of neutral goods only through reliable customers directly, who will retain part of the goods, purchased in this manner for themselves, the larger part will, however, be resold to the agency. There were also no objections raised against this arrangement for the delivery from the States by Mr. Schmitz and Dr. Duisberg. In this manner there exists for the neutral suppliers the least risk imaginable. According to the opinion of Mr. M. customers will be found in practically all the Latin-American States for carrying through these transactions. * * *

The correspondence with the neutral suppliers would therefore have to be done by their customers * * * and should be started by saying for instance that German goods are no longer available on the market and that therefore an offer in counter products at the ruling market prices would be required, etc.

The individual suppliers who would be available have been discussed with Mr. M.

The most important source of delivery in the very near future will undoubtedly be the United States of America. As the matter stands, Fezandie & Sperrle may appear as suitable suppliers which receive the goods from GAW (General Aniline Works) and GDC (General Dyestuffs Corp.), and also in accord with Messrs. Halbach and Mill shall buy from the dealers and remaining producers. By Fezandie & Sperrle the whole shipments are sent to Latin America under neutral domination, i. e., also not under I. G. registered trade-marks, such as Indanthren, Rapidogen, Igepon, etc. The agencies sell all the foreign goods under their own denomination. By this way an endangering of our trade-marks is not to be feared.

* * * In any case Herr M. will endeavor that the suppliers agree to c. i. f. terms and effect the insurance in the States as transportation of goods of United States property, is thus safer. * * *

Should expectations of supplying customers from the States by a firm like Fezandie & Sperrle not be possible, it might be necessary to establish our own companies for resale. In such cases small undertakings, or if necessary, one man companies would serve the purpose. They need not be established in all countries. For the time being, the following groups would do:

1 for Brazil.

1 for the Argentine (supplying at the same time Uruguay and Paraguay and eventually even Chile; our previous Paraguay agent Scavone.)

1 for Peru, Bolivia, and Ecuador.

1 for Colombia and Venezuela.

1 for Mexico, Central America, and the West Indies.

Proprietors of these companies may be neither Germans nor shareholders nor leading employees of our agencies. It might be possible, however, to engage a salesman or technician to look after the customers. * * *

¹ Exhibit No. 6, memorandum of discussions with Mr. Moll at Florence, Milan, and Basle, dated March 11, 1940.

Moll traveled from Italy to New York on March 9, 1940, where he undertook the task of obtaining merchandise for the I. G. firms in Latin America. By October 1940, I. G. had heard that "deliveries were progressing smoothly" but had received no general report. Richard Metz, an American citizen who in 1940 was connected with I. G.'s Central Finance Administration in Berlin, was traveling to the United States in October of that year, and was asked to deliver a message requesting that Moll forward a report of his activities. (Metz is the son of Hermann A. Metz, deceased, formerly a principal I. G. figure in the United States). I. G. in its request to Metz stated:

* * * It would be very suitable if this report was sent off from Mexico or even made out in Mexico for reforwarding in neutral form via Peru or Brazil. It would be advisable for Mr. Moll to make use of a short leave to travel by auto to Mexico * * *

Pursuant to instructions, Moll journeyed to Mexico, in December 1940, and from there he sent I. G. two reports. In the first he wrote:

I believe I can assure you that it was possible by means of patient and persistent work to arrive at a normal and lasting relationship between New York and all important centers in Latin America by suggesting to New York at first to modify its originally fixed price policy * * *. Of course it is very difficult for the gentlemen in New York to make up their minds about conditions in Latin America, especially considering that they are used to a stable market as in the United States of America. But I may especially express here the friendly attitude and fair cooperation noticeable with Mr. Halbach and Mr. Neisser (both of General Dyestuffs Corp.) who try to help as much as they can * * *.

According to the official figures of New York, United States \$1,218,345 was exported from the beginning (of Moll's activity) till November * * *. I assure you that it was possible despite many obstacles to supply all the countries which you formerly supplied, and that no one is missing from the list * * *. These figures show us that Chile and Colombia received practically their whole sales volume, but Mexico, Brazil, and Argentina lost a part of their sales, even respecting their great stocks, when relations to you were interrupted partly by the activity of competitors and partly by the refusal of customers (to cooperate in the scheme).⁹

And in the second:

* * * We have observed with great satisfaction that the sales of the Advance [Advance Solvents & Chemical Corp., New York] to our Latin-American houses constantly increase, which proves that our connections are more secure. This I very much welcome, because I consider it necessary that our gentlemen in Latin America pass on their orders mainly to friendly firms, which, when the situation becomes complicated, will do everything possible with a view to continuing the deliveries under all circumstances.¹¹

By June 1941, however, economic controls, the Proclaimed List and the system of export licenses then being put into force by the United States had seriously curtailed Moll's activities, and he returned to Argentina.

After Moll returned to Argentina on June 17, 1941, he ostensibly became separated from Anilinas and thus was able to resume merchandise purchases from the United States. His method of operating was to place orders in the United States for firms not on the Proclaimed List, including with those orders goods which were upon arrival in Buenos Aires to be transferred to Anilinas Alemanas.

⁹ Exhibit No. 7, memorandum from Julius Overhoff to Metz dated October 10, 1940.

¹⁰ Exhibit No. 8, report dated December 13, 1940.

¹¹ Exhibit No. 9, report dated December 14, 1940.

According to Overhoff, the advisability of Moll's separation from I. G. had been previously discussed in the 1940 conferences in Italy and Switzerland:

* * * We discussed also the possibility that Moll should leave Anilinas Alemanas if necessary, and act separately, perhaps as a dealer. Of course, even in that case, it was the idea, that his work should be the interest of I. G.¹²

Moll proceeded to set himself up as an independent importer. There is evidence to indicate, however, that the separation was more apparent than real.

On October 15, 1941, for example, Flinsch, comanager with Moll of Anilinas Alemanas, wrote from Buenos Aires:

* * * After Mr. Moll had left my firm in last June, in pursuance of this exchange of cables, and accordingly severed all his connections with it, insofar as was necessary with regard to outside appearances, the old close and friendly contact with Moll and the management of my firm continued. * * *

Consequently, the management of my firm was always informed in advance of all activities and plans of Moll with respect to the establishment of business relations with the United States of America which was contemplated. This also envisaged the inherent possibility of supplying my firm with goods. In other words, everything was discussed and executed by joint determination.¹³

After the war closed regular shipping channels, I. G. also used other and more direct means of keeping its foreign agencies supplied with its products, especially in Latin America and the Far East. Until January 1940, before the blockade was tightened, it was possible for I. G. to ship goods in neutral vessels from Dutch and Italian ports. Then, from January 1940 until Italy entered the war, some pharmaceutical and Agfa products, camouflaged as Italian goods, were shipped from Italy. During this period small amounts of dyestuffs were also sent from Italy to Latin America via parcel post. From October 1940 until September 1941, the company took advantage of German Government blockade runners to transport its products. Then in 1943 and 1944 until I. G.'s communications with Spain were cut by the Allied invasion of Europe, some dyestuffs were sent to Argentina via an agent in Spain. In all, RM. 93,704,164 worth of dyestuffs and chemicals were exported by these routes, RM. 31,747,424 to Latin America, RM. 57,950,815 to the Far East, and RM. 4,005,925 to the United States.¹⁴ Figures of shipments of Bayer products are not available. How successful I. G.'s efforts were in circumventing the blockade is indicated by a comparison of its sales of dyestuffs and chemicals to Latin America for the years 1938 through 1941.

[In reichsmarks]

	1938	1939	1940	1941
Dyestuffs.....	19,876,000	24,282,000	18,611,000	28,083,000
Chemicals.....	9,436,000	11,017,000	8,495,000	11,736,000
Total.....	29,312,000	35,299,000	27,106,000	39,819,000

¹² 9 months.

¹³ Exhibit No. 10, statement by Julius Overhoff on Alfredo Moll dated July 18, 1945.

¹⁴ Exhibit No. 11.

¹⁵ See exhibit No. 12, statement of Julius Overhoff dated August 23, 1945, on overseas exports of I. G. during wartime, especially to Latin America.

It will be observed that even with incomplete figures for 1941, I. G. sales in Latin America were substantially higher than they had been in 1940, and were the highest of any year in the 4-year period.¹⁵

Any attempt to estimate the size of I. G.'s foreign holdings must be subject to considerable risk of error. Very often the beneficial ownership of I. G. is still open to question and may yet be contested in the courts. Again, a substantial percentage of the assets are in the form of good will, and are thus substantially dependent upon the maintenance of a trading connection with the parent firm. Problems of exchange rates and currency fluctuations are another major obstacle. And, in a world of such political and economic uncertainty as exists today, the ordinary problems involved in assessing the value of a concern are magnified many times.

In 1943, I. G. listed 173 direct foreign participations and 75 indirect participations on its books. Sixty-seven of the former were manufacturing and administrative companies, 33 sales companies for dyestuffs and chemicals, 50 sales companies for Bayer products, and 23 sales companies for Agfa products, fertilizers, and coal. One hundred and twenty-seven of the direct participations admitted were located in Europe, and among these were 58 of the manufacturing and administrative companies, 25 sales companies for dyestuffs and chemicals, 27 sales companies for Bayer products, and 17 sales companies for Agfa products, fertilizers, and coal. Overseas participations listed included but 9 overseas manufacturing and administrative companies, 8 dyestuffs and chemicals sales agencies, 23 Bayer agencies, and 6 firms dealing in Agfa products, fertilizers, or coal. The bulk of I. G.'s direct participations, and especially its subsidiary manufacturing and administrative companies were located in Europe; half of the overseas firms were agencies for Bayer pharmaceuticals.

Evidence reveals, however, that at least 200 firms should be added to the total of I. G.'s direct and indirect participations. An interim tabulation of foreign firms considered to belong either wholly or in part to the parent company or its subsidiaries—which should not be regarded as by any means complete—gives the following interesting totals:

Location:	Number of firms
Africa.....	21
Asia.....	54
Australasia.....	4
Europe.....	238
Latin America.....	117
North America.....	14
Total.....	448

It should be noted that this total was compiled from the listings in the appendix to the report. The actual total of companies discovered to be Farben-owned is slightly larger. However, at the request of interested agencies of this Government certain omissions have been made. The great bulk of these additions are therefore located outside Europe. The company was especially strongly represented in Europe and Latin America. As has already been pointed out, the difficulties involved in assessing the monetary value of I. G.'s foreign assets are extremely formidable. However, it is probably correct to say that

¹⁵ Of course the rise in prices is a contributing factor.

the total, including capital assets, inventories, accounts receivable, amounts due I. G. from its foreign subsidiaries, patent and licensing rights, is somewhere in the region of R.M. 1,000,000,000, or about 15 to 20 percent of I. G.'s estimated net worth. It should be noted that this estimate is not a precise statistical calculation.

Besides having an economic value, these foreign holdings of Farben had a political and military significance. As will be developed at length in subsequent sections of this report, I. G.'s camouflaged agencies were used to aid the German Reich in its preparations for and prosecution of an aggressive war. Some acted as listening posts and collectors of economic intelligence both for the parent firm and for the German Government. Sometimes they were centers of Nazi propaganda and even espionage activities against potential and actual enemies of the Third Reich. If left untouched, they might become important cells for future penetration by a war-minded Germany.

Latin America has been chiefly used in this chapter to illustrate the Farben techniques of camouflage. The same operations were carried on to no less extent throughout the rest of the world. The best known illustration of course is Farben's use of I. G. Chemie, a Swiss subsidiary, to cloak its ownership of General Aniline & Film Corp. in this country. The evidence of Farben's ownership of I. G. Chemie disclosed by the investigation cannot be revealed in this report because of the possible prejudice which might thereby result to the interest of this Government.

The Nazi Party did not always understand Farben's cloaking policy, considering it somewhat unpatriotic not to flaunt German proprietorship. Only after I. G. proved to the Government's satisfaction that decloaking would result in "most severe economic damage" and "have a detrimental effect on the German economy," did the German Government abstain from its protests.¹⁶ In 1940, however, when an early German victory was anticipated, I. G. began to reexamine the entire question of camouflage in the light of a German conquest of Europe and Great Britain.

The necessity for cloaking would disappear in countries occupied by the Reich, especially if I. G.'s proposals in regard to corporation tax policy were adopted in these conquered countries.¹⁷ A policy of decloaking I. G. holdings in certain countries was therefore envisaged for the period following the peace treaties. It was clearly indicated however, that in many countries, such as the United States, camouflage of company interest would have to be retained.¹⁸

¹⁶ *Infra*.

¹⁷ These proposals were set out clearly in various memoranda. See for example exhibit No. 1.

¹⁸ *Ibid*.

CHAPTER III. I. G. FARBEN'S ROLE IN ARMING GERMANY FOR WAR

I. INTRODUCTION

Without I. G.'s immense production facilities, its far-reaching research and world-wide economic power, the German war could never have been waged. The purpose of this chapter is to show (1) the increasingly close relationship which developed between I. G. and the German military authorities; (2) the manner in which I. G. mobilized its resources for war; (3) the extent to which I. G. made Germany self-sufficient in those critical war materials and strategic products without which the Wehrmacht could not have functioned; and (4) I. G.'s prior knowledge and approval of Nazi plans for world domination and of specific acts of aggression later committed pursuant thereto.

To understand fully the I. G.-Nazi coalition, a few introductory remarks are in order. Leading officials of I. G. had important contacts with the Nazis even before Hitler came to power. If we go back to autumn 1932, we find two I. G. directors, Bütefisch and Gattineau, approaching Hitler to discuss the place of synthetic oil in the German economy. The experiments at Leuna and Oppau on high pressure hydrogenation of coal were costing the firm millions of reichsmarks and bringing no returns. Accordingly, I. G.'s managing board was considering abandoning the whole project. But Bütefisch, and Gattineau, both ardent Nazis, ascertained from Hitler that he would, when in power, continue the protection then being given to domestic oils.¹ Hitler further informed them that the experiments fitted into his program.

Several months later, in February 1933, a meeting of leading German industrialists called by the president of the Reichstag, was addressed by Hitler and solicited by Dr. Schacht for a fund of RM. 3,000,000 to be used on behalf of Nazi candidates in the coming elections. At this meeting I. G. was represented by Dr. von Schnitzler, and their contribution was made by Dr. Hermann Schmitz, later to become president of the company. Very shortly after Hitler came into power, he appointed Schmitz a member of the Reichstag.

I. G. continued its financial, political, and moral support of the Nazis. Indicative of the basic nature of I. G.'s contribution and the quid pro quo character of the I. G.-Nazi partnership was the telegram transmitted by Geheimrat Schmitz to Hitler on September 30, 1938, the day of the Nazi occupation of Sudetenland. I. G. had been promised at least 7 days before the German troops marched into Czechoslovakia that one of its experts would be installed as commissar of the chemical and dyestuffs factories of the Sudetenland, factories which I. G. subsequently acquired. The message of President Schmitz stated:

Profoundly impressed by the return of Sudeten-Germany to the Reich which you, my Fuehrer, have achieved, the I. G. Farbenindustrie puts an amount of one-half million reichsmarks at your disposal for use in the Sudeten-German territory.²

¹ Actually, he greatly increased it.

² See exhibit No. 1, correspondence relating to this transaction.

II. UNION WITH THE WEHRMACHT

After the advent of the Nazi regime in Germany, the close relationship of I. G. to the Wehrmacht was visibly strengthened. According to Dr. von Schnitzler, member of the central committee of I. G.'s managing board of directors and chairman of I. G.'s commercial committee—

In 1934 the Wehrmacht became important and with increased tempo after 1936 the Wehrmacht became the prominent factor in the whole picture. Since 1934 a strong movement for investments in our plants for commodities of decisive military importance became more and more pronounced with the main objective of increasing the military potential of Germany. At first autarchic principles to make Germany independent of importation from abroad was one of the leading objectives. Since 1936, the movement took an entirely military character and military reasons stood in the foreground. Hand in hand with this, the relations between I. G. and the Wehrmacht became more and more intimate and a continuous union between I. G. officials on the one side and the Wehrmacht representatives on the other side was the consequence of it.³

Such intimate cooperation necessary to the joint planning of the German rearmament could not exist without adequate organization. As is pointed out elsewhere in this report, I. G. was divided into three technical divisions (Sparten).⁴ Each division had a central office responsible for handling matters pertaining to production control, investment for new plants, costs, and other similar problems. At first these central offices each dealt directly with the military authorities in matters concerning their respective divisions. By 1935, however, such discussions had become so frequent, and transactions with the Wehrmacht had become so numerous, that I. G. established within the firm a permanent military liaison agency. This was the so-called Vermittlungsstelle W which was to "take charge of and maintain the current relations between the three divisions and the military authorities"⁵ and which "occupied itself principally with problems in connection with a possible war."⁶ Prof. Carl Krauch, a member of I. G.'s managing board since 1926, whose career typifies better than anything else the close union between I. G. and the military authorities, was placed in charge of the new organization.

The functions of the Vermittlungsstelle W were clearly described in a report dated December 31, 1935:

The aim of this work is the building up of a tight organization for armament in the I. G. which could be inserted without difficulty in the existing organization of the I. G. and the individual plants. In the case of war, I. G. will be treated by the authorities concerned with armament questions as one big plant which in its task for the armament, as far as it is possible to do so from the technical point of view, will regulate itself without any organizational influence from outside [the work in this direction was in principle agreed upon with the Office of Strategic Economy (Wehrwirtschaftsamt) and from this office with the Ministry of Economy] * * *. To the field of the work of the Vermittlungsstelle W belongs besides the organizational set-up and long-range planning, the continuous collaboration with regard to the armament and technical questions with the authorities of the Reich and with the plants of the I. G.⁷

³ Exhibit No. 2, interrogation of Georg von Schnitzler and Max Igner, dated August 4, 1945.

⁴ *Infra*.

⁵ Exhibit No. 3, History of the Vermittlungsstelle W "Discussions with the various military offices and authorities which since about 1934 have become more and more frequent and urgent resulted in the resolutions passed in the meeting of the Zentrallausschuss (central committee of the board) in Ludwigshafen on September 2, 1935, to establish, beginning October 1, 1935, a Vermittlungsstelle W (W-Wehrmacht) which was to take over and maintain the current relations between the three divisions (Sparten) and the military authorities." According to Geheimrat Schmitz, president of I. G., it was Dr. von Knieriem, chief legal officer of the company, who, at the instance of the German military authorities, suggested the establishment of the Vermittlungsstelle W. (See exhibit No. 4, statement of Hermann Schmitz, dated September 18, 1945.)

⁶ Exhibit No. 5, statement of Dr. Struss dated August 7, 1945.

⁷ Exhibit No. 6, Development of the Work of the Vermittlungsstelle W, dated December 31, 1935.

In fact, however, the Vermittlungsstelle W never attained the significance expected of it in this regard. This was not because the tasks of cooperation with the military authorities diminished—in fact they greatly increased in significance—but because relationships became more and more direct after the appointment of Dr. Krauch to the office of the Four Year Plan. Thereafter, most collaboration in scientific and technical matters were either channeled through Krauch's office or were carried on directly between military representatives and individual plant managers.

According to Dr. Struss, who as head of I. G.'s technical bureau (Tea Büro) and top assistant to Dr. ter Meer, was responsible for "serving gentlemen of group II of the Vermittlungsstelle W," I. G. officials destroyed the files dealing with Vermittlungsstelle W matters.⁸

The military liaison office did, however, retain considerable importance.

One of its early tasks was to act as intermediary between I. G. and the Ministries of War and Economics in regard to the preparation of mobilization plans for I. G.'s plants. These so-called MOB plans were to set out in detail the production programs which each factory would undertake in case of war. The order to prepare them came from Wirtschaftsgruppe Chemie, a quasi-governmental instrumentality which was responsible for all chemical production and distribution in Germany and in which body I. G. officials held important positions. Dr. Georg von Schnitzler was its deputy chairman. Moreover, according to Dr. Struss, the preparation of these MOB plans were personally supervised by representatives of the Ministries of War and Economics.

"I know," said Dr. Struss, "that a representative of the Ministry of Economics, Dr. Lenz, and a representative of the Ministry of War, Dr. Mureck, assisted in the making of these plans. I remember that Dr. Mureck often told us that the Ministry of War wants the plans drawn up in such and such a way."⁹

Pursuant to these instructions, every I. G. plant began to prepare its production plans and turned them over to the Vermittlungsstelle W which submitted them to the Ministry of War and Economics. In the following years the plans were no doubt repeatedly revised in consultation with the authorities, and early in 1939, the factories re-

⁸ Exhibit No. 7, interrogation of Dr. Struss, dated July 21, 1945:

"Question. Did you destroy them (Vermittlungsstelle W files)?

"Answer. My office did on Dr. ter Meer's orders."

⁹ Exhibit No. 9, statement of Dr. Struss, dated August 13, 1945. Dr. von Schnitzler described these plans as follows:

"The Wirtschaftsgruppe or its different affiliations had the function to control the entire production in the chemical field and to prepare the distribution of the available and the needed commodities. This was done for every important product of the chemical industry. I remember that the most important commodities figured on a special list which was particularly supervised by Dr. Ungewitter personally. The production plan of the different branches of the chemical industries could only be made up in accordance with the prescription of Dr. Ungewitter. Dr. Ungewitter in his person united different functions. . . . From the very beginning of the Nazi regime, the Wirtschaftsgruppe was charged with semiofficial functions in order to prepare an eventual German mobilization for war. In this connection they made an analysis of every chemical firm in Germany, what their producing capacity was and what they had in stock, etc. For the so-called great commodities a production plan has been made up and the distribution of the needs for an eventual war was prepared. Representatives of the Wirtschaftsgruppe, that means officials, acted in close collaboration with the Ministry of Economics and Ministry of War and got from the different firms those plans which he did approve or disapprove. With the beginning of the war, the long prepared system was put into action and functioned with the greatest accuracy. No firm was allowed to go beyond the production plans fixed before and the commodities used for their manufacturing were strictly controlled. The Wirtschaftsgruppe and the other affiliations were from the very beginning an instrument which served as an intermediary between the Ministry of Economics and War and the individual firms" (exhibit No. 10, interrogation of von Schnitzler, dated August 18, 1945).

ceived their plans back as approved by the Wirtschaftsgruppe Chemie, ready for immediate execution in case of war.¹⁰

Thus before the Nazi Army attacked Poland I. G. was mobilized and ready after long years of preparation.

All the German industries were mobilized in summer 1939 and in the summer 1939 the Wirtschaftsgruppe Chemie issued an order that the plans for war were in action. In June or July 1939 I. G. and all heavy industries as well knew that Hitler had decided to invade Poland if Poland would not accept his demands. Of this we were absolutely certain and in June or July 1939 German industry was completely mobilized for the invasion of Poland.¹¹

As early as 1934 I. G. had become preoccupied with war and all of its plants engaged in war games and "maneuvers (in) the technical problems which may come up" in the event of war.¹² According to Dr. Struss these plans or "Kriegsspiele" were undertaken under the supervision of Wehrmacht officials. Dr. Struss has described these activities in detail.

It is true that since 1934 or 1935, soon after the establishment of the Vermittlungsstelle W in the different works, theoretical "war plant games" had been arranged to examine how the effect of bombing on certain factories would materialize. It was particularly taken into consideration what would happen if 100 or 500 kgs. bombs would fall on a certain factory and what would be the result of it. It is also right that the word "Kriegsspiele" was used for it. The "Kriegsspiele" were prepared by Mr. Ritter and Dr. Eckell later on partly by Dr. von Brunning by personal order of Dr. Krauch's own initiative or by order of the Air Force, it is not known to me. The tasks were partly given by the Vermittlungsstelle W and partly by officers of the Air Force. A number of officers of all groups of the Wehrmacht (Navy, Air Force, and Army) participated in these "Kriegsspiele." The places which were hit by bombs were marked in a map of the plant so that it could be ascertained which parts of the plant were damaged, for example a gas meter or an important pipe line. As soon as the raid finished, the management of the plant ascertained the damages and reported which part of the plant had to stop working; they further reported what time would be required in order to repair the damages. In a following meeting the consequences of the "Kriegsspiele" were described and it was ascertained that in the case of Leuna [plant] the damages involved were considerably high; especially it was found out that alterations of the pipe lines were to be made at considerable cost.¹³

In 1936 Hitler announced the Four Year Plan. In 4 years Germany was to be made independent of imported raw materials. The role of I. G. and the chemical industry in this tremendous task was all important. I. G. was to provide magnesium and thus give Germany abundant supplies of a light metal of which she had domestic

¹⁰ Exhibit No. 11, interrogation of Dr. Engelbertz, dated August 18, 1945. According to Dr. Engelbertz, manager of I. G.'s plant in Griesheim which produced many vital war chemicals such as intermediates for explosives, carbon electrodes for aluminum, chlorine, and alkalies, his plant received the approved MOB plan for its products in March or April 1939 with the understanding that it was to be put into operation on the outbreak of war. The following is an extract from an interrogation of Dr. Engelbertz:

"Question. When was the next step in regard to the 'MOB' plans?

"Answer. I remember that the 'MOB' plan which was approved by the signature of Dr. Ungewitter was returned in the beginning of 1939.

"Question. Whom did you submit those 'MOB' plans to?

"Answer. They were all submitted to Vermittlungsstelle W and I assume they submitted them to the Ministry of Economics and the Ministry of War.

"Question. What significance did it have to you that the plans came back in the beginning of 1939 approved by Dr. Ungewitter?

"Answer. The significance that in case of war the productions contained in the 'MOB' plans were compulsory.

"Question. Can you fix the date you received the 'MOB' plan back approved by Dr. Ungewitter?

"Answer. I think it was March or April 1939 but I don't know for certain."

(These plans were destroyed before the American occupation. See exhibits Nos. 7 and 12.)

¹¹ Exhibit No. 10, interrogation of Dr. von Schnitzler, dated August 18, 1945. (See also exhibit No. 8, telegram of September 3, 1939, ordering immediate execution of "MOB" plans.)

¹² See exhibit No. 6.

¹³ Exhibit No. 13, interrogation of Dr. Struss, dated August 1, 1945.

ore supplies. I. G. was to supply the synthetic gasoline, lubricating oils, and rubber which were to make it possible for the Nazi war machine to attack. I. G. was to take a prominent part in developing the synthetic fibers which took the place of imported wool and cotton. I. G. was to manufacture the plastics which replaced imported metals in many uses. These were some of its major achievements. There were many others. For example, I. G. was to build a sulfuric acid plant which used German gypsum instead of imported pyrites. The synthetic tanning agents which took the place of Argentinian quebracho, and the synthetic fats which replaced imported vegetable oils were developed in I. G. laboratories.

Great numbers of I. G. scientists and technicians aided in increasing German economic self-sufficiency. But one name stands out above all the rest, Prof. Carl Krauch, member of the managing board of directors, chief of division 1 and head of the Vermittlungsstelle W. The circumstances of Krauch's appointment as director of chemical research in the Office of the Four Year Plan are rather significant.

According to Dr. Max Ilgner, member of the board and chief of the Berlin office of I. G., it was Dr. Bosch, former president of the I. G., who took the initiative in placing Professor Krauch, of I. G.'s supervisory board of directors, at the disposal of Hermann Goering and his Four Year Plan. In this statement Dr. Ilgner emphasized the leadership of I. G. in the chemical industry and asserted that I. G. wanted to direct the armament program for the chemical industries. He continued:

Bosch consequently introduced Krauch to the Four Year Plan, where he became chief of "Reichsamt für Wirtschaftsausbau" and the Generalbevollmächtigte für Sonderfragen der Chemischen Erzeugung; this concerned nitrogen, gasoline, buna, and magnesium, all these being fields where I. G. was both in respect to scientific work (patents and know-how) as well as from the industrial point of view, the real deciding enterprise and in which field I. G. would have got in every case the order to enlarge her capacities. For this same reason, in my opinion, it was the idea of Bosch to present just a man like Krauch when he was asked to nominate someone because he wanted to have a leading and energetic chemical expert who was able to direct and watch the whole planning in these special chemical fields so [that] it was done in an intelligent way from the economic point of view and that no measures were taken which were directed against I. G.¹⁴

During this period of governmental employment, Krauch retained his position in I. G., first as chief of division I, and after 1940 chairman of the supervisory board, remained on the Farben pay roll and continued to exercise his supervision over the technical work of his division as before. His actions in this dual capacity were completely understood and appreciated by Goering.

Question. So that you can say that Goering recognized that you had a dual responsibility, one to him in the Four Year Plan, and one to I. G. Farben, as a private businessman?

Answer. He always recognized that fact.¹⁵

The placing of the leading technical man of I. G. in the Four Year Plan, to have a hand in the direction of the expansion of the chemical industry was considered good insurance by the I. G. board to guarantee

¹⁴ Exhibit No. 14, statement of Dr. Ilgner, dated August 4, 1945. Cf. exhibit No. 15. Statement of Dr. von Schnitzler dated August 8, 1945: "It was Bosch himself who put Krauch at Goering's disposal . . . he saw in Krauch the possibility of making great developments in the chemical field."

¹⁵ Exhibit No. 16, interrogation of Dr. Carl Krauch, dated September 28, 1945.

its share of the government business and subsidies. The dual role played by Krauch is indicated by the following:

Question. Did Goering consider you as essentially an employee of the government or did he consider you in terms of your I. G. relationship?

Answer. In terms of my I. G. Farben relationship. That is quite an interesting question. After I had been in the Four Year Plan for a few months, they were asking me to leave I. G. Farbenindustrie. * * * And they asked Goering to put some pressure on me and Goering declined to do this. He said: "Let this man do what he likes. He is a man of the laboratory, and he is not an administrative man."¹⁶

Krauch continued his duties in the Four Year Plan until 1938, always keeping his colleagues in I. G. informed of his activities, while still performing his Farben duties as chief of division I. As the result of an unusual incident in June 1938, Goering appointed Krauch chief of all chemical expansion and construction under the Four Year Plan. A report on certain technical processes was submitted to Krauch's office for examination and approval. Contained therein, and not intended for Krauch's approval, was a list of production quotas which the German chemical industry would meet in the years 1938-39. Krauch realized that these were "wrong figures" and could not possibly be realized by the chemical industry. He immediately went to Goering and informed him thereof.¹⁷

Goering, although impressed with Krauch's knowledge, consulted with Lieutenant General Keitel, Chief of the German General Staff. Keitel insisted that his figures on explosives were correct and with this information, Goering confronted Krauch once again. This time Krauch, on the basis of his knowledge of the I. G. production of nitrogen and intermediates necessary to the production of explosives, convinced Goering that Keitel was wrong. At that point, Goering appointed Krauch chief for the chemical industry.¹⁸

In this manner, Professor Krauch took charge of the chemical industry's expansion program, a position which he held during the armament period and throughout the war. In reward for his services, Adolf Hitler bestowed upon him the Knight of the Iron Cross (Kriegsverdienst-Kreuz) "which designates him as one of the men who won marvelous victories on the battlefield of the German work."¹⁹

Under Professor Krauch, assisted by I. G.'s leading technicians and chemists, all of whom were paid by the I. G., the German chemical industry concentrated on military supply, on building and enlarging plants for production of oil, magnesium, and synthetic rubber. Dr. von Schnitzler and Ilgner freely admitted that I. G. officials planned Germany's armament program for the chemical industry. They stated:

Since 1936, I. G. officials paid by I. G. and assisted by a large staff of technicians all paid by I. G. planned for the Nazi Government the rearmament phase in the chemical section with concentration on the building up of such war industries as magnesium, synthetic rubber, oils, etc. This was handled by the Reichsamt Fur Wirtschaftsausbau and the Generalbevollmachtigte fur Sonderfragen der Chemischen Erzeugung under Dr. Krauch.²⁰

¹⁶ Ibid.

¹⁷ Exhibit No. 17, interrogation of Dr. Carl Krauch, dated September 20, 1945.

¹⁸ Ibid.

¹⁹ Exhibit No. 18. Cf. Exhibit No. 4, Statement of Dr. Schmitz dated September 18, 1945: "And I remember that a few years ago when I attended Goering's birthday party, Goering said to me 'I thank you very much that you have given me Krauch.' And I am certain that Goering had complete trust in Krauch."

²⁰ Exhibit No. 19, statement of Dr. von Schnitzler and Ilgner dated August 15, 1945.

According to von Schnitzler, I. G. was a "loyal and compliant partner of the Wehrmacht" and engaged in the aforementioned activities²¹ for its own profit and "without regard for the consequences."²² I. G. did more than comply with orders and requests of the Wehrmacht and other Nazi agencies. It initiated projects for and stimulated the interests of the Wehrmacht in its war productions.²³ I. G. also developed many projects on its own for the Wehrmacht:

A whole range of problems had been worked at by the I. G. for its own account and only later, after certain results of the experiments could already be seen, the officers of the Army were interested in these problems.²⁴

Then I. G. "sold" the projects to the Wehrmacht.

The I. G. offices have taken up primarily these problems often out of their own initiative and then approached the Army. * * * The cases were respectively rare where the Army for its part approached the I. G. * * *

III. EXPANSION FOR WAR

With the advent to power of the Nazi regime, I. G. entered upon a period of enormous plant expansion. Between 1933 and 1943 the company, exclusive of its subsidiaries, invested over RM. 4.25 billion or \$1.7 billion (at the exchange rate of RM. 1 : 40 cents) in new plants, and in extensions to existing installations.²⁵ This was, however, no normal economic growth. As the years passed, it took on the character of intensive economic preparation for total war. Dr. von Schnitzler himself has described it as—

the close teamwork with Government and Wehrmacht in the joint endeavor to make Germany to a large extent autarchic and to rearm her * * *

While it has often been maintained that the policy of increasing economic self-sufficiency was brought about by Germany's acute shortage of foreign exchange and assumed military significance only much later, documents found in Farben files show quite clearly that the firm recognized the strategic significance of economic self-sufficiency at least as early as the spring of 1935, even before the inauguration of the Four Year Plan.²⁶

The history of I. G.'s investments in the light-metal field affords one of the earliest and therefore most striking examples of the company's tremendous expansion for war purposes. I. G. was by far the most important German producer of magnesium metal and alloys, which were used chiefly in aircraft construction and in the manufacture

²¹ See Exhibit No. 15.

²² Ibid.

²³ "It never became quite clear if our technical men themselves had not deliberately induced the Wehrmacht."

²⁴ Exhibit No. 20, Developing and Experimental Work of I. G. dated June 2, 1939.

²⁵ Ibid. "If we wanted to give a survey on the present state of developing work which was made by the I. G. officials for the Army we can say that about 80 to 100 chemists and engineers are occupied with scientific and chemical experiments on about 50 to 60 problems of the Army (partly as side work). About half of all the problems may have arisen in connection with delivery of I. G. products, about 30 to 40 percent of the problems may have come out of ideas which were submitted to the Army by the I. G. on its initiative and only 10 to 20 percent of the questions may have been submitted by the Army to the I. G. in a more or less detailed form. In the planning and construction offices as well as the building department of the I. G. at least the equal amount of academic educated gentlemen with by far bigger number of collaborators is working for the experimental and production plants of the Army; whereas, the amount of the I. G. employees active for the 4-year plan and the execution of the M.O.B. preparations is not included."

²⁶ This figure includes investments of approximately RM. 200,000,000 in plants owned by the German Government which I. G. had an option to purchase within 5 years. For the period from 1925 to 1942, I. G. invested RM. 980,000,000 in plants and equipment.

²⁷ Exhibit No. 15, statement of Dr. von Schnitzler dated August 8, 1945.

²⁸ E. g., the early documents relating to the work of Vermittlungsstelle W.

of incendiary bombs. On January 1, 1933, the firm's capital investment in light-metal plants was RM. 8.6 million (\$3.44 million). Nine years later it had risen by 1,600 percent to RM. 136.4 million (\$54.56 million).²⁹ Between 1934 and 1935 alone total investment in the field almost tripled from RM. 15.105 million (\$6.042 million) to RM. 42.575 million (\$17.03 million).³⁰ It was no secret to I. G. officials that large quantities of magnesium metal were being made into incendiary bomb casings and stored in I. G. plants. Dr. Ernst A. Struss, Chief of the Office of the Technical Committee, admitted in interrogation:

In Bitterfeld and in Aken, a large part of the production, probably the largest part, was fabricated into tubes. * * * These tubes were packed in boxes and designated "Textilhülsen." There was no doubt that these tubes were parts of incendiary bombs.³¹

In certain other cases, such as stabilizers, phosphorus and cyanides, I. G. also accumulated stocks for the Wehrmacht. (See exhibit No. 23, statement of Dr. Struss dated September 3, 1945, and exhibit No. 24, interrogation of Herr von Heider dated August 13, 1945.)

The expansion described above is not immediately apparent from the company's books. Between 1933 and 1943 when \$1.7 billions had been spent on new plants and on plant extensions, the listed value of plant and equipment rose from RM. 425 million (\$170 million) only to RM. 625 million (\$250 million).³² The explanation is to be found in the lavish credits and contributions given by agencies of the Government, and in the generous depreciation charges allowed on the investment. This was an important aspect of the part played by the Nazi Government and the Wehrmacht in the "close teamwork" described by Dr. von Schnitzler. To illustrate the point, we may again take the example of light metals. In an analysis of the financial requirements and earnings of the light-metals sector for the six years from the beginning of 1935, Director Ziegler stated:

On January 1, 1935, we owned plants for the production of aluminum and magnesium and for the fabrication of alloys, which had an investment cost of RM. 15 million [\$6 million] and a book value of RM. 5 million [\$2 million]. The development of the following years—already clearly influenced by the armament program especially as regards the air force—necessitated enlargements of the plants on which RM. 72 million [\$28.8 million] were spent. The investment cost as of January 1, 1941, was therefore RM. 87 million [\$34.8 million] while the book value was RM. 20 million [\$8 million]. This favorable result obviously could not be achieved through normal depreciation but was influenced significantly by investment contributions from the Reich Air Ministry for the plants at Aken, Teutschenthal, and Stassfurt. The normal depreciation in this period amounts to RM. 21 million [\$8.4 million], the contribution of the Reich Air Ministry to RM. 46 million [\$18.4 million]. The preferential treatment has been granted mainly for those parts of the plants which produce magnesium.³³

²⁹ Without taking into account auxiliary plants in Bitterfeld, power stations, etc.

³⁰ For the amounts invested and book values of the investments by years from 1927 through 1941, see exhibit No. 21.

³¹ Exhibit No. 22, interrogation of Dr. Struss dated August 13, 1945.

³² Exhibit No. 25, statement by Paul Dencker on value of plants and equipment of I. G. Farben, dated August 29, 1945.

³³ Exhibit No. 26, a statement for a meeting of the Chema (a commercial chemical committee) written by Director W. Ziegler of Bitterfeld, on December 15, 1941. Also, see exhibit No. 27, statement dated July 24, 1945, by G. Frank-Fable, regarding government credits to I. G. for plants and plant extensions during the war.

Concurrently with the large increases in plant capacity. I. G. light-metal sales and profits rose correspondingly: ³⁴

	Sales	Profit in thousands of reichsmarks	Profit, percent on sales
1935.....	49,321	9,015	18.3
1936.....	55,381	8,457	15.3
1937.....	65,769	8,725	13.3
1938.....	77,099	9,410	12.2
1939.....	109,008	17,127	15.7
1940.....	126,248	21,943	17.4
1941 (first half).....	71,430	13,603	19.0

This was the immediate reward which I. G. received for its inventiveness and resourcefulness. Its sales increased from a little over 1 billion marks to 3 billions in 1943 as "a 100 percent result of the rearmament and war policy of the German Government." ³⁵

Many of its sales were from the beginning guaranteed by the Wehrmacht. As a result of its agreements with the Wehrmacht, I. G.'s great new factories became I. G.'s unburdened property. In the case of light metals, the Reich guaranteed the amortization; for oils and buna, protective duties were imposed; and in the case of I. G.'s tremendous investments for the Wehrmacht in the conquered eastern countries, the equipment was amortized within a year of the investment. ³⁶

IV. PRODUCTION FOR WAR

As is graphically demonstrated by the chart attached hereto, I. G. was responsible for a very large percentage of the production of many of the critical war materials without which the Wehrmacht could not have functioned. Twenty-eight of forty-three main products or product groups produced by I. G. in 1943 were of primary concern to the Wehrmacht. This is proved convincingly by the following percentages of Germany's total production of highest priority materials for 1943 which Farben accounted for:

Synthetic rubber, 100; methanol, 100; sera, 100; lubricating oil, 100; poisonous gases, 95; nickel, 95; plasticizers, 92; organic intermediates, 90; plastics, 90; magnesium, 88; explosives, 84; nitrogen, 75; solvents, 75; gunpowder, 70; calcium carbide, 61; X-ray film, 50-60; pharmaceuticals, 55; insecticides and fungicides, 55; synthetic resins, 53; chlorine, 46; high-octane gasoline, 46; compressed gases, 45; sulphuric acid, 35; synthetic gasoline, 33.

These figures do not pretend, however, to tell the entire story. For example, the importance of I. G.'s contribution so far as rubber is

³⁴ See Exhibit No. 21.

³⁵ See Exhibit No. 15, statement of Dr. von Schnitzler dated August 8, 1945.

³⁶ See Exhibit No. 28, interrogation of Dr. von Schnitzler dated August 4, 1945:

"Q. Is it a fair statement that I. G. benefited tremendously insofar as its capital investments were concerned from the armament program of the Nazi Government?—A. I would say that is right and even more. Many of our chemists believed that this new investment was of continuous use even for peacetime because they thought that the enlargement of buna, oil, and nitrogen would also serve for peace purposes in filling out the market. We distinguished the purely war plants mostly financed by the Reich and which were under Montana and Anorgana, etc. from those developments which we considered as being of a perpetual and peacetime use. Our technical people wanted them built by I. G. because they thought they would be more independent in ruling those factories. Of course after a certain time even the war potential became unburdened property because the amortization rates were very favorable. We spoke of Aken yesterday which was started about 1935 and also of the beginning of 1944 when Haefliger, von Heider, and I paid our first visit to Bitterfeld, we saw that the investment in Aken was almost completely written off. And I might also say that side by side with the development of the rearmament program, Germany became more and more autarchic, more corporate, more fascist."

concerned is better seen by reference to chart No. 15, which shows the consumption of natural rubber, regenerated rubber, and synthetic rubber in Germany, by years, from 1938 to 1943. Although I. G. had carried on research in synthetic rubber at various times since 1910, commercial production did not begin until 1937. In 1938, only 5,000 tons of synthetic rubber and 97,000 tons of imported natural rubber were consumed in Germany. In 1943, the position was completely reversed and only 4,000 tons of natural rubber and 144,000 tons of synthetic rubber were consumed. In that year I. G.'s production of synthetic rubber had reached such proportions that 25,000 tons were exported.³⁷

Not only did I. G. achieve the production of this vast percentage of finished products, but all other German chemical companies and numerous strategic German industries were almost totally dependent upon I. G. for raw materials, intermediate products, and technical assistance; and particularly were they dependent on I. G. for the know-how. By far the majority of new inventions in the chemical field were made in the laboratories of I. G. To illustrate, although I. G. itself produced only 33 percent of Germany's synthetic gasoline, its processes were responsible for approximately 90 percent.

I. G. also operated for the Wehrmacht many plants leased from Montan-gesellschaft, the German Defense Plants Corporation. Most of these produced explosives.

A compelling example of the special services performed by I. G. for the German armed forces in the production of weapons of war is the case of poison gases.³⁸ In 1938 the German Government, dissatisfied with the progress made in the development and production of poison gases, called upon Farben to handle the problem. New I. G. plants for the production of these gases swung into operation and eventually, as indicated above, I. G. achieved 95 percent of the total production of poison gases.³⁹ By order of the German Government many of these plants were completely destroyed before the occupation by the Russians; and all "fore and end products" were destroyed. But at least one of these terrible secrets which the Germans hoped to save for the next war has been uncovered.

The instant investigation has disclosed that an I. G. Farben official at Wuppertal-Elberfeld developed the deadliest poison gas in the world. This gas, unknown to the military authorities of the Allied Nations, could have penetrated any gas mask in existence. In its connection, Dr. von Schnitzler said:

This fabrication, of course, was kept so secret, that only in the beginning of the year 1945 (January to February) I heard for the first time of it, when Dr. Ambros in strictest confidence told me what I have given as my personal knowledge to Major Tilley (Edmund Tilley, major, E. P. E. S., F. I. A. T.) at the end of April and what consisted of the fact that such gases based upon an intermediate of Ludwigshafen "Metaphenyldiamine" had been made in a special equipment (all in glass) but that the whole production owing to the Russian advance had been shipped to the interior of Germany. Dr. Ambros at the time spoke of the great danger if ever smallest quantities of this product evaded.⁴⁰

³⁷ German consumption of rubber for the year 1943 broken down according to use is shown on exhibit No. 29. A very small percentage of the total was used for civilian purposes.

³⁸ With the exception of Dr. von Schnitzler's statements, all of the source material relating to Farben's production of poison gases, its experimentation on human beings and its knowledge of their use on inmates of concentration camps is contained in the following documents numbered exhibit 30: Report by Major E. Tilley on examination of Dr. Fritz ter Meer, dated August 2, 1945; statement by Dr. C. Krauch, dated September 25, 1945; statements by Dr. Struss dated April 26 and 27, 1945, respectively; minutes of meeting held February 23, 1939 with Army officials.

³⁹ See exhibit No. 13 to ch. I, tables dated August 13 and 19, 1945, titled "I. G. Production 1943 Compared With Total German Production."

⁴⁰ Exhibit No. 15, Statement of Dr. von Schnitzler dated August 8, 1945.

I. G. originally carried out its poison gas experiments on monkeys; later on human beings. For the latter purpose, inmates of concentration camps were selected, and I. G. Farben officials, concerned only with creating weapons capable of assuring German world conquest, were unmoved by this use of human guinea pigs. Dr. ter Meer justified the experiment not only on the grounds that the inmates of concentration camps would have been killed anyway by the Nazis but also on the ground that the experiments had a humanitarian aspect in that the lives of countless workers were saved thereby. Needless to say, these gases were not only used on helpless people during the stage of experimentation, but were later used to exterminate whole groups in concentration camps such as Auschwitz. Dr. von Schnitzler said:

At that time (April 1945) I was still under the impression that I. G. as a firm was only indirectly connected with the fabrication of that gas insofar as we had put chemists at the disposition of the Reich and supplied the intermediates. Later on by Major Tilley I heard that Anorgana, which ran the plant, was 100 percent I. G. and that the whole fabrication practically was an affair of I. G. He told me furthermore that these gases had been used by the Nazi authorities as a tentative in Auschwitz concentration camp.

In the last quarter of 1944 I should say, it was at the end of November or in the beginning of December, an allusion was made to me confidentially by Dr. Müller-Cunradi that terrible things had happened in the concentration camps of Auschwitz, that gases had been used there to kill people and that I. G. products were of something in it—of course, it was only an allusion. Not knowing anything of Dyhrenfurt at the time, I could not bring this allusion in connection with the new gas, but I was so horrified by it that I only reacted "but do other people know that too," which he confirmed, "Yes; Ambros and the other men in Auschwitz know of these things." To Schmitz I made a remark about terrible things being connected with Auschwitz and Dyhrenfurt but without going into details. How far he was informed about it I can't say, for my opinion he should have heard about the general happenings regarding Anorgana a. s. o. as financial interests of great importance were connected therewith and Ambros and Müller-Cunradi must have reported to him about the situation under all its aspects. But that, of course, can only be heard from the three men themselves.

I myself had never seen the agreement regarding Anorgana which was concluded before I took over my activity with the Chemikalien business. I was of the opinion that the Reich owned plant and equipment of the so-called Reichsbetriebe at 100 percent and that Anorgana was a 50-50 position of Reich and I. G. for the handling of these products which were sold to manufacturers.

How secret all these matters had to be held by the men immediately concerned with them might become evident by the fact that Dr. ter Meer, notwithstanding that we always worked together in the dyestuff domain in the closest cooperation, never mentioned them to me, and I was greatly surprised when I heard by Dr. Loehr only a few days before I was taken in custody (May 7) that under ter Meer's papers confidential material of this kind had been found.⁴¹

More specifically, Dr. von Schnitzler testified as follows:

Question. During the last quarter, 1944, you said yesterday that a Mr. Müller-Cunradi alluded to you that the poisonous gases and the chemicals manufactured by I. G. were being used for the murder of human beings held in concentration camps?

Answer. So I understood him.

Question. Didn't you question those employees of yours further in regard to the use of these gases?

Answer. They said they knew it was being used for this purpose.

Question. What did you do when he told you that I. G. chemicals were being used to kill, to murder people held in concentration camps?

Answer. I was horrified.

Question. Did you do anything about it?

⁴¹ Ibid.

Answer. I kept it for me because it was too terrible. I was always under the impression that these gases were not manufactured by us. I asked Müller-Cunradi, "Is it known to you and Ambros and other directors in Auschwitz that the gases and chemicals are being used to murder people?"

Question. What did he say?

Answer. Yes; it is known to all I. G. directors in Auschwitz.⁴³

V. I. G.'S KNOWLEDGE OF GERMANY'S INTENT TO WAGE AGGRESSIVE WAR

The fact that leading officials of I. G. Farben assisted in the formulation and execution of the internal and external policies of the Nazi regime, and the facts disclosed above concerning the activities of the company, would, standing alone, prove that Farben knew for many years of the German Government's intention to wage aggressive war. There follow specific statements and admissions of I. G. officials to that effect.

According to Dr. von Schnitzler the war was "only the last step of a long-prepared evolution" of the Nazi policies. Said Dr. Schnitzler:

Even without being directly informed that the Government intended to wage war, it was impossible for officials of I. G. or any other industrialists to believe that the enormous production of armaments and preparation for war starting from the coming into power of Hitler accelerated in 1936 and reaching unbelievable proportions in 1938 could have any other meaning but that Hitler and the Nazi government intended to wage war come what may. In view of the enormous concentration on military production and of the intensive military preparation, no person of I. G. or any other industrial leader could believe that this was being done for defensive purposes. We of I. G. were well aware of this fact as were all German industrialists, and on a commercial side, shortly after the Anschluss in 1938, I. G. took measures to protect its foreign assets in France and the British Empire.⁴⁴

A striking illustration of Farben state of mind is revealed in the report of its development of fuels and lubricants. Explaining the absolute necessity to Germany of these products, the I. G. report emphasized the political significance of petroleum. The report continued to relate an example of that political significance and selected the experience of Italy in its rape of Ethiopia as its warning precedent. The report stated:

Italy won the Abyssinian war by modern weapons and by building special highways. In modern wars the consumption of gasoline for motorized troops, tanks airplanes, is immense. As the troops advanced into the country the military roads became immensely long, as was the case in Abyssinia—all reinforcements, provisions for the fighting troop, etc., had to be transported by car—and the consumption of gasoline increased still further. In addition an extensive motor park had to be kept in order to supply the motorized units of the fighting forces and the air bases built in Inner-Abyssinia. Although provisions had been made before hand, it was impossible to store these enormous amounts of gasoline needed in the Italian territories on the coast before the war, they had to be filled up continually the same as men, weapons, and ammunition. As Italy has no petroleum of her own she was relying on the continual import from abroad. Nearly all the petroleum in the world is controlled by the United States of America and the countries that are members of the League of Nations, if therefore gasoline had also been included in the sanctions, as proposed by England and France, the war would have come to an end very soon. Italy could win the Abyssinian war and build her empire only because England and France could not carry into effect their intentions.⁴⁵

⁴³ Exhibit No. 15a, Interrogation of Dr. von Schnitzler dated July 17, 1945.

⁴⁴ Exhibit No. 31, statements of Dr. von Schnitzler, dated August 22, 1945.

⁴⁵ Exhibit No. 32.

I. G. officials served notice that Germany would avoid the experience of Italy in its invasion of Ethiopia. They said:

This example will make it clear to you, that it is quite out of question, that Germany will run the risk of a similar situation and for this reason also the German demand of fuel has to be covered by Germany herself before long.⁴⁵

A rather dramatic incident occurring in 1938 and related by Dr. Carl Krauch reveals not only I. G.'s knowledge of the impending aggression but that Dr. Krauch with his great ability made a great contribution to the war effort. In 1938 Dr. Krauch, then an assistant to General Loeb, was shown certain documents which contained production estimates in explosives for the years 1938-40. Immediately, Dr. Krauch who said he had been informed of German plans to wage war by Farben's former president, Dr. Bosch, realized that if Germany went to war on the basis of those overoptimistic figures, defeat was inevitable. Accordingly, he informed Goering of the falsity of the figures. In the words of Krauch:

I had the feeling that they were going to war, as Dr. Bosch told me in June 1938, and that was when I went with the wrong figures of Loeb to Goering and said to him "we can't go to war because the figures are all wrong. We will lose the war on this basis."⁴⁶

Krauch convinced Goering that the figures were wrong despite Field Marshal Keitel's insistence that they were correct. Goering immediately took steps to rectify the errors. He appointed Krauch as his adviser in the place of General Loeb. Krauch's new job was to assure that German production in explosives would meet the false estimates and make it possible for Germany to go through with its plan for waging aggressive war. How closely Krauch's achievements came to making a German victory possible is now, of course, past history.

This awareness of impending aggression is admitted in a report by I. G. to the German Ministry of Economics in 1940 in which I. G. describes its attempt to cloak completely its holdings in preparation for war. The report states in part as follows:

* * * Only in the last years, about 1937, as the danger of a new conflict was appearing more and more, we endeavored to improve the measures of camouflage made by us, especially in the endangered countries, so that at least an immediate confiscation could be avoided. Even the delay of the confiscation for some months means for us, particulars about this matter will be made, an extraordinary advantage. According to our experiences hitherto, our measures for camouflage have proved to be very good during the war, and have even surpassed our expectation in numerous cases * * *⁴⁷

Not only did I. G. have knowledge of Germany's intention to wage aggressive warfare but it was officially informed almost with exactitude of the time table of the attack on Poland.

Months before the attack, I. G. was officially informed by Goering's office that the Nazi war machine would invade Poland in September 1939. Before Hitler's moves against Czechoslovakia, I. G. took steps to take over its leading competitor in that country. At its instigation, I. G. officials acted as Commissars of firms in the conquered countries. I. G. officials assisted in the formulation of Nazi policy for the conquered countries.

⁴⁵ Ibid.

⁴⁶ Exhibit No. 33, Interrogation of Dr. Krauch dated September 27, 1945.

⁴⁷ Exhibit No. 3, ch. II.

That I. G. knew the timing of Hitler's impending aggressions against Poland, etc., is borne out by a statement of Dr. von Schnitzler, who said:

I would say that in my capacity as deputy chairman of the Wirtschaftgruppe Chemie, I had occasion to meet with Mr. Ungewitter at least once a month in Berlin. There we discussed official business regarding the different matters concerning the chemical industry. It was in July 1939 at one of these meetings in the presence of Mr. Ehrmann, Deputy to Ungewitter that Mr. Ungewitter told me that Hitler was determined to invade Poland and that in view of the assurance given by England and France to Poland, we must be prepared for an attack on our western front. There could be no doubt in my mind from the manner in which Mr. Ungewitter spoke that the attack would take place as soon as the harvest was collected which meant some time in September. Ungewitter told me also that the Ministry of War and the Ministry of Economics had informed him that our "Kriegswichtigen," that is the Ludwigshaven and Oppau works must be moved from the western frontier because they were too close. We feared also that they might have guns which could shoot over the 80 kilometers distance between our factory and the French frontier. I said at once to Mr. Ungewitter that this idea of moving the works seemed quite impossible to me. When I spoke to Dr. ter Meer one of the next days he told me that he was well aware of the plan and he confirmed that it was impossible to move the works and I am certain that Mr. Ungewitter has talked over those questions much more strongly with Dr. Wurster and Dr. Ambros than he did it with me who was not responsible for the Ludwigshaven-Oppau works. It is incontestable that Mr. Ungewitter acted on behalf of the government that means the "Vier Jahres" (four-year) plan when he informed me in the before-mentioned way.⁴⁸

That I. G. fully approved these aggressions is indicated, among other things by the following confession signed by the head of I. G.'s legal department:

To my knowledge I. G. Farben, its directors and officers fully approved the Nazi aggression against Poland, Czechoslovakia and France. I. G. profited considerably from these conquests.

* * * * *

I. G. Farben, its directors and officers are therefore responsible and it is my belief that the Allied Powers must take adequate measures to so control Germany that these acts cannot be repeated again.⁴⁹

⁴⁸ Exhibit No. 34, statement of Dr. von Schnitzler dated August 28, 1945.

⁴⁹ Exhibit No. 35, statement of Dr. Kupper dated June 12, 1945.

CHAPTER IV. I. G. FARBEN'S ROLE IN ECONOMIC AND POLITICAL WARFARE

1. INTRODUCTION

I. G.'s external activities dovetailed completely with the foreign policy of the Nazi government. In the words of Dr. von Schnitzler "the development of I. G. during the last 12 years can't be separated from the government's foreign policy."¹ It was the foreign economic policy of the German Government to build up the Wehrmacht and to weaken the military strength of all other countries including the United States of America. Leading German industrialists including I. G. officials assisted in the formulation and execution of that policy. This is succinctly expressed in the interrogation of Dr. Kugler, chief assistant to Dr. von Schnitzler, whose testimony follows:

Question. What was the Nazi government's foreign trade policy in its control of the relations of German industry with the rest of the world?

Answer. The German Government aimed to weaken the military strength of the other countries and to keep the Wehrmacht supreme.

Question. How did this work out?

Answer. Every time the Germany industry and finance entered into economic relations with other countries the German Government exercised rigid control and at all times wanted to keep the Wehrmacht supreme vis-à-vis all other countries. German industry was used by the Nazi government as an instrument to accomplish this purpose.

Question. Did this apply to the United States of America?

Answer. To all countries.

Question. What was the agency of the Government which handled these matters?

Answer. The agency was the Reichswirtschaftsministerium.

• • • • •

Question. Were there any I. G. representatives in this body?

Answer. This organization was subdivided into Fachgruppen. Dr. von Schnitzler represented I. G. in the dyestuffs field and I was his assistant. The I. G. representative for sulphuric acid was Dr. Wurster. For buna, it was Dr. Ambros of I. G.'s Ludwigshafen branch.

Question. And was the purpose of the chemical industry the same as that for the other industrialists and financiers?

Answer. Yes. The foremost purpose of the Nazi government and I. G. and all other industrialists was to keep the Wehrmacht all powerful vis-à-vis all other countries including the U. S. A.²

2. ECONOMIC WARFARE THROUGH CARTEL CONNECTIONS

An outstanding example of the manner in which Farben executed this policy of keeping "the Wehrmacht all powerful vis-à-vis all other countries including the U. S. A." was its successful effort, by means of cartel agreements with Standard Oil, to delay the development and use of buna rubber in the United States until at least 1940 while at the same time producing sufficient buna in Germany to make the German Army and German industry independent of rubber imports.

¹ Exhibit No. 15, ch. III, Statement of Dr. von Schnitzler, dated August 8, 1945.

² Exhibit No. 1, undated interrogation of Dr. Kugler. Cf. exhibit No. 2, interrogation of Dr. Kugler of July 23, 1945, concerning I. G.'s exploitation of the southeastern European countries.

This investigation has confirmed certain data heretofore presented to the Truman, Bone, and Kilgore committees by the Department of Justice with respect to this transaction which so seriously imperiled the war preparations of the United States. The story in short is that under the so-called Jasco agreement, synthetic rubber was to come under Farben's "sphere of influence."³ Standard was determined, however, to have an absolute monopoly of synthetic-rubber developments in the United States, if and when Farben released the American rights to the process to Standard in accordance with the Jasco agreement. Accordingly, Standard fully accomplished I. G.'s purpose of preventing United States production by dissuading American rubber companies from undertaking independent research in developing synthetic-rubber processes. This Standard accomplished by falsely creating the impression that it had already received the buna process from Farben and was attempting to work out a scheme for licensing the process to the American rubber companies. As a matter of fact Farben had no intention of divulging the process. Dr. Loehr testified as follows:

Question. The Goodyear was under the impression that it was not technically feasible and therefore I. G. refused to give them licenses and the know-how?

Answer. I would say so.

Question. But, in fact, I. G. according to you would not have given them the know-how even if it were technically feasible?

Answer. Irrespective of whether or not it was feasible and profitable for us to license the Goodyear and give them the know-how, we would not have done it because the Wehrmacht forbade us to and we did not tell Goodyear of that.⁴

Standard Oil, however, according to Dr. Loehr, was completely informed of the situation.⁵ One conclusion which can be drawn from its "stringing along" of other companies is that it did not want them to proceed with independent research thus preventing Standard from ever having a monopoly in the field. Thus, Dr. Loehr indicated that, pursuant to conversations between Mr. Howard of Standard and I. G., Standard had agreed to keep American firms out of the synthetic rubber field and would let them enter it only if compelled to do so by forces beyond its control. By 1939, however, synthetic-rubber development had reached a stage where Mr. Howard of Standard stated that it would no longer be possible for him to keep the information in regard to the buna processes from the American companies.⁶ Nevertheless, he assured I. G. that Standard would manage to stay "on top of the whole scheme."⁷ As time dragged on and the licenses were not forthcoming, the clamor of the American rubber companies became so intense that Standard, not wanting to reveal the true situation, turned to Farben for an excuse to give the rubber companies. An official of Standard, in October 1939, at a meeting with I. G. representatives in Basle, stated that he had to be provided with an excuse for not getting the know-how. I. G. obligingly cabled Standard Oil to the effect that the authorities would not permit the information to be given to the American firm.⁸ "These are the conclusions," said Dr. Loehr, "which seem to disclose that I. G. impaired the military strength of the United States."⁹

³ Exhibit No. 3, Interrogation of Dr. Loehr dated July 24, 1945.

⁴ Exhibit No. 4, Interrogation of Dr. Loehr dated September 6, 1945.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Exhibit No. 4.

⁹ Exhibit No. 6, Interrogation of Dr. Loehr dated July 26, 1945.

While I. G. gave little, it managed to procure a great deal from its cartel cohorts abroad. From America, I. G. obtained the newly discovered method for the production of Iso-octane and its utilization for motor fuels. This process, according to one of I. G.'s leading scientists, originated—

in fact entirely with the Americans and has become known to us in detail in its separate stages through our agreements with them [Standard Oil, New Jersey] and is being used very extensively by us.

The process for producing tetraethyl lead, essential for the manufacture of aviation gasoline, was obtained for the Nazis by I. G. Farben in exactly the same way. Of this important acquisition, an I. G. official stated:

It need not be especially mentioned that, without lead-tetraethyl, the present method of warfare would be unthinkable. The fact that since the beginning of the war we could produce lead-tetraethyl is entirely due to the circumstances that, shortly before, the Americans had presented us with the production plants complete with experimental knowledge, thus the difficult work of development (one need only recall the poisonous property of lead-tetraethyl which caused many deaths in the United States of America) was spared us, since we could take up the manufacture of this product together with all the experience that the Americans had gathered over long years.

It was, moreover, the first time that the Americans decided to give a license on this process in a foreign country (besides communication of unprotected secret experimental knowledge) and this only on our urgent requests to Standard Oil to fulfill our wish. Contractually we could not demand it, and we found out later that the War Department in Washington gave its permission only after long deliberation.¹⁰

I. G. exploited its cartel connections with American firms not only to obtain these important processes but also to obtain certain critical materials themselves. Because of its relations with Standard Oil of New Jersey, I. G. acted as agent of the German Government in contracting for \$20,000,000 worth of high-grade aviation gasoline and lubricants. (Actually, \$14,000,000 worth was delivered.) This fuel was transported to Germany and stored there; and the foreign exchange necessary for payment was supplied by the German Government.¹¹ And in 1938, when Germany had not yet begun to produce tetraethyl lead, essential to aviation gasoline, Farben, at the request of the Air Ministry, arranged to borrow 500 tons of the lead from the Ethyl Export Corp. of the United States. The loan was guaranteed by Greutert & Cie., one of Farben's Swiss subsidiaries, with the deposit in America of \$1,000,000. Farben, of course, did not return the borrowed lead to the American company and willingly forfeited the security.¹² Farben also purchased large stocks of magnesium from the Dow Chemical Co. of America to build up the Luftwaffe's reserves, large amounts of nickel from the International Nickel Co. (Canada),¹³ and so far as the stock piling of chemicals was concerned, the Wehrmacht actually ordered Farben to accumulate as large stocks of phosphorous and cyanide as they could possibly obtain.¹⁴

3. INTELLIGENCE SERVICES AND ESPIONAGE

N. W. 7 Berlin, under the direction of Dr. Max Ilgner, was the liaison office of I. G. with the various governmental agencies in Berlin.

¹⁰ Exhibit No. 7, memorandum from Dr. Goldberg to Dr. von Knieriem dated May 30, 1944.

¹¹ Exhibit No. 8, interrogation of Dr. von Knieriem dated August 25, 1945.

¹² Exhibit No. 9, correspondence in 1938 and 1939 among Farben, Greutert, and Ethyl Export Corp.

¹³ Exhibit No. 10.

¹⁴ Exhibit 24, ch. III, interrogation of von Helder dated August 13, 1945.

A brief analysis of the expansion of this office between 1932 and 1943 will throw considerable light on the relative importance of its various functions.¹⁵ The total expenses of N. W. 7 in 1943 were RM. 7,000,000 (\$2,800,000) as against only RM. 997,000 (\$398,000) in 1932. This figure becomes increasingly significant when it is realized that the greater part of these expenditures went into channels which, from a purely business viewpoint, were wholly nonproductive. The expenses of N. W. 7's statistical department (VOWI) and the political economics department (WIPO) were approximately 5 and 7 times greater, respectively, in 1943 than in 1932. In 1943 the expenses of the Bureau of the Commercial Committee (B. d. K. A.), formed only in 1939, accounted for almost one-sixth of the total expenses of N. W. 7.

Dr. Ilgner maintained the position of a dictator in this office and delegated responsibility and authority in such a manner that his subordinates never gained any appreciable knowledge into the over-all picture of N. W. 7 and consequently were never in a position to threaten his status. His three deputies were Dr. Frank-Fahle, Dr. Gattineau,¹⁶ and Dr. Reithinger.¹⁷

Dr. Frank-Fahle was one of the younger directors in I. G. Farben. He received his training and acquired his expert knowledge of foreign currency regulations in the United States with Hallgarten Co. in New York and also the American I. G. Chemical Corp. Dr. Frank-Fahle was in charge of the Central Finance Administration (ZEFI) which dealt with many over-all financial matters and with problems of foreign currency, foreign exchange, and foreign exchange credits. Dr. Frank-Fahle also had under his supervision the Bureau of the Commercial Committee (B. d. K. A.),¹⁸ which, by title, might be an integral part of any aggressive business organization but which, in the case of I. G. Farben, was little more than a collecting, analysis, and distribution point for the reports of the I. G. Verbindungsmänner, which will be described in detail below.

The largest and most sinister department of N. W. 7 was the so-called statistical department (VOWI), which was formed by Dr. Ilgner in 1929. The purpose and nature of its research and market inquiries were evidently mystifying to some of the commercial employees of I. G. who were not in on the secret, since the work was obviously unjustified from a business point of view.¹⁹ Dr. Ilgner received the strong support of top I. G. officials and the Government, particularly Prof. Ernst Wagemann, president of the Statistisches Reichsamt (Statistical Office of the Reich), and soon his brain child was flourishing under the expert direction of one Dr. Reithinger. Reithinger was particularly well qualified for his job.

Prior to his employment by Farben, he had been an important figure in the Statistisches Reichsamt. In addition to his outstanding ability as a statistician, economist, and analyst, he traveled extensively in many foreign countries, including the United States, England, France, and Russia. During his travels Reithinger had carefully cultivated the friendship of persons and institutions influential and important in the fields of economics and statistics and "had arranged

¹⁵ See exhibit No. 32, ch. I, Dencker's statement on the expenses of Berlin N. W. 7.

¹⁶ Dr. Terhaar replaced Dr. Gattineau in 1940.

¹⁷ See chart No. 13, organization chart of Berlin N. W. 7.

¹⁸ For details see exhibit No. 32, ch. I.

¹⁹ Ibid.

an intense exchange of statistical work with the various statistical organizations in Germany and abroad."²⁰

Reithinger's department was staffed with men of recognized ability. They immediately began to compile statistics on population, unemployment, production, and consumption of agricultural and industrial capacities, monetary circulation, taxes and duties, deposits and capital of banks, increase of capital of important companies, and other information, most of which could not conceivably have any value to I. G. as a manufacturer of chemicals and dyestuffs. However, little imagination is necessary in weighing the potential value of such information to a country preparing for an aggressive war on the world.

Through the boundless energy of Dr. Ilgner, in 1937-38, meetings of prominent economists were arranged to discuss various international economic problems. As a result of these meetings valuable information was obtained. Moreover, the already close relationship between N. W. 7 and the Statistisches Reichsamt, the Reichsbank, the Ministry of Economics, the Foreign Office, and the Ministry of Agriculture and the Ministry of Finance became ever closer.

With the outbreak of war, N. W. 7 became the focal point of requests for economic intelligence from many Nazi agencies and became, formally, a quasi-governmental agency. Many of the VOWI employees were called to military service with the Wirtschaftsstab (economic staff) of the Wehrwirtschafts- und Rüstungsamt (office of war economics and armament) but actually performed their duties within Dr. Ilgner's office.²¹ The vast fund of information gathered by Dr. Reithinger and his staff proved invaluable to the OKW (army supreme command). In fact, so highly was VOWI regarded by the OKW that at the outbreak of war it considered taking over both the records and the employees and making the agency a part of the army. Other Government agencies, the Economic Department of the Foreign Office, the Ministry of Economics (Foreign Department), and the Ministry of Agriculture, were also desirous of absorbing VOWI. That office, however, was able to service the requests of the OKW and other agencies with such rapidity and so completely that it remained part of the N. W. 7 office.²² It must be remembered, however, that even before 1933, Reithinger's agency had been closely associated with the economics department of the OKW under General Thomas.

VOWI's specific assignments are pretty well summarized by Dr. Kurt Krüger who at the outbreak of war became an officer on the economic staff of the Wehrmacht with headquarters at N. W. 7.

Such tasks and work were to prepare out of the archives of Berlin N. W. 7 all records, files, reports, maps, and figures, that were appointed by the officers of the OKW, to be of interest and use for the OKW; to complete them out of other archives at the disposal of the OKW by news and reports entering I. G. Berlin N. W. 7; to assist in digesting this material; to prepare reports and maps about industries and agricultural production abroad, considering specially the "engpasse" (bottlenecks) in capacities and raw materials. To make inquiries about production, stocks, consumption, prices of special raw materials, agricultural and industrial goods, to prepare reports about the economical situation of foreign countries specially considering their dependence on other countries, their stocks, production, capacities in agriculture and industries of various products needed by Germany.²³

²⁰ Ibid.

²¹ Ibid.

²² See exhibit No. 11, statement by Max Ilgner dated June 18, 1945.

²³ Exhibit No. 32, ch. I.

Even though the personnel of Dr. Ilgner's espionage agency were working full time for the Wehrmacht, they were paid by I. G.

From 1937 on, according to Dr. Struss, Dr. Reithinger and his entire staff concentrated on the preparation of surveys of factories in foreign countries. These surveys were prepared under direct supervision of the Wehrmacht and were used by the Luftwaffe in selecting bombing targets. Dr. von Schnitzler testified that:

For all European countries they made up plans. Every plant of chemical interest was indicated in a complete map.²⁴

According to Dr. von Schnitzler, the VOWI took the initiative in preparing the bombing surveys and stimulated the interest of the Wehrmacht in them. He further stated that Dr. Reithinger was sworn in by the Wehrmacht because of the importance of the work, and that "the VOWI after the war had begun, was practically working more for the general staff of the Wehrmacht than for I. G."²⁵

Another department of N. W. 7 was the WIPO (political economics department).²⁶ The first chief of the WIPO was Dr. Gattineau who was one of the early and active Nazis in I. G. Farben. However, after the advent of Hitler, Gattineau joined with Ernst Röhm and when Röhm was purged in 1934, Gattineau was imprisoned. Through the intercession of Ilgner with Goebbels, he was released and resumed his position as chief of the WIPO.

Little is known of the activities of the WIPO but it is known that Dr. Gattineau's main function was to keep informed on the latest political developments. He imparted his knowledge of these developments to the commercial committee but never kept any record of his activities. Dr. Gattineau was not available for questioning during the course of the investigation. In 1934, Dr. Terhaar, who subsequently became the chief of WIPO, was added to its staff. Terhaar had excellent connections through his activities as a journalist and later as a member of the German staff with the League of Nations.

N. W. 7 had contact men all over the world, the so-called I. G. Verbindungsmänner, who also were a brain child of Dr. Ilgner. The Verbindungsmänner were usually leading officials of the principal I. G. firms in a particular country. One of the principal duties of these Verbindungsmänner was to submit monthly reports pertaining to economic, political, and military matters. With respect to politics, the reports included such subjects as internal political developments, the composition of new governments, the effects of the Proclaimed List and the British Black List, inter-American security, labor, immigration, political reactions within the respective countries to current events, pro-Axis and anti-Axis propaganda and the purposes of special diplomatic missions. Matters of vital military interest contained in the Latin-American reports, for example, included a discussion of additions to the merchant navies in various countries, a reporting of ship movements (including convoys), statistics concerning tonnage in ports, port facilities, construction of new highways and bridges, the condition of rail transportation between the Latin-American countries, the operations of Pan American-Grace Airways, shipments of war materials to the United States and Great Britain, the

²⁴ Exhibit No. 12, Interrogation of Dr. von Schnitzler, dated July 21, 1945.

²⁵ Exhibit No. 13, Interrogation of Dr. von Schnitzler dated July 23, 1945.

²⁶ Exhibit No. 14, Kruger's statement Re History, Organization, and Activities of the WIPO.

Argentine military mission to the United States, rearmament in Chile, and the acquisition of air and naval bases by the United States.

These reports were submitted to the office of the commercial committee (B. d. K. A.) which in turn furnished the information contained therein to the interested departments of the German Government. I. G. was, therefore, operating a world-wide intelligence service both for its own use and as a supplement to the intelligence facilities open to the German Government through diplomatic and other channels.

Ilgner stated upon his return from Latin America in 1936:

* * * It is quite natural that a concern like the I. G. with such a comprehensive and extensive world organization * * * has gained experience and knowledge which can never be secured by governmental agencies * * * just as it is the duty of our leading men outside of Germany to convey their general knowledge to all governmental establishments, which concern themselves with economic matters (commercial attachés, economic experts of the Nazi Party and officials of the chambers of commerce), so it is also the duty of the I. G. organization at Berlin to keep the Government and party organizations in Germany as well as the economic unions well posted on the basis of all information received from foreign countries. In the past we have repeatedly had the opportunity to observe that such cooperation is of mutual advantage.²⁷

The close working relationship that existed between the representatives of N. W. 7 and the Auslands-Organization (foreign organization of the Nazi Party) is clearly defined in a report made by Max Ilgner upon his return from Latin America in 1936.

* * * it is pleasing to know that the cooperation with the German authorities during the last years (I have continuously been able to make these observations during all my travels) has improved and been intensified, and also in particular the cooperation with the foreign organization of the Nazi Party is continually developing in a more and more positive direction. It is known that in this respect the attitudes on both sides were not always the same during the first few years, and it is for this reason all the more gratifying, as I could ascertain during my travels through Latin America that this state of affairs is a thing of the past.²⁸

In order to render even greater assistance, I. G. Farben also arranged for the financing of a dummy corporation, Gesellschaft für Verkaufsförderung whose principal purpose was to act as a commercial cloak for services performed for the OKW, with which I. G. did not wish to be openly identified. Its first president, Georg von Schnitzler, member of the central committee of I. G., described its activities in the following manner:

I recently had occasion in Berlin to discuss with Major Block of the OKW another matter pertaining to this subject, i. e. whether and to what extent the OKW wants to use the services of the Gesellschaft für Verkaufsförderung (Association for Sales Promotion) which is under the management of Messrs. Künzler and von Puttkamer. This company is particularly well suited for the intended camouflaging maneuvers, since the failure of one of its emissaries will never lead to a catastrophe; if worst comes to worst this company might have to confine its activities to the other neutral countries.²⁹

For economic espionage in the United States I. G. Farben used a different but no less effective approach. Chemnyco Inc., an ostensibly American owned and controlled company, was set up in 1931 by Dr. Max Ilgner, as an economic intelligence agency. When Dr.

²⁷ See exhibit No. 15, an account of Dr. Max Ilgner's trip to South America in August to December 1936.

²⁸ For examples of intelligence passed on to German Government see exhibit No. 16, letter from A. Langensienren of the Latin-American division to the political economic division of I. G. Farben dated July 21, 1943.

²⁹ See exhibit No. 17, letter from Dr. von Schnitzler to Dr. von der Heyde, dated April 3, 1940.

Ilgner returned to Germany, his brother Rudolf acted as deputy. Chemnyco was in a perfect position to carry out its mission, since all the officials except two were American citizens, and the stock registered in the names of American cloaks. The primary function of Chemnyco was to transmit to Germany all scientific periodicals, photographs, blueprints, and even detailed descriptions of industrial developments. In short, vital American industrial statistics were available to the German military machine. Originally this material was sent to I. G. Farben directly. After the outbreak of war, it was routed through I. G. offices and associates in Italy and Portugal.

How invaluable the information received from Chemnyco was is indicated in a letter dated August 3, 1940, from N. W. 7 to the Minister of Economy, which stated:

Extensive information which we receive continuously from the Chemnyco about the American company is indispensable for our observations, of the American conditions, especially with a view to the technical development, the possibilities for export, and the competition of foreign countries and companies, especially England. Moreover, this material is, since the beginning of the war, an important source of information for governmental, economical, and military offices.^{20a}

So far as the principals of Chemnyco are concerned, Rudolf Ilgner, in addition to being the brother of Dr. Max Ilgner, was the nephew of Geheimrat Schmitz, chairman of the I. G. managing board. Dietrich A. Schmitz, the nominal owner of a majority of Chemnyco's stock from 1935 to 1939, was the brother of Hermann Schmitz, uncle of both Max and Rudolf Ilgner, and brother-in-law of Albert Gadow, I. G. Farben's representative in Switzerland and chief figure in I. G. Chemie. Walther Duisberg, a director and officer of Chemnyco and its guiding personalty after Wilfred Greif stepped down in 1934, was the son of Carl Duisberg, the organizer and first chairman of the board of directors of I. G. Farben. Wilhelm vom Rath, a stockholder and a powerful figure in many of I. G. Farben's American enterprises, was the son of Walther vom Rath, vice chairman of I. G. Farben's board of directors from 1925 until his death in 1940.

In the course of an antitrust investigation it was discovered that Rudolf Ilgner, the company's vice president, had ordered the destruction of a considerable part of the files, as a result of which action he was indicted for obstruction of justice, pleaded guilty and was convicted. There is no evidence of the type of information Chemnyco was seeking to withhold when it destroyed its papers. When questioned on this point by investigators, Dr. Max Ilgner stated that the only explanation he could offer for the destruction of the files was that Chemnyco officials were afraid that the information which they had transmitted to I. G. "might" violate the United States security statutes.

4. PROPAGANDA

I. G. worked directly with the Aufklärungs Ausschuss, the overseas propaganda department of the German Government, in disseminating anti-American propaganda in Argentina and pro-Nazi propaganda throughout the world. As has been shown, the I. G. confidential agents (Verbindungsmänner) were an important source of economic intelligence for the German Reich. In every case they worked hand

^{20a} Exhibit No. 17A, correspondence re Chemnyco dated August 3, 1940.

in glove with the Auslands-Organization of the party. It was a clear-cut I. G. policy that men going to foreign countries be imbued with the Nazi philosophy. This policy was formulated as follows at a meeting of the commercial committee held on September 10, 1937:

It is hereby understood that in no case will men be sent to our foreign companies who do not belong to the German Labor Front and who do not possess a positive attitude toward the New Order. The men who are to be sent should make it their special duty to represent National Socialistic Germanhood. Especially are they to be instructed that upon entering our companies they are to make contact with the Ortsgruppe of the respective Landesgruppen (organizations of the Nazi Party within the various countries) and regularly participate in their meetings as well as in the Labor Front. The sales departments should also see to it that an appropriate amount of national socialistic literature is given to them. The cooperation with the Auslands-Organization must become more organic. It appears practical, together with the Auslands-Organization, to work out a uniform plan for the purpose of detecting defects still existing in our foreign companies to the end that they can be eliminated.³⁰

For years I. G. had been interested in the dissemination of pro-German propaganda in Latin America through the schools, the press, and libraries.³¹ One of the most effective devices for obtaining publication of propaganda was the club of its advertising. Thus, for example, in February 1938, the pharmaceutical department of I. G. agreed on the following advertising policy:

Advertising in journals hostile to Germany * * * shall on all terms be avoided. Commercial and advertising considerations have to be put in the background as compared with the more important political point of view.³²

Upon Germany's entrance into the war I. G. contributions for press propaganda in Latin America became far greater. For example, a telegram dated September 2, 1939, to I. G. from the Cia General de Anilinas, S. A., Mexico City, stated:

In case of war Legation asks firms Mexico to let them have moneys on a loan basis. Amounts shall be refunded by German Government. Please authorize monthly payments P 10,000 on behalf of all I. G. agencies. Propose monthly amount all I. G. agencies P 200. Please wire.

This telegram bears the handwritten notation: "Board agreeable—Dr. Overhoff informed."³³

An indication of the use made of the funds contributed to the "press committees" by I. G. and other German firms in Latin America is provided by the Aufklärungs-Ausschuss, the overseas propaganda department maintained by the German Government referred to above. The function of this department was to obtain coverage for propaganda articles in newspapers throughout Latin America. A series of articles placed in the Argentine press during the period from February 1, 1938, to March 31, 1939, had as their theme "Struggle against the United States in Latin America." Three hundred eighty-one of these articles, together with the papers in which they appeared and the dates of their publication, were sent by the Aufklärungs-Ausschuss to I. G. in August 1939:

³⁰ Exhibit No. 18, minutes of meeting of commercial committee held September 10, 1937.

³¹ Exhibit No. 19, a series of letters relating to I. G. Farben's contributions to the propaganda campaign in South America. 19 (a) refers to a subsidy for remodeling a German school at Santiago, Chile; 19 (b), a letter thanking Agfa-Photo, Rio de Janeiro for a projector and camera donated to the Nazi Party in Rio de Janeiro by Dr. Max Ilgner; 19 (c), a letter from the regional group leader of Santiago, Chile, thanking I. G. Farben for contributions of Nazi books and literature to the German schools in Chile; 19 (d), a letter from Dr. Ilgner to the regional group of the Nazi Party in Sao Paulo concerning a collection of books and literature to be supplied by I. G. Farben.

³² Exhibit No. 20, extract from Minutes of Bayer, "Directions Besprechung" dated February 16, 1938.

³³ Exhibit No. 20a.

In the covering letter to this list I. G. was informed:

The large list presents in the first part a glance of the published articles against the United States in the newspapers of Buenos Aires, while the second part includes similar articles in the Argentine provinces.³⁴

Farben reviewed this entire series of articles and suggested additional newspapers in Buenos Aires which could be used effectively for the dissemination of articles, and suggested that Heinrich Homann, I. G. Verbindungsmann for Argentina, might be of assistance in spreading the propaganda.³⁵

These are but a few examples of I. G.'s propaganda activities. Their significance is perfectly clear. The activities described here are not those of a national passively submitting to the wishes of a government preparing for war but rather the efforts of a free agent actively engaging in a movement to subjugate the world.

The world-wide sales agencies maintained by Bayer were used as a source of foreign funds for establishments of the German Government and the foreign organization of the NSDAP in neutral countries. A compilation of such payments since 1940 shows that the equivalent of RM. 9,600,000 in local currencies was paid into the coffers of German Embassies and the A. O., principally in Brazil and Spain. The local agencies received credits for these payments in the Bayer books of account, and the counter amount in RM was paid to I. G.'s central finance administration, Berlin, by the German Foreign Office and NSDAP. These payments abroad, whether voluntary or compulsory, were of tremendous importance to the German Government, in the acquisition of critical war materials and the furtherance of Nazi propaganda. They will be discussed in more detail in the section following.

5. FOREIGN EXCHANGE

As was indicated in chapter I, I. G. accounted for approximately 50 percent of Germany's total exports of chemicals and allied products; and was generally a dominant factor in Germany's export trade. These transactions made I. G. Germany's largest single earner of free foreign exchange, providing on an average a minimum of 10 percent of the country's total supply.³⁶ Without this foreign exchange, Germany could not have purchased the strategic materials, still unavailable in Germany, and essential to Germany's rearmament. Nor could the German Government have financed its espionage, propaganda, and other military and political activities abroad in the preparation for and prosecution of the war.

As the years passed, the need for foreign exchange increased and the shortage became more and more serious. Government pressure on German industry to increase its procurements of foreign exchange was always strong. With the beginning of the 4-year plan this pressure became acute.³⁷

³⁴ Exhibit No. 21, letter to I. G. Farben from Aufklärungs-Ausschuss dated August 24, 1939.

³⁵ Exhibit No. 22, letter from I. G. Farben to Aufklärungs-Ausschuss dated September 22, 1939.

³⁶ Exhibit No. 19, ch. I, statement by Gierlichs dated August 21, 1945. The percentage was based on the relative position of I. G. in Germany's foreign trade. It does not include foreign exchange received by I. G.'s subsidiaries or their income from sources other than exports, such as dividends, royalty payments, sales of patents, etc.

³⁷ As of July 1, 1935, the Government put into operation its subsidy export plan (ZAV) whereby sales below cost were subsidized. For sales below cost subsidies were paid to I. G. ranging up to 60 percent of the cost value and varying according to the product and country.

I. G. Farben cooperated fully with the Government in making available all possible foreign exchange for Government purposes. For example, in order to secure foreign exchange in Central and South America, I. G. "had to reduce * * * prices by a total of RM. 1,000,000 a year."³⁸ In Mexico "in case of war," I. G. gave pesos to the German Embassy because "the German press must be influenced."³⁹ In Brazil during 1940 and through January 1942, the I. G. Bayer agencies paid a total of 22,200 centavos, the equivalent of RM. 3,639,343, to the German Embassy and to representatives of the NSDAP for reasons unknown.⁴⁰ In Spain, when the German Embassy wanted Spanish pesetas, the company raised credits from the Spanish banks so as to comply with the demands of the German Government, and paid back these credits by later peseta receipts.⁴¹ Finally when the foreign exchange situation became absolutely desperate, I. G. even sold some of its investments abroad.⁴²

³⁸ Exhibit No. 23, letter from Messrs. von Schnitzler and Ilgner to Minister President Colonel General Goering, undated.

³⁹ See op. cit., supra, note 33.

⁴⁰ Exhibit No. 24, statement by G. Hausen, chief of the bookkeeping department of Leverkusen, dated September 5, 1945, re payments to German diplomatic and NSDAP representatives in foreign countries.

⁴¹ Exhibit No. 25, statement by Gierlich dated August 7, 1945.

⁴² Exhibit No. 26, statement by Frank-Fahle dated July 21, 1945.

CHAPTER V. ACQUISITION BY CONQUEST

1. INTRODUCTION

In arming the Wehrmacht for the coming war, I. G. Farben amassed great profits and extended its domain in Germany considerably. As the Nazi territorial expansion proceeded first by peaceful means and then by actual war, I. G., as a co-conspirator in this war of aggression, reaped the fruits of conquest. Despite its already overexpanded state, despite the monopoly position it already held, I. G. proceeded to annex an industrial empire, eliminate its competitors and secure control over virtually the whole chemical industry in the conquered countries.

Throughout the period of Nazi aggression, I. G.'s activity in the conquered countries of Europe paralleled the policy of the Nazi government.¹ That policy was war and plunder. Each conquest was the stepping stone to further conquest as each country was in turn converted into an armed camp for the Nazi war machine. And concurrently, the German war machine was used to achieve an industrial empire for the Nazi chiefs and industrialists who marched into the conquered countries in the wake of the Wehrmacht. To quote Dr. von Schnitzler:

Side by side with Germany's tremendous utilization of the industries of the conquered countries for the German war machine, there came to be a great German penetration of the economy of the conquered countries.²

The extent to which the Nazi industrialists penetrated the economy of Czechoslovakia, for example, looting properties, seizing valuable patents and techniques is well known. As Dr. von Schnitzler himself has said:

The way by which the different Nazi governmental instrumentalities like the Goering Werke and the S. S. entered Czechoslovakia's industrial economy was highly to be blamed, as it was practically a looting of private interests.

I. G. did not participate in this whole domain and remained solely on its 50 percent participations in Chemische Werke Aussig-Falkenau. Goering took everything over for himself so that there was no opportunity of the I. G. technicians to develop anything in Czechoslovakia.³

I. G. played an outstanding role in exploiting the conquered countries for the Nazi war machine. Dr. Max Ilgner, who played a vital part in the subversion of the economy of southeastern Europe to the purposes of I. G. and Germany, has stated:

In regard to the chemical and related industries of the conquered countries, I. G. played an important role in adapting the industries of those countries to the purposes of the Nazi war machine. Of all German chemical firms, I. G.'s part in adapting the chemical industries to the purposes of the Nazi war machine was by far the most important.⁴

¹ Exhibit No. 1, statement of von Schnitzler, member of the board, dated August 15, 1945:

"Beginning with the 'peaceful' conquest of Austria and Czechoslovakia and continuing with the military conquest of Poland, Norway, Holland, Belgium, and France (with the 'peaceful' conquest of Denmark falling in between), and also in regard to the southeastern countries, it was the primary purpose of the German Government to incorporate the economies of those countries to the purposes of Germany. This undoubtedly meant that these countries must work for the German war machine." See also Exhibit No. 2A, speech by Dr. von Schnitzler in "Von Werk Zu Werk."

² *Ibid.*

³ Exhibit No. 1. See also exhibit No. 2.

⁴ Exhibit No. 2, statement of Ilgner dated August 15, 1945.

The I. G. methods of acquisition by conquest were varied. Sometimes the acquisitions were cloaked with legality, and, in general, it may be said that I. G. preferred "legal" forms of accumulation. For example, in the case of Francolor, the newly founded German-French dyestuffs corporation, I. G. exchanged shares with the French firms. As a result, it received a 51 percent or a controlling interest in Francolor while the French firms received in exchange a totally insignificant percentage of the I. G. shares.

In the case of Norsk Hydro Elektrisk Kvaestofaktieselskab, Norway's largest enterprise and only nitrogen producer, a somewhat similar method was used. French shareholders, through the Banque de Paris et des Pays-Bas, controlled 60 percent of the shares of Norsk Hydro before the war. After the Nazi occupation of Norway and France, I. G. and the Luftfahrt Bank acquired the controlling interest, and the French shareholders were reduced to a minority.⁵

Following the lead of the Nazi authorities, I. G. did not hesitate to participate in "outstanding examples of loot." For example, it took the initiative in acquiring "Boruta," the largest dyestuffs plant in Poland, from the Nazi government with the full knowledge that the Polish owners would receive nothing for their property. Again, in the case of Austria, I. G. took over the strategically situated Skoda Wetzler Works from the Creditanstalt, knowing well that the transaction was made possible by the Nazi government's confiscation of the Rothschild group's controlling interest in the bank.

These acquisitions formed the foundations of vast new industrial developments, all contributing to the strength of the Nazi war machine. For example, through Donau-Chemie, a company organized in Austria, new works for the German war machine adding up to an investment of RM. 192 million were projected. A new gasoline plant was erected which processed the crude Austrian and Rumanian oil into gasoline for the Luftwaffe. A new sulphuric acid plant was built alongside the Danube River, and an enlargement of the plant was begun. Another gasoline plant was enlarged. A huge magnesium plant was built and a chlorine plant was erected to supply the chlorine for the magnesium plant. In addition, numerous smaller works were absorbed by Donau-Chemie.⁶

⁵ Exhibit No. 3. Igner stated in interrogation:

"Question. What consideration did the Bank of Paris receive for giving up the rights of the French shareholders in the corporation (Norsk Hydro)?"

"Answer. Of course the Bank of Paris did not deal fairly with the French shareholders, but you must understand that the Bank of Paris acted under pressure from the Nazi government and that it was compelled to enter into this arrangement whereby the French shareholders it represented who formerly exercised a 60 percent interest in the corporation, were reduced to about 35 percent. In this arrangement I. G. had to participate with the Nazi government."

⁶ Exhibit No. 1, statement of Dr. von Schnitzler dated August 15, 1945:

"The rapid accommodation of the Austrian industry to Goering's 4-year plan was amazing. Based on the water power of Austria, a substantial industry of manufacturing products in the metallurgical fields was at once started. There were at least three big enterprises between Vienna and the Czechoslovakian frontier erected for the manufacture of processed goods in the metallurgical field and I. G. itself was planning in the summer, in connection with the Moosbierbaum plant of magnesium, to become interested in one of them. 12,000 tons of magnesium being projected for Moosbierbaum that should mostly be converted in finished goods in Austria itself."

"Furthermore, the oil production in Austria was developed and at a certain time one had hopes that the oil fields in the north of Vienna could become a second Pennsylvania with the yield of 6 to 7 million tons of oil. I. G. took certain interest in that field too in the form of participations on which Dr. Bütenschä at once reported in the Vorstand. He can give every detail about it. Later on, the excessive hopes did not materialize, and I think the Austrian production remained somewhat below 1,000,000 tons. I. G. in Moosbierbaum did erect a hydrogenation plant which was destined to transform this Austrian oil and eventual oil coming from the southeast up the Danube into high octane gas for aviation purposes."

"In the nitrogen field, a plant of 50,000 tons of nitrogen was built up in Linz which was financed in the form of an 'Umlage,' taken from the producers in accordance with their participations in the turn-over of nitrogen."

"The contribution of Austria to the war machine was very substantial."

See also exhibit No. 4, statement of Von Schnitzler dated August 21, 1945.

The extent of I. G.'s profits from aggression can be measured by the fact that the value of its acquisitions and new investments in the conquered countries is estimated at more than RM. 1,000,000,000.⁷ I. G. increased its holdings in almost every field, including high-octane gasoline, light metals, lubricating oil, chemicals, pharmaceuticals, sera and vaccines, rayon, plastics, mines, nitrogen, synthetic rubber, oxygen, and dyestuffs. Furthermore, it systematically increased the technical dependence of the occupied countries on I. G. by installing new techniques or processes, but maintaining the research headquarters in Germany.

It must be emphasized that this intensive industrialization of Austria and Czechoslovakia as well as the other conquered countries did not result in a better standard of living in the occupied areas. On the contrary, the Nazi occupation was disastrous for the well-being of the conquered peoples who suffered in proportion to the mounting Nazi military and economic gains and who were given into bondage to the men who supplied the tools for the German war machine.⁸

I. G. Farben's participation in the looting of Europe was commented upon by a Farben director as follows:

To my knowledge, I. G. Farben, its directors and officers fully approved the Nazi aggression against Poland, Czechoslovakia, and France. I. G. profited considerably from these conquests.⁹

2. AUSTRIA

For years prior to the Anschluss, I. G. had tried to acquire the Pulverfabrik Skoda Werke Wetzler, a large chemical factory in Austria, from the Creditanstalt, one of the leading banks in Vienna, which was controlled by the Rothschild group. As soon as the Nazi troops moved in, the interests of the Rothschilds were confiscated, and the Deutsche Bank, Berlin, secured control of the Creditanstalt.¹⁰ By virtue of this Nazi plundering and in the full knowledge of what had happened, I. G. was able to obtain the long sought-after Skoda Werke Wetzler.

On March 13, 1938, with the Nazi troops in Vienna, Max Ilgner, a leading figure in the negotiations for the acquisition of Skoda Werke Wetzler from the Creditanstalt,¹¹ reported to the I. G. Board:

The management of the Creditanstalt and the Skoda Wetzler Werke with whom we have negotiated on the acquisition of the shares has changed.
* * * We are facing a new situation.¹²

⁷ Exhibit No. 5 (list of new works erected by I. G. and manufacturing firms in foreign countries in which participation was acquired or increased after 1937) and exhibit No. 6 (participations of I. G. in occupied territories).

⁸ Exhibit No. 7, statement of von Schnitzler dated August 21, 1945; also ch. I, exhibit No. 22, where details are given on the slave labor employed by I. G.

⁹ Exhibit No. 8, statement of Küpper, chief of the dyestuff legal department, dated June 12, 1945.

¹⁰ Exhibit No. 9, interrogation of Mr. Puhl, vice president of the Reichsbank, dated August 6, 1945:

"Question. Prior to the Anschluss, who owned the Creditanstalt Bank?

"Answer. Prior to the Anschluss the Rothschild group exercised the predominant influence.

"Question. After the Anschluss who owned the Creditanstalt?

"Answer. The Deutsche Bank, without any doubt. That could be seen from Berlin.

"Question. How were the Rothschilds divested of their interest in the Creditanstalt?

"Answer. The German Government confiscated the property of the Rothschilds, including their shareholdings.

"Question. And how did the Deutsche Bank get it from the German Government?

"Answer. I suppose that the Deutsche Bank bought it from the German Government.

"Question. Was it published or public knowledge prior to the Anschluss that the Rothschild group exercised the predominant influence in the Creditanstalt?

"Answer. Yes.

"Question. Was it public knowledge that the Rothschild holdings and properties were confiscated by the Nazi government?

"Answer. Yes; I'm sure it appeared in the newspapers."

The above was confirmed by von Schnitzler. See exhibit No. 11.

¹¹ In a letter to Ilgner, von Schnitzler wrote: " * * * It was you who formerly took the first step with regard to the acquisition of Donau-Chemie."

¹² Exhibit No. 10, report of Max Ilgner dated October 21, 1938.

So radically had the situation changed that Ilgner himself became a member of the new board of directors of the Creditanstalt. He has stated that he did so on the approval of Hermann Schmitz, president of I. G.¹³

In the minutes of the meeting of I. G.'s commercial committee on March 23, 1938, the following appears:

No obstacle now stands in the way of the first step of the fusion planned before. Thus, I. G. can go ahead and acquire the majority of the Skoda Wetzler Works shares at once. Decide to contact the German authorities in Austria.

And a few weeks later:

Reports from Haeffiger, Haajer, and Schiller say that neither the party and the administration in the old Reich and German Austria have anything against the plan which I. G. has had for a long time for unifying the Austrian chemical industry, i. e., Dynamit A. G., Deutsch-Matrei, and Skoda Wetzler Works, and recognize that it is a logical development for us to take over the management. * * *¹⁴

On June 2, 1938, the Nazi State Commissioner for Private Economy in Vienna approved the acquisition by I. G. of the Skoda Werke Wetzler shares.¹⁵

Besides Skoda Werke Wetzler, there was another large chemical firm in Austria, Dynamit Nobel A. G., Pressburg, 51.1 percent of the stock of which was owned by Dynamit A. G., Troisdorf, in which I. G. held a controlling interest.¹⁶ To build a completely integrated firm, I. G. wished to combine at least one important plant of Dynamit (Pressburg), the Carbidwerke Deutsch-Matrei A. G. manufacturing chlorine products and alkalies, and its subsidiary, the Österreichische Kunstdünger-, Schwefelsäure und Chemische Fabrik A. G. producing mainly sulfuric acid and superphosphates.

On April 9, 1938, when I. G. submitted an application to Nazi Secretary of State Keppler for the acquisition of the Skoda Werke Wetzler, it also asked for permission to merge the latter with the Carbidwerke Deutsch-Matrei.¹⁷ The application pointed out that as a result of the reorganization, a valuable contribution could be made to the 4-year plan. Naturally, such permission was granted. Then in a series of transactions, I. G. acquired the shares of the Creditanstalt and other small shareholders in the Pulverfabrik Skoda Werke Wetzler A. G., merged the Wagenmann Seybel Co., a subsidiary of Skoda Werke Wetzler with the latter; purchased the Carbidwerke Deutsch-Matrei A. G. and the Österreichische Dynamit Nobel, an explosives plant, from the Dynamit Nobel, Pressburg; fused the Gesellschaft für Angewandte Elektrizität and the Österreichische Kunstdünger-, Schwefelsäure- und Chemische Fabrik A. G. with the Carbidwerke Deutsch-Matrei, and finally amalgamated the Skoda Werke Wetzler A. G. and the Carbidwerke Deutsch-Matrei into the 100-percent I. G. owned Donau-Chemie A. G.¹⁸

The nature of the merger was quite clear to those who carried it through. Of the acquisition of Skoda Werke Wetzler on which the

¹³ Exhibit No. 11, interrogation of Max Ilgner dated July 30, 1945: "I think I was asked to enter the board of the Creditanstalt and I think I said then that they must ask the permission of Dr. Schmitz as nobody was allowed to enter the board of another company without the consent of the president, Mr. Schmitz, and I got the information that Mr. Schmitz had agreed."

¹⁴ Minutes of the commercial committee, April 1938.

¹⁵ Exhibit No. 11A: "I hereby authorize you to acquire the shares of Skoda Werke Wetzler A. G. deposited with Creditanstalt Wiener Bankverein of Vienna. Furthermore I grant permission to transfer Carbidwerke Deutsch-Matrei A. G., Skoda-Wetzler Werke A. G., and Dynamit Nobel A. G. into the newly established Donau-Chemie A. G. Finally I grant you permission to establish the Donau-Chemikalien-Handels-gesellschaft. I also approve of the liquidation of the Anilin Chemie A. G. Heil Hitler."

¹⁶ The subsidiaries of Skoda Werke Wetzler and Dynamit (Pressburg) are set forth in exhibit No. 12.

¹⁷ Exhibit No. 13.

¹⁸ Exhibit No. 14.

whole composite structure of Donau-Chemie was based, Dr. von Schnitzler himself has said:

* * * I. G. acquired the Skoda Wetzler Works from the Deutsche Bank which had acquired the Skoda Wetzler Works by participating with the Nazi Government in a theft of the property.¹⁹

The acquisition of the Skoda Werke Wetzler and the foundation of Donau-Chemie gave I. G. virtual control of the entire Austrian chemical industry, and paved the way for further penetration into the industry of southeastern Europe. This, however, was but a fraction of the benefit which I. G. gained from the occupation of Austria. Not only was the company able to produce large quantities of materials for the German war machine in the existing plants of the new company; I. G. also expanded the production facilities of the latter tremendously. In the words of Dr. von Schnitzler:

I. G. took the newly founded Donau-Chemie A. G. as an "overcoat" to buy huge land property in the so-called Tullin field, which was a small city about 20/30 km up the Donau from Vienna and was excellently situated for industrial development.

In general one always wanted in Austria to have Austrian companies on the spot, and that was the reason too that I. G. took Donau-Chemie as an overcoat, but under that overcoat the big manufacturing plants in Moosbierbaum should be run directly and were run directly by I. G., so for instance, the hydrogenation plant and the projected plant for Moosbierbaum.²⁰

With the assistance of the Wehrmacht, I. G. projected a program of new investments in Austria totaling RM. 192,000,000. Of this sum, the Luftwaffe agreed to lend RM. 65,000,000 to I. G. and also granted it a subsidy of RM. 30,000,000. New works were built by I. G. at Moosbierbaum for the production of high-octane gasoline I and II, lubricating oil, sulfuric acid I and II, "nebel" acid, magnesium, and chlorine. In addition, two power stations with six boilers, quay, railways, etc., were erected.²¹ Had the huge Moosbierbaum plant ever reached full production it would have been one of the Wehrmacht's most important suppliers.

3. CZECHOSLOVAKIA

Having absorbed virtually the entire chemical industry of Austria, I. G. looked with anticipation of further gains to the Nazi occupation of the Sudetenland. Its objective was the Verein für Chemische und Metallurgische Produktion (Aussiger Verein) of Prague, the fourth largest chemical company in Europe and the only major chemical company in Czechoslovakia.

The increasing Nazi agitation in the Sudetenland in the spring of 1938²² and the growing possibility of a conflict between Germany and Czechoslovakia was of particular interest to I. G. The company in anticipation of the annexation of the Sudetenland, became very much concerned over the future Nazi disposition of the Aussig and Falkenau plants of Aussiger Verein, the only important dyestuffs plants in Czechoslovakia.²³ I. G. was determined to see to it that the

¹⁹ Exhibit No. 15, interrogation of Dr. von Schnitzler, dated August 8, 1945.

²⁰ Exhibit No. 16, statement of Dr. von Schnitzler, dated August 15, 1945.

²¹ Exhibit No. 17, a diagram of the new Moosbierbaum works.

²² I. G. may have contributed at least indirectly to that agitation. In the minutes of the Commercial Committee meeting of April 22, 1938, there is the note: "Dr. Ilgner suggests that use be made of the Sudeten German press for publicity."

²³ Exhibit No. 18, statement by Kugler dated August 18, 1945.

dyestuffs industry of Czechoslovakia would not fall into the hands of some third party, thereby impairing the position of Farben.

In the summer of 1938, over 3 months before the annexation of the Sudetenland, I. G. Farben prepared to take action. A meeting called for this purpose was held between I. G.'s Berlin personnel and managers of I. G.'s Czech agencies. A monograph dated July 28, 1938, on the structure of Aussiger Verein was prepared.²⁴

By September 23, 1938, I. G. officials had concluded successful negotiations with the Nazi government for the appointment of its directors, Dr. Wurster and Dr. Kugler, as commissars of the Aussig and Falkenau factories.²⁵ On September 29 von Schnitzler reported to his fellow directors that he had laid claim to the acquisition of the Aussig-Falkenau by I. G. He was forced to compromise on the question of commissars, however, and agreed that along with Dr. Kugler, Mr. Brunner, manager of the works in Falkenau should be appointed.²⁶

Before the Wehrmacht marched in, the Nazi Ministry of Economics approved the appointment of Kugler and Brunner as commissars of the Aussig and Falkenau factories. An I. G. report describes subsequent events as follows:

On 1st October the marching in of the German troops began, on 3d October Falkenau was occupied, and on 9th October Aussig [was occupied]. All Sudeten works of the Prager Verein were entrusted to a commissarial manager, Director Dr. Kugler (I. G.).²⁷

Dr. Schmitz was quick to congratulate Hitler on this coup d'état and donated to him RM. 500,000 (\$200,000) for use in the Sudeten territory.²⁸

The management of the Aussiger Verein objected strongly to the installation of the I. G. commissars in the factories. The company also strenuously objected to any negotiations for the purchase of the Aussig and Falkenau plants with the management of those plants.²⁹ The controlling interest of the Aussiger Verein was held by the Zivnostenska Bank and the Solvay group of Belgium, which together held about 55 percent of the shares of the company.

In November 1938 I. G. and another German firm, Chemische Fabrik von Heyden, A. G.³⁰ began negotiations for the purchase of Aussig-Falkenau from the Aussiger Verein. Commenting on the speed of the negotiations, von Schnitzler stated:

Seldom has a great international economic agreement containing so many clauses and covering so many domains been concluded so speedily as this. In 1 day the agreement in principle was reached and the lump sum was fixed. In the 30 days following all clauses were prepared and in another 2 days negotiations in Berlin about December 7, the agreement and all its bylaws were signed.³¹

The following interrogation of von Schnitzler casts further light on the nature of the acquisition:

Question. How were negotiations for the purchase of the Aussig-Falkenau factories from the Prague Verein begun?

²⁴ Exhibit No. 18.

²⁵ Exhibit No. 19, letter dated September 23, 1938, from Dr. Fühne, member of the I. G. Board, to von Schnitzler and ter Meer, the latter, one of I. G.'s leading technical men.

²⁶ Exhibit No. 20, letter of Dr. von Schnitzler dated September 29, 1938.

²⁷ Exhibit No. 21, Survey of Prager Verein.

²⁸ Exhibit No. 1, ch. III.

²⁹ Exhibit No. 22, letter of Aussiger Verein.

³⁰ In accordance with a decision of the Nazi Ministry of Economics, I. G. had to share the acquisition of the Aussig-Falkenau Works with this firm.

³¹ Exhibit No. 23, statement of von Schnitzler, dated July 5, 1945.

Answer. The negotiations were made through the Dresdner Bank represented by Rasche and Zinser.

Question. Was the Prague Verein informed that it would have to sell the property?

Answer. Yes; the Dresdner Bank insisted that the Zivnostenska Bank exercise its controlling influence in the Prague Verein to get the Prague Verein to sell the Aussig-Falkenau.

Question. If Zivnostenska Bank had refused to do what the Dresdner Bank ordered, what measures would have been taken?

Answer. It would be difficult for me to say, but no doubt the German Government would have sequestered the property and installed commissars to manage it on a permanent basis.²²

The final agreement of sale was signed on December 7, 1938. I. G. and the Chemische Werke von Heyden organized a new company, the Chemische Werke Aussig-Falkenau G. m. b. H., in which each had an equal participation of 50 percent. The purchase price was fixed at a sum equal to the annual sales of Aussig and Falkenau. The new I. G.-von Heyden company was founded with a capital of RM. 10,000,000 of which 5,000,000 were fully paid in. Later the capital was increased to RM. 14,000,000 and finally to 16,000,000.

The Chemische Werke Aussig-Falkenau, G. m. b. H. absorbed the two plants situated at Aussig and Falkenau and their lignite mines, the "Albert" and "Maria Antonia" (situated near Aussig) and the "Georg-Schacht" (near Falkenau)²³ together with all stocks, patent rights, and good will.

Subsequently I. G. purchased the dyestuffs and intermediates plants of Aussig including stocks, patents, and trade-marks, from Chemische Werke von Heyden for RM6,000,000 and organized the Teerfarbenwerke Aussig G. m. b. H., a new wholly owned subsidiary, with a capital of RM. 500,000, to manage it. Thus, I. G. absorbed the entire dyestuffs industry of Czechoslovakia.

4. POLAND

When Poland was invaded I. G. Farben moved quickly to acquire the three largest dyestuffs companies in that country. They were the Przemyel Chemiczny "Boruta", S. A., Chem. Fabrik Wola-Krzysztoporska (Wola), Zaklady Chemiczne w Winnicy (Winnica). The reasons for this action were quite clear.

First and most important, unless forced by circumstances, I. G. would brook no competition in the dyestuffs market, its oldest domain. On no account, therefore, would it allow the Polish factories to fall into the hands of third parties. Second, I. G.'s western plants were relatively vulnerable to an attack, and it was, therefore, interested in acquiring the Polish plants as insurance against the effects of any such misfortune.²⁴

On September 7, 1939, one week after the invasion started, von Schnitzler, chief of dyestuffs commercial matters, wired Dr. Krüger

²² Exhibit No. 24, interrogation of von Schnitzler, dated August 8, 1945.

²³ Exhibit No. 25, statement of Dr. Loehr dated September 1, 1945, gives fairly complete data on the nature and importance of Aussig and Falkenau. It also includes information on the Teerfarbenwerke Aussig G. m. b. H., the company organized by I. G. to manage the dyestuffs and intermediates plants of Aussig subsequently purchased from von Heyden.

²⁴ Exhibit No. 26, statement of Dr. von Schnitzler dated July 4, 1945:

"It was only too natural that I. G. had a strong interest to acquire the works of Boruta (the largest dyestuffs producer in Poland). On the one hand they wanted to make use of the installations of Boruta which altogether not being very important in volume still represented an interesting addition mostly in the domain of intermediates which Boruta in the last years had considerably developed and as the main plant of I. G. for these products, Leverkusen [sic. Ludwigshafen] was considered as highly endangered by air attacks. Secondly, so long as the question of property was not solved, practically nothing could be done in the technical improvement of Boruta because I. G. could not foster an eventual new competitor inside their own territory in the dyestuffs field which was I. G.'s oldest and strongest domain."

of I. G.'s Berlin office to begin negotiations with the Nazi Economic Ministry with a view to gaining control of the Polish dyestuffs plants:

The plants (Boruta, Wola, Winnica, Pabjanice) have considerable and valuable stocks of raw materials, intermediates, and finished products nearly all destined for the manufacture of dyestuffs and affiliated auxiliary products. Leaving open for the instant the questions of carrying on the plants, in our opinion and on any condition the said stocks should be utilized by experts in the interest of the German economy. I. G. only is in a position to provide such experts. We would be prepared to delegate for this business Mr. Schwab, the leading director of our east European dyestuff sales department. Assistants, also on the technical side, are, of course, available if required. We intend to present ourselves in the middle of next week to the competent authorities in Berlin for further deliberation and beg to arrange a meeting for that purpose. Our (Polish) representatives, * * * are in the meantime, of course, at the disposal of the military and governmental authorities for information and advice.³⁵

Following this communication a meeting was held between I. G. and Government officials at the Reich Economic Ministry. The Government declared that for the time being they saw no need for the appointment either of commercial controllers or technical experts. Undaunted and obviously dissatisfied, the I. G. representatives, Haefliger and Prentzel, informed the Government officials that Dr. von Schnitzler himself would reopen discussions with the Reich Economic Ministry within the next few days.³⁶

Almost at once von Schnitzler petitioned the Nazi Ministry of Economics for the appointment of I. G. as trustee of the Reich for the administration of the three dyestuff factories, Boruta, Wola, and Winnica, asking for authority either "to continue the works or close them and make use of the stocks of raw materials, intermediates, and finished products." In his letter, von Schnitzler also emphasized the importance of Boruta's production to the Nazi war machine:

The importance of Boruta to the German strategic economy must be valued at present higher, as 85 percent of the production of coal-tar dyes and intermediates by I. G. are located in works in western Germany, and of this production, a very important part is at Ludwigshafen, where the production of dyestuffs must be reduced to a minimum.³⁷

On September 29, 1939, the Ministry of Economics appointed Schwab and Schoner, both I. G. officials, as commissars of the three dyestuff companies.³⁸

When the Ministry of Economics and the Haupt-Treuhandstelle Ost (HTO), trustee of the property, continued unwilling to sell Boruta, the largest of the three dyestuff companies, I. G., asked permission to lease it, and on November 30, 1939, the HTO agreed. While negotiations for the lease were pending, however, the HTO on June 20, 1940, informed I. G. that it would consider the sale of Boruta to I. G. On July 10, 1940, I. G. replied:

With best thanks we acknowledge receipt of your letter with enclosed information of HTO of 20.6 from which we were glad to learn that instead of the originally provided lease now the purchase of Boruta by I. G. may be considered. As you know, we much appreciate this settlement, as it eliminates especially the various technical difficulties which would have cropped up with a mere lease of the enterprise during wartime. We therefore ask you to inform the HTO that we are quite prepared to enter into purchase negotiations at once.³⁹

³⁵ Exhibit No. 27, telegram from von Schnitzler dated September 7, 1939.

³⁶ Exhibit No. 28, letter from I. G.'s Berlin office to Dr. von Schnitzler dated September 10, 1939.

³⁷ Exhibit No. 29, letter dated 14 September 1939, signed by von Schnitzler and Krüger.

³⁸ Exhibit No. 30, interrogation of Dr. Kugler dated July 18, 1945. According to Kugler, chief assistant to von Schnitzler, Boruta manufactured approximately 40 to 50 percent of the dyestuffs in Poland.

³⁹ Exhibit No. 31.

On February 10, 1942, the contract of sale of the Boruta by the Haupt-Treuhandstelle Ost to the I. G. was ratified. It must be emphasized that I. G. purchased Boruta from the HTO with full knowledge that the Polish owners of Boruta were being despoiled of their property.⁴⁰

The channels which I. G. used in pressing its suit for the acquisition of Boruta are revealed by the following extract of a letter from von Schnitzler:

Enclosed are copies of my exchange of letters with Dr. J. C. Eichenauer, one of the leading officials of the nitrogen syndicate. As you know, Dr. Eichenauer was considerably instrumental in SS Gruppenführer Greifelt agreeing to the acquisition of "Boruta" for the I. G., and I therefore request that a very cordial invitation be sent to Dr. Eichenauer.⁴¹

I. G. formed the Teerfarbenwerke Litzmannstadt G. m. b. H., capitalized at RM. 500,000 to manage the Boruta works.

Winnica

The second dyestuffs factory which I. G. Farben acquired in Poland was Winnica. On the surface this company was wholly owned by the French firm Etablissements Kuhlmann. Secretly I. G. Farben had a 50-percent interest in the company. The circumstances surrounding this cloaked participation are rather interesting. In Poland German firms had no right of settlement (Niedereassungsrecht), while French companies did. Both Kuhlmann and I. G. were anxious to build a dyestuffs plant in Poland. Accordingly, after negotiations between I. G. and Kuhlmann,⁴² the French company bought a soap factory in Poland, and on that site a dyestuffs plant was built. By arrangement with the French, I. G., through one of its camouflaged subsidiaries, secretly acquired 50 percent of the stock of the new company, paying partly in money and partly in goods, mainly intermediates. Actual control of the shares remained with I. G.⁴³

With the Nazi invasion of Poland the cloak was thrown off, and I. G. appeared as the real owner. Two years later, when the Francolor agreement was signed, the remaining 50 percent of Winnica stock also came under I. G. control. Then on May 20, 1942, when insufficient fuel supplies had made it impossible to continue the oper-

⁴⁰ Exhibit No. 30, Interrogation of Dr. Kugler dated July 18, 1945. The following is a record of the Interrogation of Kugler:

"Question. Did I. G. negotiate with the Nazi government for purchase of Boruta between 1939 and 1941?"

"Answer. Yes."

"Question. And the Polish owners of this property were never considered in these negotiations?"

"Answer. No; the whole Polish property was under sequester, also the property of the bank, the main owner of the shares."

"Question. Did the Nazis or I. G. have a claim of leadership in regard to the Polish dyestuff industry?"

"Answer. No."

"Question. What legal right did the I. G. have to the Polish property?"

"Answer. No legal right, only the question of the practical working."

"Question. Then I. G. made proposals to the Nazi government that I. G. buy the Polish dyestuff industry from the Nazi government?"

"Answer. Yes."

"Question. And I. G. had full knowledge that the Polish owner would receive nothing for it?"

"Answer. Yes."

"Question. And with that knowledge I. G. voluntarily proposed to buy the property and eventually did buy the property from the Nazi government?"

"Answer. Yes; forced by the circumstances."

"Question. This was in regard to Boruta?"

"Answer. Yes."

⁴¹ Exhibit No. 32, letter of Dr. von Schnitzler dated April 22, 1942.

⁴² Frossard, the leading actor in the Francolor transaction, was also the principal French representative in these negotiations.

⁴³ In interrogation Dr. von Schnitzler said, "We controlled practically the other half of Winnica from the business standpoint."

ation of Winnica, I. G. liquidated it, selling the machinery and equipment to Boruta, by that time, of course, also a 100 percent I. G. subsidiary.

Wola

Wola was a somewhat smaller dyestuffs company than Boruta.⁴⁴ In its case a simple and more ruthless method of settlement was available. In his letter of September 14, 1939, to the Ministry of Economics, Von Schnitzler pointed out that Wola was a non-Aryan family property and recommended that it be closed down. When this was done, and the machinery, equipment, and stocks of the Wola were sold, I. G. itself purchased the battery acid installation. The Polish owners of the property received nothing.

Other firms

Four small independent Polish dyestuffs firms which together handled about 5 percent of the Polish business were also eliminated at the demand of I. G.

There was only one other dyestuffs producer in Poland, Pabjanice, a subsidiary of the neutral Swiss-Ciba, Geigy, and Sandoz. A few days before his letter of September 14, 1939, to the Ministry of Economics, Von Schnitzler sent the following wire to the Swiss owners:

In the middle of the next week shall have an opportunity to contact the German authorities about safeguarding of Polish dyestuff factories, utilization of the stocks. Suggest you inform us by telegram if possible wishes regarding Pabjanice.

VON SCHNITZLER.⁴⁵

The Swiss replied that Pabjanice was Swiss property and that they expected that it would be respected as such.⁴⁶ It was the only independent dyestuffs plant to survive.

Insofar as these plants remained in operation, the production almost all went to the German Army.⁴⁷ But this was not the most important assistance that I. G. gave to the Army as a result of the Polish conquest. Like others before it, a process of forced industrialization for German war needs took place in the Polish economy. I. G. undertook the huge projects at Auschwitz and Heydebreck for the production of synthetic gasoline, buna, and methanol.⁴⁸

5. FRANCE

Early in June 1940, looking to the imminent defeat of France, I. G. began discussions with the Nazi Ministry of Economics regarding terms to be imposed upon the French chemical industry. Etablissements Kuhlmann, the only large chemical company in France, was second only to I. G. Farben on the Continent.

According to von Schnitzler, chief of I. G.'s dyestuffs department and leading I. G. representative in the negotiations with the French industrialists, the original plan was to force French industry to work

⁴⁴ In 1938 it produced 290,000 kilograms of dyestuffs.

⁴⁵ Exhibit No. 33.

⁴⁶ *Ibid.* The reply from Switzerland was:

"Thank you for information regarding Polish dyestuff factories. As to Pabjanice I beg you to take notice also for information of your Government that Pabjanice already on account of its share capital is to be considered as a Swiss undertaking. Expect therefore that compulsory measures of any kind will not be taken against our enterprise. Have approached our Federal Government."

"SCHMID-RESPINGER."

⁴⁷ Cf. exhibit No. 34, statement of Dr. von Schnitzler, dated August 21, 1945.

⁴⁸ The same applies to the 'Boruta' in Poland, where, of course, during the whole war the production remained restricted but the dyestuffs produced there did practically all go to the Wehrmacht.

⁴⁹ Some details on the Auschwitz and Heydebreck developments are included in exhibit No. 35.

for the Nazi war machine.⁴⁹ It soon became apparent to the Nazis, however, that this was unnecessary, and that the French industrialists were willing to join forces with the Germans against the Allies. Indeed, French chemical leaders, notably Joseph Frossard, the head of Etablissements Kuhlmann, whom von Schnitzler has described as "the man who is still the spirit of the French dyestuff industry as well as its creator," were extremely anxious to open negotiations with the Germans. Von Schnitzler, kept well informed by I. G. agents in Paris of the state of mind of leaders in the French chemical industry, preferred, however, to "let the French simmer in their own juice." In a statement regarding the attitude of the French dyestuff group after the defeat of France, he has written:

Frossard consequently started nearly at once—I think it was in August—with his endeavors to come on speaking terms with us; he not only addressed Dr. Kramer in Paris, but he let me know through Mr. Koechlin of I. R. Geigy in Basle that he was desirous of a conversation with us. We saw Mr. Koechlin in October 1940, in Zurich. Notwithstanding the applications made by I. G. to the German Government I was not in a hurry to react on their suggestions. As we were not prepared to renew our relations with the French group on the basis of the old cartel agreement but aspired to a much deeper rooted agreement. I thought it advisable to let them simmer in their own juice and to wait till they asked for such private negotiations through the official channel of the armistice commission.⁵⁰

Thus, months before the meetings of Hitler with Petain and Laval placed German-French collaboration on an official basis, the French chemical industry was pressing for an understanding with I. G. Farben. The nature of the understanding desired by Frossard is crystallized in a report from the I. G. agent in Paris.⁵¹

This states in part:

One sees absolutely clearly at Kuhlmann's that Germany will win the war and that the organization of the European economy will be made under the leadership of Germany. Frossard offers to put his whole industry into the services of Germany to strengthen the chemical potential for the continuance of the war against England.

Kuhlmann would be prepared to produce all preliminary and auxiliary products for the I. G. which would be desired from the German side. He, Frossard, wants a confidential collaboration—closer connection by marriage in the dyestuff and chemical field, enclosure of the French industry in the European economy under German leadership.

Not only was Frossard himself anxious to work for the Nazis; he also offered to secure the collaboration of other French industrialists.⁵²

Armistice negotiations

On November 21, 1940, the first armistice meeting between I. G. officials and representatives of the French chemical industry was held in Wiesbaden. Ambassador Hemmen, head of the German delegation charged with settling the economic terms of the armistice, was in the chair. Von Schnitzler, ter Meer, Waibel, Kugler, and Terhaar represented I. G.; and Duchemin, Thesmar, and Castès, the French.

⁴⁹ See exhibit No. 15 of ch. III, statement of von Schnitzler dated August 8, 1945: "In the first phase after the armistice, we thought it necessary that the Government should sequester the whole (French) chemical industry in order to make it work for the German war potential."

⁵⁰ Exhibit No. 36, statement of von Schnitzler dated August 30, 1945. Cf. also the attached letter from Carl Koechlin to von Schnitzler dated October 24, 1940.

⁵¹ Exhibit No. 37, report of Dr. Kramer dated October 12, 1940, concerning his conference with Mr. Frossard at the Hotel Claridge on October 10, 1940.

⁵² See exhibit No. 37 supra:

"If other leading men of the Kuhlmann concern should not be agreeable to the I. G., for negotiations," the report continues, "he, Frossard, would be prepared to see to it that the eventually named persons would be dismissed by Kuhlmann."

Dr. von Schnitzler has testified that very important French industrialists in the chemical field collaborated with the Nazis. See exhibit No. 37A, statement of von Schnitzler dated August 30, 1945.

At the meeting a memorandum prepared by von Schnitzler and determining the basis for Franco-German relations in the dyestuffs industry was read and handed over to the French delegation. The memorandum stated that before the war I. G. controlled more than half the world's export market and fixed the world's prices in dyestuffs.⁵³ But even this far-reaching control was not enough. Citing the damages done to the German dyestuffs industry by the Treaty of Versailles, I. G. demanded rectification in the form of complete domination of the French dyestuffs industry.⁵⁴

The contents of the memorandum were in line with the official policy of the Nazi government; and the I. G. and French representatives were authorized to negotiate on a private basis on condition that they reported results to their respective government representatives. Under von Schnitzler's leadership, the I. G. delegation never deviated from its stand that the German company must obtain a controlling interest, at least 51 percent, in the entire French dyestuffs industry.⁵⁵

On behalf of the French, Duchemin pointed out that the 1927 cartel agreement between I. G. and the French had been beneficial to both parties. He cited von Schnitzler's praise of that agreement in 1937, when its tenth anniversary was observed.⁵⁶ Now, however, von Schnitzler and Ambassador Hemmen refused to consider the French proposals on the ground that they were not "in consonance with either the legal position or with the political and economic facts." "After all that has happened," said von Schnitzler, "the French standpoint regarding the validity of the cartel must be considered an imputation and insult."⁵⁷

The negotiations between I. G. and the French companies were, therefore, restricted to a discussion of I. G.'s "claim to leadership" (Führungsanspruch) in the industry. The French representative, notably Duchemin, continued to protest that I. G.'s demand for a 51 percent participation was unfair, but the I. G. representatives were adamant.⁵⁸ The Vichy French Government also feared the

⁵³ Exhibit No. 38.

⁵⁴ Ibid. "There will be a complete accommodation of the French dyestuffs industries to the German dyestuffs industries."

⁵⁵ Interrogation of von Schnitzler dated July 17, 1945:

Exhibit No. 39.

"Question. Did you ask for a percentage of the French dyestuffs industry?

"Answer. I asked for the Führungsanspruch. I can't tell you whether in this first memorandum we asked for the percentage.

"Question. What was the theory on which the memorandum was based?

"Answer. I have never asked the French any other figure than 51 percent.

"Question. You asked for 51 percent of the French dyestuffs industry and never asked for less?

"Answer. Never less than 51 percent. 'Führungsanspruch' means 'claim for leadership.'"

⁵⁶ Exhibit No. 40, speech by von Schnitzler on occasion of tenth anniversary, German-French dyestuffs cartel:

"In this month of November 1937, it is 10 years since an agreement was signed between the French and German chemical industry, aiming at reciprocally delimiting the interests of both parties in the field of coal-tar dyestuffs. This date is especially noteworthy because it refers to the jubilee of an industrial understanding arisen in connection with the Franco-German economic negotiations from 1925 to 1927 and in a sense was comprehended as an extract of the treaty of commerce of August 1927. This understanding could exist independently, survive all vicissitudes of the Franco-German trade policy, and become, moreover, the germ for a number of other important agreements with third parties which span today the largest part of the world. . . . the dyestuffs agreement for good reasons was regarded as one of the nuclei of fundamental questions of Franco-German understanding in the field of economy. . . . both parties are of the opinion that they have proved in these past 10 years how successfully Germans and Frenchmen understand cooperating for their mutual benefit, and both are convinced to have done, apart from furthering the direct interests of chemical industry, useful work for their home countries in joining themselves together after long years of keen competition and thus equalizing the economic contrasts, at least in the chemical field."

⁵⁷ Exhibit No. 41, conference between I. G. and French delegates on November 22, 1940, at Wiesbaden.

⁵⁸ Exhibit No. 42, report concerning a conference attended by Dr. Kramer, an I. G. agent, Dr. Kolb and Duchemin on December 14, 1940: Duchemin said that the French Government, and that the I. G. was asking much and granting little. The demand of the I. G. went too far and he "would rather have his hand cut off than sign a similar arrangement. . . ." Duchemin mentioned here again that a participation of 51 percent in the production could on no conditions be considered by the French on a private commercial basis, and that if the majority should be obtained by force by the Germans, this would only be possible by a respective demand in the peace treaty. . . . It was mentioned that "it could not be in the interest of the French that the negotiations would be broken off."

effects on French public opinion of granting I. G. a 51 percent participation in the French dyestuffs industry.⁵⁹ Frossard, of the French delegation; however, urged acceptance of the I. G. terms and promised to exert pressure on Duchemin and the others.⁶⁰

Apparently his efforts met with some success, for reporting on Frossard's conversations with his French colleagues, the I. G. agent wrote:

Mr. Frossard mentioned at this occasion that Mr. Duchemin already regrets very much to have made the remark "that he would rather have his hand cut off" than grant I. G. a 51 percent participation.⁶¹

Finally, on March 14, 1941, the French Ministry for Production consented to a 51 percent participation by I. G. in the French dyestuffs industry. After protracted negotiations the French industrialists accepted I. G.'s demands, and on November 18, 1941, the constitution of the new German-French dyestuffs company, Société Anonyme de Matières Colorantes et Produits Chimiques, Francolor, was approved and signed in Paris.⁶²

The organization of Francolor

The parties to the agreement were, on the German side, I. G. Farbenindustrie Aktiengesellschaft; and on the French side, Compagnie Nationale de Matières Colorantes et Manufactures de Produits Chimiques du Nord réunies Etablissements Kuhlmann, Société Anonyme des Matières Colorantes et Manufactures de Produits Chimiques de St. Denis, and Compagnie Française de Produits Chimiques et Matières Colorantes de St. Clair-du-Rhône. Von Schnitzler and ter Meer signed on behalf of I. G., Duchemin for Kuhlmann, Thesmar for St. Denis, and Frossard for St. Clair-du-Rhône.

By the Francolor agreement, I. G. obtained control of virtually the entire French dyestuffs industry.⁶³ The French companies surrendered their dyestuffs and intermediate plants, including land and other real property, patents, licenses, foreign participations, manufacturing processes and know-how, stocks, etc., to the I. G.-controlled Francolor S. A. No additional capital was paid in, so that this represented the entire assets of the new company. Its capital value

⁵⁹ Exhibit No. 43, report concerning a conference in the French Ministry of Production attended by Pucheu, Bichelonne, Barnaud, and Duchemin on March 6, 1941:

"... Mr. Pucheu, as the responsible leader of the Ministry of Production, could not make the proposal to Marshal Petain to give permission for a 51 percent participation by a foreign group in such an important key industry as dyestuffs, although he personally is in favor of an intensive Franco-German collaboration. The French Government therefore cannot consent to a participation of 51 percent without having to fear that great reproaches and difficulties will be made by public opinion to the Ministry of Production."

⁶⁰ Exhibit No. 44, report of Dr. Kramer, dated January 31, 1941:

"Mr. Frossard visited me today and told me that he is traveling tonight into the unoccupied zone to have a personal interview with Mr. Duchemin at Vichy. Mr. Frossard declared that he will use all his power at the conference at Vichy to obtain acceptance of the 51 percent and that at these negotiations he will also tender his resignation if an agreement cannot be reached."

⁶¹ See exhibit No. 42.

⁶² Exhibit No. 45, constitution of Francolor.

⁶³ See exhibit No. 39, interrogation of von Schnitzler dated July 17, 1945:

"Question. Was the entire French dyestuff industry absorbed by the newly organized German-French company, S. A. Francolor?"

"Answer. Yes; except 2 small factories. They did us no harm.

"Question. Did you have them closed?"

"Answer. Partly having them closed and partly giving the products of Francolor to sell.

"Question. Did you control them?"

"Answer. Indirectly we controlled them.

"Question. What happened to all the stocks, properties, etc.?"

"Answer. All was absorbed.

"Question. What happened to the foreign properties of the company? What happened to the stocks in South America? Were they absorbed by the new Francolor?"

"Answer. In principle, the Francolor took over everything concerning the dyestuff domain including the foreign holdings but only if they could be reached."

was set at 800,000,000 francs, consisting of 80,000 shares, each having a par value of 10,000 francs.

In return for the surrender of their assets, Kuhlmann, St. Denis, and St. Clair-du-Rhône received the entire 80,000 shares, of which they then transferred 40,800, or 51 percent, to I. G. In payment for the Francolor shares, I. G. gave the French companies 12,750 I. G. shares having a nominal value of RM. 1,000 each. Of these, Kuhlmann received 7,700 shares, St. Denis, 3,442; and St. Clair-du-Rhône, 1,530. Thus, in return for giving I. G. a 51-percent interest in Francolor, the French companies received less than 1 percent of the I. G. shares. In addition, they agreed not to dispose of the I. G. shares in any form whatsoever except among themselves.

The council of administration of Francolor was composed of eight members, four of whom represented I. G. and four the French companies. The I. G. representatives were von Schnitzler, ter Meer, Waibel, and Ambros, while the French members were Frossard, Duchemin, Thesmar, and Despret. On the recommendations of the Germans, Mr. Frossard, the most ardent collaborator among the French, was named president of the council of administration.⁶⁴

Four plants were surrendered by the French companies. Kuhlmann gave up its factories at Oissel and Villers-St. Paul; St. Denis gave up its plant at St. Denis; and St. Clair-du-Rhône gave up its St. Clair factory. Emphasizing the importance of the factories surrendered by the French companies, Dr. Loehr stated:

By taking over the four large factories Francolor obtained almost all plants producing dyestuffs and a very large proportion of the productive capacity for organic intermediates in France. Excepting intermediate plants owned and operated by Rhône-Poulenc (salicylic acid, phenyl methyl pyrazolene, resorcinol, etc.), only two intermediate plants of importance remained with Kuhlmann, one beta-naphthol plant at La Madeleine (Nord) and a benzidine plant at Brignoud (Grenoble district). Both plants were connected with large inorganic production of Kuhlmann. Kuhlmann was obligated to continue these productions for the requirements of Francolor, but had to close them down if Francolor gave one year's notice (art. 24 of the agreement).⁶⁵

Francolor S. A. also took over from the French companies all raw materials, auxiliaries, fuel, materials, intermediates, packing materials, and final products,⁶⁶ whether in France, her colonies and protectorates, or in non-French territories, or in transit. Such real property as the French companies owned in France and Belgium in addition to the plants, factories, etc., was also absorbed by Francolor.⁶⁷ All foreign participations and sales agencies belonging to the French companies were likewise to be surrendered to Francolor. The two foreign subsidiaries of the French firms, Francolor Belge S. A., in Brussels, and S. A. Nacuma in Barcelona were absorbed, and action was imme-

⁶⁴ See exhibit No. 39, Interrogation of von Schnitzler dealing with the Frossard appointment.

"Question. Who was the first president of the Francolor?

"Answer. Frossard. I know him for 20 years.

"Question. Was Mr. Frossard an exponent of Vichy-Nazi collaboration?

"Answer. Yes. He might be a Vichy man; had the picture of General Petain over his desk.

"Question. You recommended that Mr. Frossard be president of the Francolor because he was an exponent of I. G.-Vichy-Nazi collaboration?

"Answer. We, of course.

"Question. You?

"Answer. Yes; I."

⁶⁵ Exhibit No. 46, statement by Loehr, technical staff of I. G., and maps of various plants.

⁶⁶ Exhibit No. 46 (a), By-Laws of Francolor.

⁶⁷ See exhibit No. 46. The property taken over consisted of apartment houses in or near the communities where factories are located; office buildings and warehouses in Toulouse, Pessac (Gironde), Floirac (Gironde), Tonneins (Nord), and Brussels-Schaarbeck; a laboratory building at Suresnes (Seine), mainly used for pharmaceutical research; and an industrial property at Nogent (Oise), leased to a subsidiary company manufacturing barrels.

diately taken by the French companies to transfer or to close their sales agencies in foreign countries in accordance with the demands of I. G. Agency agreements of the French companies in China, Iraq, Egypt, Turkey, Palestine, Bulgaria, and Greece were abrogated. In regard to Latin America, it was agreed that the French companies would instruct the company Mario Costa, Porto, not to make new contracts with agencies or employees in Latin America. It was further agreed that the employees would not be informed that stocks in Latin America belonging to the French companies would be taken over by Francolor on December 31, 1941. Terms for the dissolution of existing agency contracts were to be agreed upon by I. G. and Francolor at a later date.

I. G. obtained control not only of the physical properties of the French dyestuffs industry but also of its intangible assets. Under article 17 of the constitution of Francolor, I. G. could demand and use free of charge all dyestuff inventions, processes, experiences, installation plans, etc., of Francolor not protected by patents. Where patent protection did exist, I. G. could demand exclusive licenses to use the patents in Germany at reduced fees. If Francolor owned patents in the dyestuffs field outside France and Germany, I. G. could demand an exclusive license under these in return for adequate fees. Pursuant to this article of the agreement, I. G. received exclusive licenses on 276 foreign patents and 82 patent applications.⁶⁸ On patents and patent applications outside the dyestuffs field, I. G. received an option on an exclusive license to the German rights against payment of an adequate royalty. According to Loehr, however, "I. G. did not make use of any license or option." In fact I. G. was far superior to the French companies in technical knowledge. In the words of Loehr:

As regards the relative importance of the know-how possessed by the Francolor works, it is to be recalled that part of the know-how of Villers-St. Paul and Oissel in the dyestuff field originated from former I. G. firms. In the years 1921-23 the Compagnie Nationale de Matières Colorantes (predecessor of the dyestuff plants of Kuhlmann) received a great number of detailed processes for dyestuffs and intermediates from the Farbenfabriken vorm. Friedrich Bayer & Co., Leverkusen, and other I. G. firms. Since then, an appreciable number of new dyestuffs had been taken up by the Francolor works—partly under licenses granted by I. G.—but, on the whole, the state of technique in the dyestuff field was in 1941 rather far behind that of I. G.⁶⁹

Only a few small dyestuffs plants remained, those of Mabboux et Camell at Lyons and of the Société des Matières Colorantes de Croix Wasquehal (Burel) Roubaix and Rième-Ertvelde belonging to the French group, and the independent producer Steiner at Vernon. Even before the signing of the Francolor agreement, the fate of these

⁶⁸ Ibid. These were distributed as follows:

Country	Patents	Applications	Total
France.....	141	12	153
Germany.....	17	29	46
U. S. A.....	47	12	59
Other countries.....	71	29	100
Total.....	276	82	358

⁶⁹ See exhibit No. 46.

was being settled.⁷⁰ In article 22 of the constitution of Francolor, it was provided that:

The factories of Mabboux and Camell at Lyons and of the Sté. des Matières Colorantes de Croix-Wasquehal (Burel) Roubaix and Rième-Ertvelde, belonging to the companies of the French group, will be purely and simply closed, so far as the production of the dyestuff field is concerned. The factories Steiner at Vernon will have to stop the manufacture of products of the dyestuff field, all charges of these arrangements will be supported, after previous agreement, by Francolor.

This was subsequently carried out.

Restrictions were also placed upon exports by Francolor. The new company was allowed to export dyestuffs and auxiliary products for dyeing and processing to Belgium, Spain, and Portugal only. Exports to other countries could not take place without the prior consent of the parties to the Francolor agreement or, in other words, without the permission of I. G. Export of intermediates by Francolor was prohibited.

In addition, there were, among others, provisions as to the value of production allowed to Francolor and as to the regulation of its sales and restrictive covenants against competition. And finally, at the insistence of I. G. officials, the Francolor S. A. was to be completely "aryanized."

War years

The complete story of the Nazi exploitation of France during the period of occupation cannot, of course, be gathered from an examination of the files of I. G. However, sufficient material does exist there and in the testimony of key I. G. officials to illustrate the part played by I. G. in assisting the Nazi government, and in subverting the economy of France to the Nazi program.

* * * Francolor—

Von Schnitzler has stated—

preferably [sic] had to supply the French consuming industry with dyestuffs and auxiliary products, but a substantial part of the articles for which they were used did go to the Wehrmacht, the intermediates which were made, to a large extent, did go directly to the Wehrmacht as they were sent to I. G. in order to complete I. G.'s deliveries for Wehrmacht purposes. The most important ones among the latter were phenol and stabilizers for powder.⁷¹

Production of Francolor, especially in Villers and St. Denis, shifted to products outside the dyestuffs field which were more useful to the German war economy.⁷² To an increasing extent these were shipped to Germany.⁷³

In the field of pharmaceutical products, I. G. received assurances from Lieutenant Colonel Neef, Chief of the Germany Economy and Armament Board in Paris, as early as the beginning of September 1940, that its interests vis-à-vis the leading French pharmaceutical

⁷⁰ Exhibit No. 47, report of Dr. Kramer, the I. G. agent in France, dated May 29, 1941: "Croix Wasquehal is going to be absorbed by Kuhlmann: the preliminary negotiations have already started. During his last journey, Mr. Frossard came to an agreement with Mabboux and Camell to put the works out of action. Mr. Kap Herr will be in Lyons in the next days to transact the formalities necessary to absorb the plant by St. Denis." In regard to Etabs. Steiner, Vernon, it was agreed: "Mr. Frossard will take up negotiations with Steiner, Vernon with the aim to induce Steiner to give up their manufacture of dyestuffs, intermediates, and auxiliary products against a compensation still to be fixed. The respective contract should be made for 100 years, thus being valid not only for the present proprietors but also for their legal successors. Steiner, Vernon would therefore remain outside the German-French dyestuff convention, and its action would be confined in future to the production of sweets, such as apple jam, etc."

⁷¹ Exhibit No. 48, statement by Von Schnitzler dated August 21, 1945.

⁷² The development of production by Francolor up to June 30, 1944, is shown on exhibit No. 46.

⁷³ A break-down as to products, quantities, and proceeds of sales to Germany appears in exhibit No. 46.

firm, Rhône-Poulenc, would be protected.⁷⁴ In subsequent discussions with Dr. Michel, Chief of the German War Administration, I. G. received complete consent to its suggestions in regard to the French industry.⁷⁵

I. G. also participated in the transfer of French labor to Germany. In this action, they were actively assisted by the French collaborator, Frossard, who offered to transport French labor to German factories even before this was officially agreed to by the Vichy Government.⁷⁶

On August 21, 1942, Krauch, head of the chemical industry under Germany's Four Year Plan and chairman of the supervisory board of I. G., wrote to von Schnitzler requesting French labor for German armament factories, indicating that the manpower of French factories which had been closed down should be sent to Germany and that Frossard was in agreement with this proposal.⁷⁷

Von Schnitzler replied, on August 26, 1942, that Frossard was doing his utmost to send French workers to Germany but that the size of such transfers would be limited, as Francolor was producing in France for the Wehrmacht.

You can be convinced—
he wrote—

that General-Director Frossard handles the question of sending workmen in closed units to works of the I. G. with just as much understanding as good will and one cannot doubt that there would be another company in France which is in the same way willing to solve the problem of sending workmen as the Francolor. In this sense, Mr. Frossard expressed his readiness for collaboration opposite myself, Dr. ter Meer, and Dr. Ambros. * * * Dr. Ambros will handle this question directly. * * * Those labour units are limited, which already arises from the fact that the Francolor plants—as far as they are situated in the occupied zone—are working to a large extent directly for the armament on the field of organic intermediates and that the production of dyestuffs, which exists today to a limited extent, serves more or less also for the armament.⁷⁸

⁷⁴ Exhibit No. 49, Report of conferences at German Military Command in Paris:

"Neef was informed by Consul-General Mann with regard to the pharmaceutical interests, and the projects of Leverkusen were approved of by Neef. However, he expressly mentioned the fact that the influence on the production of Rhône-Poulenc in the unoccupied zone might meet with some difficulties. Neef hopes, however, to be able to overcome these difficulties for our I. G. interests by introducing the obligation to procure a permit for resuming the production."

⁷⁵ Ibid. "He (Michel) himself was ready, when deliberating continually with the state secretary of the French production ministry in Paris, to point out particularly that the German pharmaceutical industry had been treated wrongly as regards patents and that the French industry will be changed accordingly, in future, in order to assist us in this way to influence the production of Rhône-Poulenc which lies in the unoccupied territory."

⁷⁶ Exhibit No. 50, letter from Ambros to Krauch dated September 1, 1942:

"Already before the official agreement between Germany and France was made, General Director J. Frossard made a proposal to send a certain number of his workmen as volunteer workers to Ludwigshafen. Of the 100 workmen that were provided for this job, 45 specialists have arrived meanwhile, who are led by a chemist and work as a closed unit. Another 50 to 60 men will arrive in the near future. Those 100 men are specialists which we have employed in the respective fabrication, thus forming an assistance in executing the PSV and Buna project."

⁷⁷ Exhibit No. 51, letter from Krauch's office to von Schnitzler dated August 21, 1942:

"With reference to the contract closed between I. G. plant Ludwigshafen and Francolor, by which the Francolor took over the obligation to send 100 workmen in a closed unit to Ludwigshafen, I would like to ask you to use your influence on Francolor that the French company decides to send a larger number of laborers for employment in one group (Gruppeneinsatz) to Germany."

"* * * One has tried to raise the figure of French workmen, who should work in Germany, to 350,000, but up to now only 36,000 were sent to Germany. For this reason the proposal was made by German offices to form closed units of workmen which should be taken over by the different German works. The workmen would remain employees of the French mother company and return to France after their work is completed. * * * Out of the negotiations which took place up to now I have learned that Mr. Frossard is entirely of the opinion of the German offices concerned that the use of closed units is the right way to bring the employment of French workmen in the German works on a broad basis. Mr. Frossard has, therefore, used his own initiative for the conclusion of the first unit work contract with the I. G. Ludwigshafen. I hope therefore that further workmen of Francolor will be sent to Germany. * * * The German Military Government Paris is of the opinion that out of the workmen of Francolor companies, about 700-1,000 workmen could be sent as units to Germany."

⁷⁸ Ibid., letter of von Schnitzler to Krauch's office, dated August 26, 1942.

France has been liberated. The danger remains, however, that the French chemical industry will again become dependent upon I. G. for technical assistance. "I am certain," wrote von Schnitzler, "that the French industry would be only too glad to resume cartel relations with I. G."⁷⁹

Thus he expressed his confidence in the ability of I. G. to restore in the postwar period its powerful hold over the French chemical industry. His assertion was not predicated upon the "collaboration" of French chemical leaders—although this would help materially; it was based principally upon his knowledge of the history of international relations in the dyestuffs field and of the technical superiority of I. G. For after Germany's defeat in the First World War, the French were very soon forced to come to the Germans for assistance, and the weapon of German technical superiority was powerful enough even to change the terms of the Versailles Treaty.⁸⁰ Today the French dyestuffs industry is much larger in terms of productive capacity than it was after World War I. Technically, however, it is still dependent on I. G. whose activities in the years of occupation have further increased that dependence. In that technical superiority; I. G. still has the wherewithal to restore its dominant position.⁸¹

⁷⁹ Exhibit No. 52, statement of von Schnitzler, dated September 5, 1945.

⁸⁰ Exhibit No. 53, statement of von Schnitzler, dated August 31, 1945.

⁸¹ Of the French industry, von Schnitzler said, "This technical inferiority in comparison with I. G. can up to now be considered as a motive for the French industry to renew commitments with I. G." (See exhibit No. 53.)

CHAPTER VI. I. G. FARBEN'S NEW ORDER

In June 1940 with half of Europe already under the Nazi heel, with the fall of France imminent, and with seemingly limitless horizons ahead, Hitler's new order seemed capable of early fruition. On June 24, 1940, the Farben commercial committee received an important confidential message:

The Reich Government has given definite orders to prepare in the shortest time possible a program containing our suggestions as to a new order comprising all European interests in the field of chemical products, which is to be incorporated into future peace treaties.

This message went on to emphasize that—

The problem should be considered not only in regard to those countries with which Germany is at war, but also in regard to those countries which are allied with Germany or which have been neutral up to now.¹

These orders did not find I. G. unprepared. For Farben too had dreams of world empire, dreams which it translated with painstaking clarity into a document which was also significantly titled "Neuordnung" (New Order). This document was submitted on August 3, 1940, to the Reich Ministry of Economics. It was accompanied by a letter of transmittal which recited, "We have to start with the idea that in the course of carrying through the formation of a great European economic sphere, a plan will also become necessary for the chemical field."²

The short-range objective of these plans was immediate and substantial production for the Wehrmacht. The second more important objective envisaged the ultimate incorporation of the chemical industry of Europe, including the British Empire, within the framework of Hitler's New Order, and the resulting exclusion of the United States of America from European trade. The third objective of the plan was to utilize the power of the resulting combination to combat and conquer the competition which might be expected from the United States of America elsewhere. Finally, Farben was preparing to utilize again its vaunted economic warfare weapons, cartels, capital investments, and know-how, in anticipation of a possible conflict between Germany and the United States of America.

Just as the Nazis used the Versailles Treaty as a justification for their aggressions, so Farben rationalized its activities on the grounds that its position of supremacy in the world's chemical and dyestuff industry had been deliberately undermined by the Allies, and that a conspiracy was directed against I. G. which could only be eliminated through aggression. Thus the Ministry of Economics was informed that—

* * * The German chemical industry ranked readily first with respect to both the volume of absolute quantities and values of production and its position in the chemical foreign trade of the world. * * * The end of the World War with all its economic consequences suddenly interrupted this clear-cut

¹ Exhibit No. 1, letter of von Schnitzler, dated June 24, 1940.

² Exhibit No. 2, letter from I. G. Farben to Reich Economic Ministry, dated August 3, 1940.

development. * * * measures which were intentionally taken by the enemy countries against the German chemical industry entailed shiftings of unusually great scope to the detriment of Germany. * * *

Today's extent of non-German production, however, is distinctly the result of the political and politico-economic forces which have been directed against Germany for the last 20 years.³

The Neuordnung document is a truly amazing production, and represents for Farben not a program prepared at the behest of the Government, but a complete exposition of the plans which Farben and other German agencies of concentrated economic power had developed since World War I, plans which they had hoped to accomplish through the vehicle of Nazi expansion. The Neuordnung runs to several hundred pages which are introduced by a general section outlining the justice of the Farben claim rationalized in the manner described above. Then follow, in the greatest detail, specific plans for each country including France, Holland, Belgium, Norway, and Denmark. Plans for Poland, the rest of Europe, and Great Britain were only partially completed. These plans describe the chemical industries of the countries as they existed before World War II, and the manner in which they will be organized after World War II pursuant to Farben's dictates through specific clauses in the peace treaties. As the charts set forth in exhibit No. 8 reveal, each important chemical is listed indicating its prewar production in the country, and indicating to what its postwar production, if any, will be limited. Thus Farben planned in many instances to wipe out completely chemical production in some countries, making them wholly dependent upon the Reich and thereby assuring the Reich's military superiority.

I. G. concerned itself with every subject which could affect its control of the chemical industry of Europe including "duties, quotas, licenses, export regulations, certificates of origin," "foreign exchanges and currencies," "tax policy," "patents and trade-marks," "directing of industrialization: (a) enlargement of factories, (b) erection of new industries," and "supplies of raw materials."

Throughout its Neuordnung, I. G. expounded the "Führer" principle. Thus the document runs:

It will, however, appear all the more justifiable in planning a major European spherical economy, again to reserve a leading position for German chemical industry with its technical, economic, and scientific commensurate rank.⁴

I. G. proposed to accomplish the subversion of the European chemical industry by absorbing companies, eliminating plants, and controlling production through the medium of German-dominated cartels.

For Holland, Farben's Neuordnung envisioned the complete elimination of the photographic industry since—

In our future business with Holland in photographic materials, it would be desirable if * * * the requirements of the Dutch market can entirely be satisfied by the German photographic industry.⁵

With regard to the French pharmaceutical industry, I. G. proposed:

On the French side, this New Order established in our mutual relations would have to be supplemented by a decree forbidding the construction of plants producing pharmaceutical products. In addition, a number of small and unimportant laboratories most of which are of local importance only should be closed.⁶

³ Exhibit No. 3, Neuordnung, general part, pp. 1, 6.

⁴ Id. at 5, 6.

⁵ Exhibit No. 5, Neuordnung for Holland, p. 111.

⁶ Exhibit No. 4, Neuordnung for France, p. 45. (See also exhibit No. 6, Neuordnung for Norway.)

In regard to cartels, I. G. proposed the formation of a large chemical syndicate in France, integrated with I. G., the leadership of which "should lie in German hands and should have its seat in Germany."⁷

Furthermore, according to von Heider, head of I. G.'s chemical department, I. G. proposed to control completely the French chemical industry:

Question. Germany would have a complete control over the French chemical industry?

Answer. Yes. I. G. and the German chemical industry.

In regard to trade relations between Europe and other countries, I. G.'s plan would have excluded the free nations of the world from the European markets. Furthermore, imports by the conquered countries in the chemical field would have to be completely reserved to I. G. and Germany. I. G. planned to accomplish this by use of quotas, import restrictions, duties, etc.⁸

For example in regard to the exclusion of all other countries from the French domestic market, I. G. proposed:

Enforcement of a French quota and licensing system in favor of Germany which will have as its purpose that French demands for imports will be supplied by Germany only.⁹

In regard to England, I. G. proposed that Great Britain must guarantee Germany at least a 30-percent participation in the British dyestuffs turn-over and that products not produced by the British industry should be imported from Germany only. Furthermore, I. G. proposed that British dyestuffs companies be prohibited from exporting directly or indirectly to Europe (including Asiatic Russia), the American continent (except Canada), China, Japan, Dutch East Indies.

Farben's economic blitzkrieg of the United States was specially planned. Farben urged, and the Economic Ministry agreed that—

it is necessary to remove the Americans from French production scene with every means at our disposal.¹⁰

Commenting upon the Economic Ministry's views, I. G. stated:

The determination with which he, Schlotterer, expounded this thesis leaves no doubt that we ought not be too much concerned as to the means we are to be allowed to use.¹¹

Farben linked the entire success of its Neuordnung to the outcome of its struggle with the United States.

The principal weight of the discussion bearing on a new arrangement of the world market will rest on the relationship with the North American concerns.

With covetous eyes, Farben emphasized that Pan-Americanism had been strengthened by the war and that this would hamper the Neuordnung program.

⁷ Exhibit No. 7, interrogation of von Heider, dated July 17, 1945. The interrogation continued:

"Question. Did you propose to use the cartels to control the French chemical industry?

"Answer. Yes, we intended to make cartels with the French producers.

"Question. And you intended to join the French cartels to the German?

"Answer. Yes.

"Question. Was the head office of these cartels to be located in Germany?

"Answer. Yes.

"Question. Under German leadership?

"Answer. Yes.

"Question. All exports from France would go through this cartel?

"Answer. Yes."

⁸ Charts of the proposals for the conquered countries are attached as exhibit No. 8.

⁹ Exhibit No. 4, Neuordnung for France, p. 27.

¹⁰ Exhibit No. 9, memorandum re Planning of the Peace, dated August 7, 1940.

¹¹ Ibid.

The strengthening of Pan-Americanism will coincide with the effects of the fact that England will now completely lose her role as financier of the Latin-American countries * * * and that the United States of America will take her place * * *. It will, therefore, depend on the degree of order or disorder of the European economic sphere and on the creation of a determined commercial policy, in how far and at what pace Europe, and more particularly Germany, will be able to rebuild, maintain, and develop its position as a regular "trade partner" in the Latin-American Continent.¹²

To achieve this, Farben relied upon the cloaked companies it had established throughout Latin America which have been described elsewhere in this report as well as upon those United States firms which were prepared to do business with a Hitlerite concern parading under some other name.

I. G. also laid special emphasis on driving the United States from the European market. For example in regard to nitrogen products it proposed:

For the future, it is desired that—in a manner similar to that proposed for other markets—Germany be given priority for [the supplying of] all additional requirements of nitrogen of any kind. This step shall be designed, in particular to exclude or control North American imports * * *.¹³

With respect to dental products a large part of which Franco had received from the United States of America, German supplies were to be substituted.¹⁴ Not only did I. G. intend to drive the United States of America and other free countries from the European markets, it also expected and prepared to compete strongly with the American industry for the remaining free markets of the world.

Forced away from European business for reasons which were effective already prior to the war and which will become increasingly effective after the war, the Americans will do everything within their power to maintain and promote the development of their exports of chemicals. * * *.¹⁵

Farben saw in its Neuordnung the opportunity to maintain a strong Germany, thereby protecting the I. G. economic empire. According to von Schnitzler, I. G. aimed at—

A strict control over the whole chemical industry of Europe that no new plants for military chemicals should be created and that the production of such chemicals in the existing factories should be supervised.¹⁶

In anticipation of further Nazi aggressions, I. G. intended to keep the Wehrmacht supreme in chemical warfare weapons. Therefore in its proposals for reorganization of the chemical facilities of Greater Europe and for its dealings with other countries I. G.'s foremost consideration was to satisfy the military requirements of the Nazi war machine. To achieve these purposes, I. G. would employ among other devices its well-developed techniques of "cartels, capital participations, and exchange of experience." It is expressed in the New Order plan as follows:

This great economic sphere (Grossraumwirtschaft) has to consider at the same time the military requirements of Greater Germany. These requirements are to be considered not only with a view to supplying important goods for the armed forces but also to shaping existing and future combinations of interest between German-dominated Europe and non-European countries which might affect the military potential of such countries in the chemical field in such a manner that the needs of Greater Germany are duly taken into consideration at all times:

It is intended to use cartels, capital participations, and exchange of experience.

¹² Exhibit No. 3, Neuordnung, general part, pp. 6, 7.

¹³ Exhibit No. 4, Neuordnung for France, p. 50.

¹⁴ Id., at 44.

¹⁵ Exhibit No. 3, general part, p. 6.

¹⁶ Exhibit No. 10, statement of von Schnitzler, dated September 8, 1945. (See also exhibit No. 11, interrogation of von Schnitzler, dated July 17, 1945.)

Von Schnitzler pointed out the complete awareness of I. G. of the policies of the Nazi government and I. G. activities in accordance therewith. These policies were primarily aimed at the United States. He states:

It must be remembered that in preparing the Neuordnung we were following the lines of the so-called Gross-Raum-Politik laid down by the Government. We were looking to the overwhelming downfall of France and eventual capitulation of England when we prepared the document. It must be remembered that we knew well the aims and policies of the Government and we know that it was the intention of the Government to improve its strength in relation to the countries outside of the European sphere. This meant, of course, the United States, because outside of Europe the United States was the only strong country with which Germany had to reckon. Therefore, we wrote in the Neuordnung that we intended to keep Germany as strong as possible militaristically in relation to the United States. We could accomplish this only by limiting the production of armaments in Latin America. We did not want in the event of an eventual conflict with the United States to permit Latin America to supply the United States with war materials. It should be remembered that I. G. had to follow the lines of the Nazi government.¹⁷

Partially explaining the methods I. G. would use, von Schnitzler wrote:

It is obvious that the Government's first interest was a militaristic one. Therefore the main points in the Neue Plan will have been: no licenses or know-how for such chemicals should be given to the chemical industry outside of Europe without before having asked I. G. of their opinion. This measure of course can be understood as being directed against the United States because the United States remained apart from Russia, the only country with a great economic potential in the outside world.¹⁸

¹⁷ Exhibit No. 12, statement of Dr. von Schnitzler, dated September 5, 1945.

¹⁸ Exhibit No. 10, statement of Dr. von Schnitzler dated September 8, 1945. See also exhibit No. 13, Interrogation of Dr. Krüger dated July 19, 1945.

CHAPTER VII. I. G.'S MILITARY POTENTIAL AT THE CLOSE OF HOSTILITIES

At least until the last months of fighting, material war damage to I. G. plants taken as a whole was comparatively light. The Tea-Büro, which had more information on the status of all I. G. installations than any other single office, calculated that as of the end of January 1945, damage to I. G. plants, altogether, was about 15 percent of their construction cost.¹ After 3 months of repair work the I. G. technicians estimated that production could reach 90 percent of capacity if adequate supplies of labor, fuel, power, and raw materials were available. For plants in which I. G. had a substantial financial interest, and those with which close technical cooperation existed, percentage of destruction was calculated at 25 percent and the possible production at 75 percent of capacity. Works of the second category represented a considerably smaller capital value than those of the first, so that the over-all percentage of plant destruction was 17 percent. It was estimated that production capacity after 3 months' repair work would reach 87 percent.

I. G. officials also attempted to assess the damage to productive capacity by product, and the results of this calculation are interesting. Of the 28 products of primary importance to German military power, only the greatly expanded wartime capacity of nitrogen, synthetic gasoline, lubricating oil, methanol, and synthetic resins had been reduced to any appreciable extent.² Productive capacity of magnesium, aluminum, nickel, poisonous gases, and other commodities were unaffected, while that of synthetic rubber was reduced by only 16 percent and explosives between 5 and 10 percent. There was no shortage either of research chemists or of chemical engineers, who have always been the foundation of I. G.'s strength.

At the end of the war, therefore, I. G.'s facilities and its resources were substantially intact, and I. G. was in a position to produce at practically wartime capacity.

¹ See exhibit No. 1.

² See exhibit No. 2, Decrease of Productive Capacity by Air Damage for Various Large Productions of I. G., dated September 10 and 12, 1945. In chart 16 these figures have been superimposed on the earlier chart in Chapter III; The Wehrmacht's Dependence on I. G.

APPENDIXES

APPENDIX A

This appendix contains a primary, but not all-inclusive working list of external assets owned or controlled directly or indirectly by I. G. Farben.

While the term "assets" must be given a reasonably broad interpretation, since otherwise Farben would calculatedly escape adequate scrutiny, the term has not been so liberally construed as to cause confusion. It should also be noted that assets have been limited to interests in companies. What Farben considered the most important of its external assets—e. g., its international agreements with respect to patents, know-how, and exclusive markets—have not, for obvious reasons, been included. It should also be noted that Farben's participations register, which is in the possession of this Government, contains numerous additional companies. These were not included in this appendix because the companies concerned have not been investigated.

In connection with its declarations of foreign participations under military law, Farben's central bookkeeping officials, Frankfurt, stated that interests in foreign companies were also booked in the securities ledgers of the Central Finance Administration, Berlin; and further stated that several of the hundreds of Farben's internal (German) companies, or participations, held external participations of which no permanent records were kept. The statement continued: "Since these companies are under the obligation to make their own declarations and since they have their own administration, it is impossible to declare their foreign participations for them, especially as there is no possibility to get in touch with them or examine their records, if they exist." It will be seen that the comprehensive ascertainment of Farben's external assets is not the investigation of one company in Frankfurt, Germany, but the investigation of hundreds of companies throughout Germany—and the world.

The list set forth below is geographically alphabetized into the major subdivisions of Africa, Asia, Australia, Europe, Latin America, and the Pacific islands. Some 93 countries are listed. Under the individual countries are listed the names and locations of the firms in question.

The sources employed in compilation are (1) the Central Accounting Records of I. G. Farben in Frankfurt; (2) Farben's Foreign Participations Report under Military Government Law No. 53 as of July 1945; (3) records of the former German Government Tax and Foreign Exchange Control Offices; (4) records in the possession of this Government; and (5) all of the documentary intelligence discovered during the investigation reported on herein.

I. AFRICA

- | | |
|----------------------------|---------------------------|
| 1. Abyssinia | 9. Mozambique |
| 2. Algeria | 10. Nigeria |
| 3. Angola | 11. Nyasaland |
| 4. Egypt | 12. Rhodesia |
| 5. Gold Coast | 13. Sierra Leone |
| 6. Kenya, Uganda, Zanzibar | 14. Tanganyika |
| 7. Liberia | 15. Tunisia |
| 8. French Morocco | 16. Union of South Africa |

II. ASIA

- | | |
|------------------------|---------------|
| 17. Arabia | 25. Korea |
| 18. Ceylon | 26. Manchukuo |
| 19. China | 27. Palestine |
| 20. French Indochina | 28. Siam |
| 21. India | 29. Straits |
| 22. Iran (Persia) | 30. Syria |
| 23. Iraq (Mesopotamia) | 31. Turkey |
| 24. Japan | |

III. AUSTRALIA

- | | |
|----------------|-----------------|
| 32. Australia | 34. New Zealand |
| 33. New Guinea | |

IV. EUROPE

- | | |
|--------------------|------------------------|
| 35. Albania | 50. Italy |
| 36. Austria | 51. Latvia |
| 37. Belgium | 52. Lithuania |
| 38. Bulgaria | 53. Luxembourg |
| 39. Czechoslovakia | 54. Malta |
| 40. City of Danzig | 55. Norway |
| 41. Cyprus | 56. Poland |
| 42. Denmark | 57. Portugal |
| 43. England | 58. Rumania |
| 44. Esthonia | 59. Scotland & Ireland |
| 45. Finland | 60. Spain |
| 46. France | 61. Sweden |
| 47. Greece | 62. Switzerland |
| 48. Holland | 63. Yugoslavia |
| 49. Hungary | |

V. LATIN AMERICA

- | | |
|---------------------------------|-----------------|
| 64. Argentina | 77. Haiti |
| 65. Bolivia | 78. Honduras |
| 66. Brazil | 79. Jamaica |
| 67. British Honduras | 80. Mexico |
| 68. Chile | 81. Nicaragua |
| 69. Colombia | 82. Panama |
| 70. Costa Rica | 83. Paraguay |
| 71. Cuba | 84. Peru |
| 72. Curacao (Dutch West Indies) | 85. Puerto Rico |
| 73. Dominican Republic | 86. Salvador |
| 74. Ecuador | 87. Trinidad |
| 75. El Salvador | 88. Uruguay |
| 76. Guatemala | 89. Venezuela |

VI. NORTH AMERICA (EXCLUDING LATIN AMERICA)

- | | |
|------------|------------------------------|
| 90. Canada | 91. United States of America |
|------------|------------------------------|

VII. PACIFIC ISLANDS

- | | |
|-----------------------|-----------------|
| 92. Dutch East Indies | 93. Philippines |
|-----------------------|-----------------|

I. AFRICA

1. Abyssinia:
 1. N. V. Handelsmaatschappij v./h., J. F. Sick & Co., Addis Ababa
2. Algeria:
 1. D. Note, Rochereau, Algeria
3. Angola:
 1. Zuid-Afrikaansch Handelshuis (N. V.), Prod. farm. Bayer, Luanda
4. Egypt:
 1. Societe de Matieres Colorantes Waibel & Co., Cairo
 2. Bayer Pharma Langener & Co., Cairo
 3. Sabet Sabet & Co., Cairo
 4. Grun Brothers, Pharm. Prod. Bayer, Alexandria
5. Gold Coast:
 1. Woermann & Co., Pharm. Prod. Bayer, Accra
6. Kenya, Uganda, Zanzibar:
 1. Hansing & Co., Pharm. Prod. Bayer, Mombasa
7. Liberia:
 1. A. Woermann Pharm. Prod. "Bayer," Monrovia
8. French Morocco:
 1. Maurice Lebeau, Prod. pharm. "Bayer," Casablanca
9. Mozambique:
 1. Georg Schroeder e Leidenberg, Lourenco Marques
10. Nigeria:
 1. N. V. Handelsmaatschappij v./h., J. F. Sick & Co. pharm. Prep. "Bayer," Lagos
11. Nyassaland:
 1. J. Abegg Pharm. Prep. "Bayer," Blantyre
12. Rhodesia:
 1. Taeuber & Corssen Ltd., Salisbury
 2. Taeuber & Corssen Ltd., Bulawayo
13. Sierra Leone:
 1. Woermann & Co., Pharm. Prod. "Bayer," Freetown
14. Tanganyika:
 1. Usagara Co., Ltd., Pharm. Prod. "Bayer," Dar es Salaam
15. Tunisia:
 1. Etablissement J. Bessis, Prod. Pharm. "Bayer," Tunis
16. Union of South Africa:
 1. Bayer Pharma Pty, Ltd., Johannesburg and Cape Town
 2. Taeuber & Corssen Pty, Ltd., Johannesburg and Cape Town

II. ASIA

17. Arabia:
 1. A. Besse Ltd., Pharm. Prod. "Bayer," Aden
18. Ceylon:
 1. Hanseatic Trading Co., Ltd., Colombo
19. China:
 1. Deutsche Farbenhandels-ges Waibel & Co., Shanghai
 2. Bayer Pharma Co., Shanghai
 3. Agfa China Co., Otto & Co., Shanghai
 4. Deutsche Stickstoff Handels-ges Krauch & Co., Shanghai
 5. Jebsen & Co., Shanghai
 6. Siemssen & Co., Shanghai
 7. China Export, Import und Bank Co. A. G., Canton and Hongkong
20. French Indochina:
 1. Pharmacie Principale Solirene Prod. Pharm. "Bayer," Saigon
21. India:
 1. Indanthren Co., Ltd., Bombay
 2. Agfa-Photo Co., Bombay and Calcutta
 3. Haverro Trading Co. Ltd., Rangoon, Bombay, Calcutta, and Madras
 4. Finley, Fleming & Co., Ltd., Rangoon
 5. Chemdyes Ltd., Bombay
22. Iran (Persia):
 1. Ed. Schluter, Bazar Prod. Pharm. "Bayer," Teheran
23. Iraq (Mesopotamia):
 1. Fritz Puttmann, Pharm. Prod. "Bayer," Bagdad

24. Japan:

1. Asahi Bemberg Kenshi Kabushiki Kaisha, Osaka
2. Nippon Tokushu Seizo k. k., Tokyo
3. Bayer Yakuhin Gomei Kaisha, Sakaemachi Dori, Kobe and Brandes
4. Doitsu Senryo Gomei Kaisha, Kobe and Tokyo
5. H. Ahrens & Co., NACHF, Tokyo
6. Agfa Gomei Kaisha, Tokyo and Asaka
7. Titan Tokio Kabushiki Kaisha, Tokyo
8. Cassella Gomei Kaisha, Kobe
9. Delacamp, Piper & Co., Kobe
10. Titan Kogyo Kabushiki Kaisha
11. Edogawa Kogyosho Kabushiki Kaisha, Tokyo

25. Korea:

1. Carl Wolter & Co. Gomei Kaisha, Chemulpo-Korea

26. Manchukuo:

1. China Export-Import-und Bank Co. A. G., Harbin-Pristan
2. A. van Ess & Co., Jingkou (Newchwang)

27. Palestine:

1. Paul Aberle, Jaffa
2. Green Bros. Pharm. Prod. "Bayer," Haifa and Tel-Aviv.

28. Siam (Thailand):

1. Bayer Distributors Mentvel & Co., Bangkok
2. B. Grimm & Co. Pharm, Prag. "Bayer," Bangkok
3. Hamburg Siam Co., Bangkok
4. Windsor & Co., Bangkok

29. Straits Settlements:

1. N. V. Straits Java Trading Co., Singapore

30. Syria:

1. Cheik Jamil el-Khazen Prod. Pharm. "Bayer," Beyrouth
2. Yordan Obegi, Damascus

31. Turkey:

1. Hochstrasser & Co., Samsoun and Trabzon
2. Bayer Leverkusen Widmann ve Seriki, Istanbul & Izmir
3. Turkamil, Sabri Atayolu ve Sirketi, Galata, Istanbul
4. Max Unz, Gala'a, Istanbul

III. AUSTRALIA

32. Australia:

1. Bayer Pharma Ltd., Sydney
2. Dychem Trading Co. (Pty), Ltd., Melbourne, Sydney

33. New Guinea:

1. G. Furter Pharm. Prod. "Bayer," Rabaul

34. New Zealand:

1. Dyes & Chemicals, Ltd., New Zealand

IV. EUROPE

35. Albania:

1. "Assim" Depot de Produits Pharmaceutiques et veterinaries, Tirana

36. Austria:

1. Donau Chemie A. G., Vienna
2. Stickstoffwerke Ostmark A. G., Linz
3. Agfa Photo G. m. b. H., Vienna
4. Chemikalien Verkaufsgesellschaft Donau G. m. b. H., Vienna
5. Seraterapeutisches Institut Wien G. m. b. H., Vienna
6. Indanthrenhaus, Vienna
7. A. Schmidt G. m. b. H., Vienna
8. Chemosan-Union A. G., Vienna
9. Oesterliche Chem. Werke G. m. b. H., Vienna
10. Ostmark Phanzenschutz G. m. b. H., Vienna
11. "Detag" Deutsche Teerfarben-u. Chemikalien Handels, A. G., Vienna
12. Elektrizitatswerke der Oesterreichischen Chemischen Werke G. m. b. H., Vienna
13. "Vedepha" Vertrieb deutscher Pharm. Produkte, Vienna
14. Donau-Oel G. m. b. H., Vienna
15. Gewerkschaft Austrogasco, Vienna
16. Niederdonau Erdoel G. m. b. H., Prinzenndorf
17. Steinberg-Naphta A. G., Vienna

18. Anilin Chemie A. G., Vienna
19. Carbidwerke Deutsch-Matrei A. G., Vienna
20. Pulverfabrik Skoda-Werke-Wetzler A. G., Vienna
21. Chemische Fabrik Wagenmann Seybel & Co. A. G., Vienna
22. Deutsche Magnesit A. G., Salzburg
23. Oesterruchische Magnesit A. G., Salzburg
24. A. G. Dynamit Wien, St. Lamprecht
25. Kalle & Co., Vienna
37. Belgium:
 1. Agfa Photo S. A., Brussels
 2. Belgo Pharma Produits Pharmaceutiques, Brussels
 3. La Generale des Matieres Colorantes Produits Chimiques et Pharmaceutique Soc. Corp., Brussels
 4. Comptoir Chimique et Industriel A. Bogaerts, Societe de Personnes a Responsibilite Limitee, Brussels
38. Bulgaria:
 1. Bayer Pharma A. G. fur Chemische und Pharmazeutische Produkte, Sofia.
 2. Behring Institut fur Sero-Bakteriologie und Biologie G. m. b. H., Sofia.
 3. "Soja" Bulgarische Aktiengesellschaft f. d. Anbau u. Export Oelsaaten, Sofia.
 4. Verkaufsgesellschaft Deutscher Anilin-farben "veda," Sofia.
 5. Coloriska A. G., Sofia.
39. Czechoslovakia:
 1. A. G. Dynamit Nobel, Pressburg.
 2. Agfa Photo G. m. b. H., Pressburg.
 3. Bazer Pharma Martineck & Co., Pressburg.
 4. Pharma Bauer Grobel & Co., Prague.
 5. Apollo Naptha Handels A. G., Prague.
 6. Acetat Kunstseide Vertriebs G. m. b. H., Prague.
 7. "Tefa" Teerfarben u. Chemikal Handels A. G., Prague.
 8. Apollo Mineralol Raffinerie A. G., Pressburg.
 9. Teerfarbenwerke Aussig G. m. b. H., Aussig.
 10. Chem. Werke Aussig Falkenau G. m. b. H., Aussig.
 11. Kreditanstalt der Deutschen e G. m. b. H., Reichenberg.
 12. Getalgshaftshilfe der Chem. u. Teerfarbenwerke Aussig G. m. b. H., Aussig.
 13. Helico A. G., Troppan.
 14. Chemische Industrie, A. G., Pressburg.
 15. Olea A. G., Pressburg.
 16. Nobel-Bickford A. G., Pressburg.
40. City of Danzig:
 1. Chemische Fabrik Milch A. G.
 2. Chemische Industrie A. G.
 3. G. Pohl, Chemische Pharmazeutische Fabrik.
41. Cyprus:
 1. P. M. Tserioti, Nicosia.
 2. Costas Christodonlon Pharm. Prod. "Bayer," Nicosia.
42. Denmark:
 1. Agfa Foto A. S., Copenhagen.
 2. Danigefa A. S., Copenhagen.
 3. Vepro A. S., Copenhagen.
 4. Norgesalpeter, Copenhagen.
 5. Norsk-Hydros Salgkontor for Denmark A/S, Copenhagen.
 6. Dansk Ilt & Brintfabrik A/S, Copenhagen.
43. England.
 1. Continental Photographic Importers, Ltd., London.
 2. British Breda Silk, Ltd., London.
 3. Magnesium Elektron, Ltd., London.
 4. Trafford Chemical Co., Ltd., Manchester.
 5. Agfa Photo, Ltd., London.
 6. British Carbo Norit Union, Ltd., London.
 7. I. G. Dyestuffs, Ltd., Manchester.
 8. Bayer Products, Ltd., London.
 9. Axe Trading Co., Ltd., London.
 10. Dyes & Chemicals, Ltd., Wellington.
 11. Explosives Industries, Ltd.
 12. Fine Dyestuffs & Chemicals, Manchester.
 13. J. M. Steel & Co., London.
 14. International Nitrogen Association (INA), London.

44. Esthonia.
 1. Baltische Oel G.m.b.H.
 2. Agentur "Estanil" Kursell und Randsep, Tallinn.
 3. S. Frankel, Tallinn.
45. Finland:
 1. Finnish Chemicals O. Y., Aetsa
 2. O. Y. Anilin A. B., Helsingfors
 3. O. Y. Igefa Fennica A. B., Helsingfors
 4. Soren Berner & Co. Dungerstickstoff, Helsingfors
 5. A. B. Mercantile, Helsingfors
46. France:
 1. Agfa Photo S. R. L., Paris
 2. Bayer Agro Chemie S. A. R. L., Paris
 3. Produits Bayer S. A. R. L., Paris
 4. Societe Anonyme de Matieres Colorantes et de Produits Chimiques Francolor, Paris
 5. Societe Generale de Applications Therapeutiques Theraplix, Paris
 6. Societe pour l'Importation de Matieres Colorantes et de Produits Chimiques, Paris
 7. Chemische Werke Dornach G.m.b.H., Mulhausen
 8. Mulhauser Chemische Werke, Mulhausen
 9. Nitrolac S. A., Paris
 10. Edmond Rigal & Cie, Paris
 11. Etablissements Kuhlmann and its subsidiaries and affiliates throughout France
 12. Rhone Poulenc
47. Greece:
 1. Agfa Photo A. G., Athens
 2. Phatina Handels U. Pharma Ges. A. G., Athens
 3. Farben-und-Chemikalien-Handels-Aktiengesellschaft "Athanil" A. G., Athens
 4. Alexander Zacharion & Co., Athens
 5. Jenny & Vock, Saloniki
48. Holland:
 1. N. V. Handelsmaatschappij Het Indanthren Huis, Amsterdam
 2. Steen Kohlen Handels Vereeniging, Utrecht
 3. N. V. Maatschappij Algemeen Beheer, Utrecht
 4. N. V. Handels Scheepvaart Maatschappij "Wega," Rotterdam
 5. N. V. "Defa" Maatschappij voor Verfstoffenhandel, Arnheim
 6. N. V. Handelsmaatschappij Nedigepha, Amsterdam
 7. Chehamy (N. V. Chemikalien-Handel Maatschappij), Amsterdam
 8. N. V. Maatschappij voor Industrie en Handelsbelangen, Amsterdam
 9. Mapro-Maatschappij tot Bevordering, Dutch East Indies
 10. "Delft"
 11. "Chemo" Maatschappij v. Chemische Onder. N. V., Amsterdam
49. Hungary:
 1. Agfa Photo Verkaufages A. G. f. Phot. Art., Budapest
 2. Behring Serum Institut A. G., Budapest
 3. Budanil Farbenwerk A. G., Budapest
 4. Krypton G. m. b. H., Budapest
 5. Magyar Pharma Gyogyaru R. T., Budapest
 6. A. G. für Industrielle Sprengstoffe & Affiliates, Budapest
 7. Sodafabriken A. G., RaabRuci Valley
 8. Chem. Fabr. Graf Batthgani A. G., Budapest
 9. Terra Chemie A. G., Budapest
50. Italy:
 1. Aziende Colori Nazionali Affini "A. C. N. A." S. A., Milan
 2. Soc. Chimica Lombardo A. E. Bianchi & Co., Milan
 3. Soc. Italiana Del Litopone, Milan
 4. Soc. "A. R. C. A." Aziende Piunite Coloranti e Affini S. A., Milan
 5. Agfa Foto S. A. Prodotti Fotografici, Milan
 6. Siprozolfi Soc. Incremento Produzione Zolfi, Rome
 7. Societa Anonima Desidero, Milan
 8. S. A. Magnesio Italiano Sulcis, Turin
 9. S. A. Immobiliare La Dominica, Milan
 10. S. A. Immobiliare La Galvani, Milan
 11. Soc. Italiana Carboni Attivi "S. I. C. A.", Milan
 12. "CO-FA" Compagnia Farmaceutica S. A., Milan
 13. Societa Anonima Italiano per il Hagnesio e le Leghe di Magnesio, Bolzano

51. Latvia:
 1. Pankreas Verwertungs G. m. b. H., Riga
 2. I. G. Kontor G. m. b. H., Riga
 3. Agenturhaus "Lataniil" A. Kallning & Co., Riga
 4. "Baltpharma" th. Neukirch Pharm. Prap "Bayer", Riga
 5. Alberts Grabens, Riga
 6. J. Spinck & Co., Riga
52. Lithuania:
 1. Otto Wittkopp, Kaunas
 2. Jorgen Buch & Co., Kaunas
53. Luxembourg:
 1. A. Bogaerts, Chemische und technische Erzeugnisse
 2. Belgo-Pharma Prod. Pharm. "Bayer"
54. Malta:
 1. Boris Darmanin & Co. Prod. farm. "Bayer"
55. Norway:
 1. A. S. Norsk Staal, Oslo
 2. Studieselskabet for Norsk Kraftexport, Oslo
 3. Aktieselskabet Anilin, Oslo
 4. Norrigefa A. S., Oslo
 5. Agfa Foto A. S., Oslo
 6. Nordisk Lettmetall, Oslo
 7. Norsk Hydro Elektrisk Kvaelfstof A/S, and its affiliates and subsidiaries, Notodden
 8. A. S. Anilins Bergenskontor, Bergen
 9. Keddel & Bommen, Oslo
 10. International Kvellstoff A. S. (International Nitrogen Cartel), Oslo
56. Poland:
 1. Chemische Werke Winnica A. G., Winnica
 2. Kalkwerke Kressendorf G. m. b. H., Kressendorf
 3. Deutsches Teerfarben u. Chemikalien Verkhaufskontor G. m. b. H., Warsaw
 4. Agfa Foto G. m. b. H., Warsaw
 5. Bayer Agro Chemie G. m. b. H., Krakaw
 6. Bayer Pharma Dr. W. Romer & Co., Warsaw
 7. Behring Institut G. m. b. H., Lemberg
 8. Teerfarbenwerke Litzmannstadt (formerly Boruta Chemical Industry Co.), Zgierz
 9. Elektro A. G. f. Angewandte Elektrizitat, Ober Lazisk
 10. Furstenoeibe G. m. b. H., Kattowity
 11. Industriegas Posen von Hahn K.G., Posen
 12. Indanthrenhaus, Litzmannstadt
 13. Agenturhaus "Barwanil" Stainislaw Messing Co., Looz
 14. Agenturhaus "Bielanil" K. Konig, Bielitz
 15. B. Fuldi i Ska, Warschaw
 16. Karpathen Oel A. G.
 17. Ostdeutsche Chemische Werke G. m. b. H., Poznam
 18. Fabryka Przetworow Chemicznych "Davie", Czenstochaw
 19. "Vislana"—Agentur, Lodz
57. Portugal:
 1. Bayer Limitada, Lisbon
 2. Soc. de Anilinas Ltda., Sodanil, Porto and Lisbon
58. Rumania:
 1. Agfa Foto S. A., Bucharest
 2. Carbonit, etc., Bucharest
 3. Coloranil S. A., Bucharest
 4. Colorom Chem. Fabrik R. A. G., Zeiden
 5. Romanil A. G. für Teerfarben u. Chemik Handel, Bucharest
 6. Romigefa S. A. R., Bucharest
 7. Timanil S. A., Timisora
 8. First Soc. Romana de Explosivos, Bucharest
 9. Nitamonia S. A., Bucharest
 10. Solagra S. A. R.
 11. "Soja" Rumanische A. G. für den Anban und Export von Oelsaaten, Bucharest
 12. Sardep, Bucharest
 13. Erste Rum. Sprengstoff—Ges., Bucharest

59. Scotland and Ireland:
1. I. G. Dyestuffs, Ltd., Glasgow
 2. I. G. Dyestuffs, Ltd., Belfast
 3. Maz Roberts & Co., Ltd., Dublin
60. Spain:
1. Agfa Foto, S. A., Barcelona
 2. Fabricacion Nacional de Colorantes y Explosivos, S. A., Barcelona
 3. Industrias Quimica Reunidas, S. A. "Inquiresa," Barcelona
 4. Instituto Behring de Terapeutica Experimental, S. A., Barcelona
 5. La Quimica Commercial y Farmaceutica, S. A., Barcelona
 6. Quimica Industrial Espanola, S. A. Quiesa, Seville
 7. Sociedad Electro-Quimica de Flix, Flix
 8. Unicolor, S. A. Colorantes y Productos Quimicos, Barcelona
 9. Union Quimica y Lluh, S. A., Barcelona
 10. Colorantes y Productos Quimicos Jose Rodriguez y Cía. S. L., Valladolid
 11. Compagnia Espanola de Mitratos, Madrid
 12. Union Espanola de Explosivos, S. A., Barcelona
 13. Cros, S. A., Barcelona
61. Sweden:
1. Agfa Photo, A. B., Stockholm
 2. A. B. Anilinkompaniet, Goteborg
 3. Igefa Svenska, A. G., Stockholm
 4. A. B. Arto, Malmo
 5. Ing. Herbert Lickfett, Stockholm
62. Switzerland:
1. Alliance Aluminum Co., Basle
 2. Kraftwerke Ryberg Schwerstadt, A. G., Rhinefelden
 3. Igefa, A. G., Zurich
 4. Internationale Ges. für Stickstoff Industrie, A. G., Basle
 5. Leuken, A. G., Zurich
 6. Internationale Gesellschaft für Chemische Unternehmungen, A. G. (I. G. Chemie), Basle
 7. Ed. Greutert & Cie (H. Sturzenegger & Cie) Basle
 8. Teerfarben, A. G., Zurich
 9. Osmon, A. G.
63. Yugoslavia:
1. Anilin A. D., Belgrade
 2. Juganil Hermann Seeborn k. d., Belgrade
 3. Bayer k. d., Belgrade
 4. Anilo Kemika d. d. f. Techn. Chem. Industrie, Zagreb
 5. Jugoslawisches Serum Institut A. G., Zagreb
 6. Bayer Pharma k. d., Zagreb
 7. Juganil Hermann Seeborn k. d., Zagreb
 8. "Jugafa" Georg Kleinschmidt k. d., Zagreb
 9. Bosnische Elektrizitate A. G., Jajce
 10. Stickstoffwerke A. G., Ruse
 11. Vereinigte Jugoslawische Acetylen und Oxygen-Werke A. G., Ruse
 12. A. G. für Explosin und Chemische Erzeugnisse, Zagreb
 13. Kalwerke Celje G. m. b. H., Ruse
 14. Titanit A. G. f. Chem. Industrie, Agram
 15. Moster Lack-u. Farbenw. A. G., Agram
 16. Aga-Ruse A. G., Ruse

V. LATIN AMERICA

64. Argentina:
1. Anilinas Alemanas S. A., Buenos Aires
 2. Agfa Argentina-Dr. Kurt Oppenheim y Cía., Buenos Aires
 3. Farma Platense S. de R. L., Buenos Aires
 4. Instituto Behring de Terapeutica Experimental, S. de R. L., Buenos Aires
 5. Laboratorios Suarry S. A., Buenos Aires
 6. La Quimica Bayer, S. A., Buenos Aires
 7. "Monopol" Sociedad Anonima Quimica Industrial y Commercial, Buenos Aires
 8. Soc. An. Ind. & Com. Electroclor, Buenos Aires
 9. La Plata Ozalid, S. de R. L., Buenos Aires
 10. Weyland, Sigrido, Buenos Aires

65. Bolivia:

1. Compañía de Representaciones y Comercio en General Hero, La Paz
2. Gustavo Schomann, La Paz
3. Hugo Ernst Rivera, La Paz
4. Lieriacks, Becker & Co. Prod. Farm "Bayer" Casilla, La Paz
5. Hugo Ernst Rottmann y Cia (same as 1), La Paz
6. Vorwerk & Cia, Chile

66. Brazil:

1. A Chimica Bayer, Ltda., Rio de Janeiro
2. Allianca Commercial de Anilinas Ltda., Rio de Janeiro
3. Farmaco, Ltda., Rio de Janeiro
4. Instituto Behring de Terapeutica Experimental, Ltda., Rio de Janeiro
5. Quebracho Brasil, S. A. (Quebrasa), Rio de Janeiro
6. Cia. Electro Chimica Fluminense, Rio de Janeiro
7. Cia. de Productos Chimicos Industrias, M. Hamers, Rio de Janeiro
8. Agfa Photo, Ltda., Rio de Janeiro
9. Artigos Dentarios Paladon, Ltda., Rio de Janeiro
10. Cia. Quimica Rhodia Brasileira, São Paulo
11. Colorantes Productos Chimicos Francolor, Ltda., Rio de Janeiro
12. Meridional Tintas e Composicoes, Ltda., Rio de Janeiro
13. Agro Chimica, Ltda., São Paulo
14. Adam A. Buchweitz & Cia., Corumba
15. Ernesto Pflueger, Manáos
16. Jayne Coelho de Regende, Parnahyba

67. British Honduras:

1. G. Ayuso & Son Pharm. Prod. Bayer, Belize
2. Juan Doborow, San Pedro Sula

68. Chile:

1. Cia. General de Anilinas y Productos Quimicos Soc., Ltda., Santiago
2. Laboratorios Hegemann y Cia., Santiago
3. La Quimica Bayer-Weskott y Cia., Santiago
4. Max Taucher, Santiago
5. Vorwerk & Cia., Santiago

69. Colombia:

1. Anilinas Alemanas Cia., Ltd., Bogota
2. Instituto Behring de Terapeutica, Experimental Cia., Ltda., Bogota
3. La Quimica Bayer-Weskott y Cia., Bogota
4. La Quimica Industrial "Bayer Meister Lucius" Weskott y Cia., Bogota
5. Cia. Colombiana Colorantes y Productos Quimicos, S. A., Bogota
6. Industria Quimica Colombiana, S. A. (Inquico), Medellin
7. La Union Nacional de Quimica Industrial, Ltda. (Induquimica), Medellin
8. Groguerias Aliades S. A., Medellin
9. Productos Prolux, Bogota
10. Distribuidora Hormona, Ltda., Bogota
11. Cia. de Anilinas y Productos Quimicos Colombianos Farma Interamericana, Ltda.
12. Agfa Foto (H. Wolf), Medellin
13. Foto-Almacen Lindner, Bogota

70. Costa Rica:

1. Quimica Bayer, S. A., San Jose
2. Alfonso Altschul y Cia., San Jose
3. Fritz Reimers & Co., San Jose

71. Cuba:

1. Albert Eppinger, Havana
2. Machinery & Chemical Supply Co., Inc., Havana
3. The Bayer Co., Inc., Havana
4. Caribbean Photo, Havana

72. Curacao (Dutch West Indies):

1. Fensohn & Co., Curacao, Dutch West Indies
2. Walter Sachs, Willemstadt

73. Dominican Republic:

1. The Bayer Co., Santo Domingo

74. Ecuador:

1. Juan H. Kruger, Guayaquil
2. L. E. Bruckmann, Guayaquil
3. Gubitz y Schwark
4. Emmanuel Pauta Cordova

75. El Salvador:
 1. H. Wilmes y Cia., San Salvador
 2. Drogueria Bayer, Juan Deborow
76. Guatemala:
 1. Herm. Kaltwasser & Co., Guatemala City
 2. Adolfo Bieno y Cia., Guatemala City
77. Haiti:
 1. Pharmacie W. Buch, Port-au-Prince
 2. Ernst Lueders, Port-au-Prince
 3. Pharmacie de la Paix
78. Honduras:
 1. Juan Doborow, Tegucigalpa
79. Jamaica:
 1. Jamaica Agencies, Ltd., Kingston
 2. Th. A. Peters, Kingston
80. Mexico:
 1. Casa Bayer, S. A. (La Quimica Industrial), Mexico, Distrito Federal
 2. Compañía General de Anilinas, S. A., Mexico, Distrito Federal
 3. Instituto Behring de Terapeutica Experimental S. de R. L., Mexico, Distrito Federal
 4. La Union Quimica, S. A., Mexico, Distrito Federal
 5. Agfa Foto, S. A., Mexico, Distrito Federal
 6. Beick Felix y Cia.
 7. Estambres y Artiselas, S. A., Mexico, Distrito Federal
 8. Foto Mantel, S. A., Mexico, Distrito Federal
81. Nicaragua:
 1. Bayer Agencia, Managua
 2. W. Schoeneke, Managua
 3. R. E. Tefel & Co., Prod. Farm. Bayer, Managua
82. Panama:
 1. John de Haseth, Inc.
83. Paraguay:
 1. Anilinas Alemanas, S. A., Branch of Buenos Aires
 2. Standt y Cia., Asuncion
 3. Scavone Hermanos, S. A., Asuncion
84. Peru:
 1. Compañía General de Anilinas, S. A., Lima
 2. LaQuimica Bayer, S. A., Lima
 3. LaQuimica Industrial Bayer Meister Lucius Mann y Cia., Lima
 4. F. Hilbek Seminario, Lima
 5. Jorge Labrousse-Tanning Enterprise, Lima
 6. Idunal, S. A. (Industrias Nacionales), Lima
 7. Cia. Peruana de Importaciones, Ltd., Lima
 8. Cia. Ind. Verrando, S. A., Sullana
 9. G. R. Cornejo, Lima
 10. W. Justus & Co., Lima
 11. Agfa Foto, S. A., Lima
 12. Farma Peruana, G. A., Lima,
85. Puerto Rico:
 1. Proprietarz Agencies, Inc., San Juan
86. Salvador:
 1. H. Wilmes y Cia., Belize
87. Trinidad:
 1. J. N. Harriman & Co., Port-of-Spain
88. Uruguay:
 1. Compañía General de Drogas, Montevideo
 2. LaQuimica Bayer-Weskott y Cia., Montevideo
 3. Anilinas Alemanas, S.A., Branch of Argentina
 4. Farma Oriental, Ltda., Montevideo
 5. Ernesto P. Pfahler y Cia., Montevideo
89. Venezuela:
 1. LaQuimica Bayer-Weskott y Cia., Caracas
 2. Alfredo Becker Productos Industriales y Agricolas
 3. Antonio Lehrmann y Francheschi
 4. Hadamovsky & Co., Caracas
 5. Productos Agricolas
 6. G. Hellmund & Co., Caracas

VI. NORTH AMERICA

90. Canada:
1. Chemicals, Ltd., Montreal
 2. Consolidated Dyestuffs Corp., Ltd., Montreal
 3. Agfa Ansco, Ltd., Toronto
91. United States:
1. General Aniline & Film Corp., New York, N. Y.
 2. Magnesium Development Corp., Wilmington, Del.
 3. Jasco, Inc., New York, N. Y.
 4. Plaskon Co., Inc., Toledo, Ohio
 5. American Magnesium Corp., Cleveland, Ohio
 6. Chemnyco, Inc., New York, N. Y.
 7. General Dyestuffs Corp., New York, N. Y.

VII. PACIFIC ISLANDS

92. Dutch East Indies:
1. N. V. "I. M. P. L. A." Import M. V. Pharmaceutische, Weltevreden
 2. Mapro-Haatschappy Tot Bevordering
 3. N. V. Internationale Credit en Handelsvereniging, Batavia
 4. Geo. Wehry & Co., Batavia
 5. Harmsen Verwey & Co., N. V., Semarang
 6. N. V. Behn Meyer & Co., Batavia
93. Philippines:
1. Bayer Yakuhin Gomei Kaisha, Manila
 2. Menzi & Co., Inc., Manila
 3. Philippine-American Drug Co., Manila

APPENDIX B

This appendix presents certain material which may be of interest concerning Latin-American firms in which I. G. Farben held participations.

Cia. Electro Quimica Fluminense, Rio de Janeiro

The minutes of the meeting of I. G.'s commercial committee (Kaufmännischer Ausschuss) of September 23, 1941, contain the following reference to this firm:

In spite of the danger of an eventual discontinuance of operations, the business of the Fluminense should be continued for as long as possible, and instructions should be given that all measures should be taken in order to prevent the transfer of Fluminense into English or North American hands.

According to Farben records, the total capitalization of Fluminense is contos 3,500, of which contos 3,003, or 85.8 percent, were in the possession of the Allianca Commercial de Anilinas, Ltda. Farben records further state that—

According to a telegram from Buenos Aires of June 19, 1942, which, however had to pass several stations and therefore must be taken up with caution, the debts on the account current of the Fluminense to the agency (Allianca) for deliveries, loans, commissions, and interest amount to a total of contos 3,907. In this telegram it was further mentioned that the shareholdings of the agency were sold in the meantime, partly to the former proprietors Motta, etc., and to the solicitor Soboya Lima (attorney for Allianca), the net proceeds amounting to contos 3,485.4. * * *

The above-mentioned telegram of June 19, 1942, states, however, with respect to Saboya Lima's acquisition of the shares of Fluminense:

Because present proprietor pays in intervals of half year each, Saboya Lima pays monthly to Allianca on a basis of 96 contos, two installments already paid back from the profit of his partnership in Allianca, neither as first payment nor as buyer but only in order to continue the camouflage.

Cia. de Productos Chimicos Industriales, M. Hamers, S. A.

With respect to this firm Farben records reveal that on July 1, 1940, I. G. acquired by purchase from Max Hamers (I. G.'s agent in Brazil since 1913) 49 percent of the Rs. 1,000,000,000 capitalization of the firm, but that I. G. had agreed to " * * * the sale of the shares first to Allianca and later to a transfer to the I. G. * * * ." The records further state that—

The I. G. furthermore binds itself according to agreement irrevocably to buy at any time the capital remaining with Mr. Hamers, amounting to nom. Rs. 510:000\$000 from him at the price stipulated in section 6 of the agreement * * *. If it should happen, however, that Mr. Hamers should die, the I. G. binds itself irrevocably to buy the capital remaining with Mr. Hamers before January 1, 1943, at the price mentioned in section 6.

In a report dated September 18, 1941, prepared for the commercial committee (Kaufmännischer Ausschuss), Overhoff stated:

The second most important undertaking to us is the participation in Hamers. Although Hamers has, as is well known, signed the agreement, according to which 49 percent of the shares belong to us, the situation is very delicate, because, as regards control and espionage, we cannot carry on further correspondence in order not to endanger Hamers.

A copy of the above-mentioned agreement and a detailed report concerning the M. Hamers firm are in the possession of the United States Government.

Quebracho Brasil, S. A. (Quebrasa), Matto Grosso

According to Farben records, this firm has a capitalization of contos 6,000 of which contos 4,000 are:

* * * issued in the name of Mr. Hamers as trustee for I. G. Consequently Mr. Hamers is interested in the Quebrasa, judging from the outside, in the amount of contos 4,000. These shares are lying in the safe of the agency. The means for the participation have been placed at the disposal of Mr. Hamers as a loan by the Allianca. A settlement with Frankfurt did not take place * * *. In order to avoid difficulties for Mr. Hamers it must be taken care that the participation booked with the I. G. be not officially reported as such by us.

Concerning Quebrasa, Hermann Collischonn, I. G.'s auditor for Latin America, stated:

The share of Herr Hamers is in reality an I. G. investment. Funds were put at his disposition by the I. G.

Quebrasa has never been placed on the proclaimed list. A detailed report concerning this firm is also in the possession of the United States Government.

Industria Quimica Colombiana, S. A. (Inquico), Medellin

According to Farben records, this firm has a capitalization of Col. \$600,000, of which Col. \$120,000, or 20 percent, are in the possession of Anilinas Alemanas (I. G.'s firm in Bogota, which subsequently became known as Cia. Colombiana de Colorantes y Productos Quimicos). According to Farben records, Anilinas Alemanas is holding the 20 percent for I. G., with an option to purchase 50 percent of the share capital. The records contain a discussion of this option and reveal that Anilinas—

has given money to a small extent for the maintenance of Inquico by payment in cash or by the supplying of raw materials. Further amounts which are to be used for the continuance of the manufacturing of goods may be placed at the disposal of Inquico by the agency only against legalized bonds or other securities as per telegram of the department of chemical management dated January 22, 1942.

Union Nacional de Quimica Industrial, Ltda., "Induquimica" Medellin

A report dated January 27, 1940, from the Cía. Colombiana Colorantes y Productos Químicos, S. A., Bogota (formerly Anilinas Alemanas Cía., Ltda.), stated:

Cloaked firm.—For different reasons it has appeared practical to have an effectively cloaked firm, which is a clean Colombian firm, and which should help us to conduct the business in various ways. Since, for example, the war insurance on North American deliveries is at the present time covered through reinsurance by English companies, it has now already proven necessary to have a clean Colombian firm with a Colombian name. This Colombian firm will, it is hoped, also be able to deliver North American goods even to customers of French nationality, since those as mentioned elsewhere may no longer buy indicated German goods from Germans. We have thus considered it correct to found a clean Colombian firm under the name Union Nacional de Quimica Industrial Limitada "Induquimica." Of course, we have complete control and are considering chiefly the handling of purchases in North America through the Induquimica, in whose name already all arrangements with United States of America were made.

Hilbek Seminario, Lima, Peru

Concerning this firm, Farben records state:

According to the report dated August 7, 1942, of Mr. Janssen, who has returned to Germany, our agency has a share in the above firm in the name of Mr. G. R. Cornejo (I. G.'s agent in Peru since 1922) through the S. cash account amounting to soles 100,000.

This participation was intended in the first place for the purchase of chemicals under cover of a person, but later on also the sale had to be left to this firm.

As agreed upon, the profits will be divided by halves. In the year 1941 the net profit amounted to about soles 35,000, of which 50 percent are still to be paid to the agency respective to Cornejo.

Considering the unstable conditions in Peru and that in respect to this participation possibly changes may have occurred or may yet occur, the amount of soles 100,000 was not booked by I. G. through the participation account, but for the present by the special bookkeeping department to the debit of an account-current "Com. General de Anilinas, Lima * * *."

The above report of Mr. Janssen is in the possession of the United States Government.

Jorge Labrousse—Tanning Enterprise, Lima, Peru

Farben records reveal that—

This undertaking has been organized primarily by Messrs. Cornejo, Bank, and Mehrkens out of private means with soles 3,333 each. Later on, according to the report of Mr. Janssen, the shares of Messrs. Cornejo and Mehrkens, amounting to a total of soles 6,666, are said to have likewise been taken out of the S. cash account. Seen from the outside, these gentlemen have, therefore, a claim for a loan against this firm.

Idunal S. A. (Industrias Nacionales), Lima, Peru

Farben records state that—

This firm has been established by Messrs. Cornejo and Kreitz (German technician, emigrated from Chile) [sic] by making use of four middlemen with a starting capital of S/70,000 (of which 50 percent G. R. Cornejo) and which is situated in its own grounds on the Avenida Argentina. * * *

This undertaking commenced business May 1, 1942.

From the report it is not to be seen whether Mr. Cornejo has taken the money out of the S. cash account, but this may be presumed; we have, however, no record of any such transactions. It must, therefore, be duly taken not that in the case of eventually entering the proportionate share amount to S/35,000 (50 percent of S/70,000) into the books through the S. cash account as a participation, a motion for the official approval required will have to be put forward.

Cía. Peruana de Importaciones, Ltda., Lima

A report in I. G.'s files dated May 26, 1942, states:

On February 1, 1942, the Cía. Peruana de Importaciones, Ltd., has been founded with a share capital of S/30,000 which are entirely in the possession of

Mr. Cornejo. The president of the firm is Dr. Ramirez Otarola. Moreover, Mr. Broggi, who was advised by Mr. Roedenbeck, is employed there. The company has been charged with purchases of chemical products in the United States of America (Chem. Dow, Gerhard o Hooper, San Francisco, and various smaller firms.)

Cia. Ind. Verrando, S. A. Sullana

Overhoff in his report to the Kaufmannischen Ausschusses stated:

The other small enterprises which we own over there, e. g. Taucher in Chile and Cia. Ind. Verrando S. A., Sullana, as well as the small factories in connection with out warehouses in Argentina and Mexico are well getting on through the conjuncture of the war, assist the supply of goods, and wield considerable profits.

The minutes of the 1940 conferences in Italy and Switzerland reveal that:

The supplying of the sales organizations with leather with leather oil and different other auxiliaries by the Cia. Ind. Verrando, S. A., Sullana, is going on without any difficulties. Interesting was the information of Mr. Moll that the Copesa Cia. Peruana de Representaciones S. A. has participated in the Cia. Ind. Verrando in Trujillo. Partner of the Copesa is a brother of Mr. Cornejo.

Other Facilities in Peru

Farben records reveal the establishment of an I. G. factory in the name of one of its representatives:

Warehouse.

As it has not been possible to rent in the Edificio Minería, or in the vicinity, centrally situated storage rooms possessing the requisite dimensions, we have decided to buy, in the Avenida Argentina, too (in the name of Mr. G. R. Cornejo and from means taken from the S. cash) a tract of land with well * * *. On it has been erected an open storage shed of about 15 by 30 meters for heavy chemicals and a closed storage room of same dimensions for dyestuffs; furthermore installation for office and accommodation for a guard.

On the remaining ground, the boiler for the mixing plant and for the manufacture of Baykanol colors has been established, as well as small plants for other occasional manufactures.

The storage facilities occupied so far at the Agencias Unidas de Aduana, S. A., Calle Manova, where there also took place the manufacture of Baykanol colors and the mixing plant, have thereby been dissolved.

The capital invested so far amounts to about S/30,000.

W. Justus & Co., Peru

Farben records state:

The connection with Fezandie & Sperrle taken up at the beginning of 1940 has, by using the firm of W. Justus & Co. as purchasers—sham address—has performed for us a good service in the replenishment of our stocks, especially as far as the marketable dyestuffs for wool are concerned. By this means, our assortment was not diminished for a moment. The sales in 1940-41 amounted to about U. S. \$100,000 c. i. f. Justus obtained 2½ percent commission on the f. o. b. value and 1 percent on the local value of the goods sold by themselves to a small extent * * *.

Venezuela

Several wartime enterprises were established by I. G. in Venezuela for the purpose of maintaining its business in this country. An I. G. report concerning Venezuela dated July 28, 1942, states:

Business will be carried on, even under hard conditions. Mr. Becker is working in his own name, not being on the black list. Paying cash he bought for the I. G. a building (warehouse room) (sic) in which Mr. Muller as sublessee got an office, laboratory, fabrication and storeroom. Mr. Muller is working absolutely independently for himself, with respect to manufacturing and mixing, payment going to Mr. Becker. By a special price calculation Mr. Becker is able to transfer the salaries to Mr. Muller. They are manufacturing just now: Textile auxiliary products, Turkey red oil, sodium sulphate, bio-calcium, insecticide based on tobacco and Turkey red oil.

A report concerning Venezuela dated May 27, 1942, states:

Already a few months after the war broke out the Quimica Bayer were inserted in the English black list, and later also in the American black list which was very unfavorable for continuing the business because American producers were not allowed to deliver to firms named in the black lists. For this reason the firm Alfredo Becker Productos Industriales y Agricolas was established. By means of this solution of need it was still possible to buy from Brazil larger quantities of chemicals and quebracho for the stock of that place. Because the American firms delivering to Mr. Becker were, before each shipment, looking for the correct information about him through the American Embassy, we resolved at that time to establish another firm name Antonio Lehrmann y Franceschi in order to apporportion the deliveries and not to interrupt the business between Fezandie & Sperle and Mr. Becker. * * *

Soc. an. Ind. & Com. Electroclor, Buenos Aires

In Farben records it is revealed that I. G.'s participation in Electroclor was to have been obtained from Duperial (owned by DuPont and Imperial Chemical Industries), that the National City Bank, Buenos Aires Branch, advanced I. G. M\$N555,000 with which to make the participation, but that pursuant to an agreement between I. G. and Duperial the participation was canceled on January 19, 1940. The records continue as follows:

The Anilinas Alemanas S. A., Buenos Aires, made on January 19, 1940, an agreement with the Electroclor S. A. which insures Anilinas a participation in the sale of chemical products of Electroclor to the amount of Argentine P. 840,000, and which guarantees the commission thereon in the amount of at least Argentine P. 84,000 per annum. We have at first accepted this compromise, but have pointed out to Duperial that in doing so we did not abandon our rights contained in the concluded association agreement.

With respect to the above-mentioned agreement between Duperial and I. G. made on January 19, 1940, Farben records state:

It was interesting to see from Mr. Moll's statement that the written agreement was officially recognized and legalized by the British Embassy, Buenos Aires.

I. G.'s future intentions concerning Electroclor were revealed by Farben records which state:

With the outbreak of the war this participation was canceled; it is understood, however, that after the war it will be renewed.

Monopol Sociedad Responsabilidad Ltda., Buenos Aires

The firm Monopol S. R. L., an Argentine chemical factory, had been purchased by Indunidas Sociedad Anonima Mercantil de Industrias Unidas of Buenos Aires in 1938. Indunidas is owned by the banking firm of Carl Hinrich Donner of Hamburg, and has for years handled the sale of certain I. G. chemical products in Argentina. In October 1939 Anilinas Alemanas, S. A., Buenos Aires, and Indunidas came to an agreement containing a guaranty of the profits to be earned by Indunidas from Monopol, and giving to I. G. an option to purchase 51 percent of the shares of Monopol. I. G. was also given the right to purchase the remaining shares in the event of a dispute with Indunidas. A copy of this agreement is in the possession of the United States Government.

On June 27, 1942, Anilinas Alemanas, S. A., Buenos Aires, cabled I. G.:

* * * In order to compensate for the national foundation, market and customers positions which Anilinas lost because of Electroclor, we have made use of the option for the 51 percent participation in Monopol, and have purchased this for approximately P. 370,000. We hope to enlarge the position of Monopol on the market by our assured influence in Monopol and by further friendly

collaboration and participation of Indunidas, in spite of the well-known difficulties of getting raw materials * * *

A statement by Fritz H. Walloth, the chemical division's agency sales controller, concerning the background of the Monopol and Indunidas transactions is in the possession of the United States Government.

Max Taucher, Santiago

In Farben records the following statement is made concerning this firm:

On strength of a decision of the color committee on September 2, 1938, an application has been filed with the R. W. M. (German Ministry of Economics) to acquire the works in the possession of Herr Max Taucher, Santiago de Chile, through the medium of our agency, the firm of Anilinas Alemanas Cia., Ltda.

The price for the works of Taucher was P250,000, and had to be paid at once. * * *

These sums are shown in the books of the agency, being the purchaser of the plant. They have not been booked in Frankfurt.

Explosives Factory Erected for the Argentine Government

In 1938 I. G.'s subsidiary, Köln-Rottweil, A. G., a gun-powder firm was successful in obtaining a contract from the Argentine Government for the erection of a powder plant, known as Villa Maria. Provided for in the contract was a saltpeter factory to be erected by I. G. at Rio Tecero, in Argentina.

Negotiations pertaining to the contract for the gun-powder plant were revealed by Ilgner in December 1936 upon his return from an extensive tour in Latin America:

Already shortly after the World War, in Argentina the construction of an explosives plant was considered in order that Argentina could become independent of American, Swedish, and former German deliveries of powder. The project was brought to a definite conclusion by Köln-Rottweil A. G. and their Argentine representative respectively, but the agreement was declared void by the revolutionary government in 1933, and was canceled. Also in that case I took up anew that project during my presence in Buenos Aires, at the request of the explosives and chemical divisions, and had extensive discussions with the Argentine Minister of War in order to determine the ways in which it would be possible for us eventually to participate in the new public bids to be expected. In the meanwhile Dr. Frank-Fahle had the possibility of working in close collaboration with the Argentine administration of the arsenal on the elaboration of the new public bid for their explosives plant. The publication was made in the meantime and the bids have to be submitted by the end of September 1937. * * *

Although Köln-Rottweil, as may be inferred from Ilgner's remarks was the successful bidder, the outbreak of the war interfered with the completion of the Villa-Maria plant, and I. G. was unable to deliver any of the machinery for the factory at Rio Tecero. Reports found in I. G.'s files describing the condition of Köln-Rottweil's contract with the Argentine Government as of August 1940 as well as a detailed statement concerning this contract which was prepared by Fritz Walloth, the chemical division's agency sales controller, are in the possession of the United States Government. According to Walloth, I. G. has claims against the Argentine Government in connection with the Köln-Rottweil contract in the amount of RM1,082,454.43.

X

L. M59²: G31 pt. 8

100-3

ELIMINATION OF GERMAN RESOURCES FOR WAR

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
FIRST SESSION
PURSUANT TO
S. Res. 107
(78th Congress)
AND
S. Res. 146
(79th Congress)
AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS

PART 8
DECEMBER 11 AND 12, 1945

WAR DEPARTMENT TESTIMONY

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, *Utah, Chairman*

EDWIN C. JOHNSON, *Colorado*

LISTER HILL, *Alabama*

SHERIDAN DOWNEY, *California*

HARLEY M. KILGORE, *West Virginia*

JAMES E. MURRAY, *Montana*

JOSEPH C. O'MAHONEY, *Wyoming*

ROBERT F. WAGNER, *New York*

TOM STEWART, *Tennessee*

BURNET R. MAYBANK, *South Carolina*

FRANK P. BRIGGS, *Missouri*

WARREN R. AUSTIN, *Vermont*

STYLES BRIDGES, *New Hampshire*

CHAN GURNEY, *South Dakota*

CHAPMAN REVERCOMB, *West Virginia*

GEORGE A. WILSON, *Iowa*

THOMAS C. HART, *Connecticut*

H. ALEXANDER SMITH, *New Jersey*

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, *West Virginia, Chairman*

ELBERT D. THOMAS, *Utah*

EDWIN C. JOHNSON, *Colorado*

JAMES E. MURRAY, *Montana*

CHAPMAN REVERCOMB, *West Virginia*

GEORGE A. WILSON, *Iowa*

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

CONTENTS

Testimony of—	Page
Maj. Gen. John H. Hildring, Director, Civil Affairs Division, War Department.....	1043
Col. Bernard Bernstein, General Staff Corps, Director, Division of Investigation of Cartels and External Assets, Office of Military Government, United States (Germany).....	1062, 1089
Additional material submitted by the War Department.....	1117

.....

ELIMINATION OF GERMAN RESOURCES FOR WAR

TUESDAY, DECEMBER 11, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:40 a. m., pursuant to call of the chairman, in room 104-B, Senate Office Building, Senator Harley M. Kilgore, of West Virginia (chairman) presiding.

Present: Senator Harley M. Kilgore (chairman), West Virginia.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order. The first witness today is Maj. Gen. John H. Hilldring, Director, Civil Affairs Division, War Department.

All right, General Hilldring, if you will go ahead. I will ask you questions occasionally.

TESTIMONY OF MAJ. GEN. JOHN H. HILLDRING, DIRECTOR, CIVIL AFFAIRS DIVISION, WAR DEPARTMENT

General HILLDRING. The Allied Nations have pledged themselves to destroy the war-making potential of the Germany which so lately menaced our way of life. Long before the beginning of World War II, while democratic nations were devoting their thought and talents to the welfare of their people and the pursuits of peace, Nazi Germany was evolving elaborate plans to subordinate to and integrate with her war planning every productive function, discovery, and activity against the day when the Nazis would launch the attack they had already decided upon against their first victim.

We are, therefore, committed and determined to seek out and destroy the sources of Germany's once powerful aggressive industrial might. The investigation of cartels and cartel-like organizations is one aspect of our demilitarization policy in respect to Germany.

The investigation of I. G. Farbenindustrie was undertaken because that organization constituted a highly significant factor in the German war machine. This investigation is making available to us information relating to Germany's technology, war production, patents, external assets, and industrial organization. I. G. Farbenindustrie was known to be the largest corporation in Germany and the largest chemical corporation in the world. Already our investigations conclusively prove that this organization planned and schemed as a tool of the Nazi regime. Farben was so useful to the war lords of Germany that the German General Staff considered it important to integrate certain of its offices into the army high command itself.

The CHAIRMAN. General, let me interrupt you at this point. This investigation into Farbenindustrie and into cartels, I believe—and I just want to get your reaction—is valuable not only as an exploration of their war-making potential, but also for us as an industrial nation, it is extremely valuable that our businessmen should know the schemes and plans used by these people in the past, in order that they may guard against aggression by foreign industry in the future. Don't you think that is true?

General HILLDRING. That's right, Mr. Chairman; it is a most valuable bit of industrial intelligence.

The I. G. Farben investigation is but one of a number of investigations which are intended to lay before the world the truth concerning the organization, operation, and holdings of Farben and similar cartels. The Military Government will continue these investigations until we are satisfied that we have ferreted out every single cartel or cartel-like organization which might substantially contribute to a German war potential.

We are also presently investigating the German iron and steel, electrical, chemical, pharmaceutical, and heavy-construction industries as well as the big banks. The purpose of these investigations is to lay bare their policies, plans, and operations so that we may render them impotent as a future threat to mankind.

The CHAIRMAN. I note you didn't list the instrument industry in that. Are you having any opportunity to go into the cartel set-up of the instrument industry?

General HILLDRING. Well, Mr. Chairman, I have reported here only those that we are presently working on. I did say earlier that we would ferret out every cartel and cartel-like organization.

Throughout last summer our investigations continued to disclose the far-reaching significance of the German cartels and their external assets. In recognition of this, the Office of Military Government—United States—Germany, established the Division for Investigation of Cartels and External Assets as one of the nine major divisions of that Office.

The mission of this Division, which we refer to as "DICEA," is to initiate and continue those investigations necessary to accomplish our occupation policies in this field.

It is the purpose of Military Government to continue DICEA and to bolster it with the requisite legal, financial, accounting, and investigative personnel until we have completed and evaluated all the necessary inquiries into German internal business organizations and their external assets and entanglements.

The CHAIRMAN. Gentlemen, I am happy to hear that it is our policy in Germany to carry out these investigations, but I want to know, if you can tell us, what kind of organization has actually been set up at the present time to carry out this deindustrialization program.

General HILLDRING. As far as the functions of DICEA are concerned, Mr. Chairman—

The CHAIRMAN. What kind of an organization do we have over there? How extensive?

General HILLDRING. It is a pretty extensive organization. I don't know the exact numbers—about 140 people, who have been specially selected, largely with the assistance of our Treasury and State Departments, and under the personal direction of the next witness here, Colonel Bernstein.

I think there has never been assembled before a unit that has the capabilities, certainly that has done as great an amount of work in the short period of time, that this organization has already done.

The CHAIRMAN. I wonder if Colonel Bernstein in his statement will tell us how it functions, or would you like to tell us?

General HILLDRING. I would rather have Colonel Bernstein testify on that point, because that would be more valuable to the committee. He knows of his personal knowledge. I know of it only from observation.

The CHAIRMAN. There is an interesting fact in the background of this: In settling World War I, in the Versailles Treaty, we permitted the example of Germany in 1870 to govern that treaty in the matter of cash reparations. As you know, they bled the French dry for a generation with cash reparations, and we undertook to exact cash reparations from Germany. We then financed Germany, so she could earn enough to pay the cash reparations—that was the theory. But she took the money we financed her with and set up the gigantic organization with which they attempted to whip us.

General HILLDRING. I hope we don't make that same mistake again.

The CHAIRMAN. Anybody who says financial reparations to me is going to have a fight.

General HILLDRING. The sources for our material are many and varied. Intelligence personnel and military government teams have interrogated thousands of persons. Individuals who so indicate, or who it is believed possess information bearing upon any organization or activity in which we are interested are then interrogated by experts competent to elicit and evaluate the most technical information in whatever field involved.

Despite the elaborate precautions of the German officials to safeguard or destroy vital records, we have discovered and painstakingly perused their most secret files. Last June I described to this committee how records of the I. G. Farben Co. had been found hidden in monasteries, salt mines, beer halls, and caves.

On the 29th of March 1945 when American troops first entered Frankfurt and took control of the main offices of I. G. Farben, certain key records were taken into custody by the T-Force attached to the Army. On the 16th of April, finance division personnel of United States Group, Control Council (Germany), surveyed the condition of the records, which was found to be chaotic, many of them having been spilled on the floors, and some even apparently disposed of as trash. It was determined that the records should be removed to a safe depository. A building adjoining the Reichsbank was requisitioned and the mechanism of removal put into operation.

The books and records which were located on the six floors of the Farben Building were removed, from top to bottom, by a human conveyor chain, made up of German prisoners of war, civilians, and Farben personnel, extending from the sixth floor to the first floor and then out to the tractor-drawn van which transported the records.

Once the records had been removed, the job of creating a filing system began. Under close supervision, Farben officials were selected, on the basis of their familiarity with the files, to reconstitute the system. It was determined that many files had been destroyed, on order of department chiefs, when American occupation seemed imminent. A great number of files had been stored in beer halls and

restaurants; some had been buried in backyard gardens and others stored in cellars of trusted I. G. Farben employees, and many had been cached in religious institutions as personal property.

Special teams were dispatched throughout the Frankfurt area to secure files concealed by the home office of I. G. Farben. Later, teams were dispatched to various sections of Germany, including Jena, Wolfen, Heidelberg, Dusseldorf, Wurzberg, Munich, Kassel, Cologne, and Ludwigshafen to recover records which had been kept at various I. G. Farben plants, hidden in homes of I. G. Farben officials, or purposely stored in underground depositories against bombing attack. By following this plan methodically and vigorously it is estimated that 85 percent of the I. G. Farben files belonging to the main office in Frankfurt have been recovered from the locations in which they had been secreted throughout Germany.

The CHAIRMAN. General, I was there when you had moved them into the building and were engaged in sorting them out and it looked to me like an almost impossible task. Have you gotten them arranged now so they are accessible for study?

General HILLDRING. When I was there in August, the latest information I personally have of it, the job was not then completed, but there again Colonel Bernstein will be able to tell you.

The CHAIRMAN. At that time you had about 2,200 tons of files?

General HILLDRING. Yes, there were hundreds of tons of it, even as late as late August, when I came home. Colonel Bernstein can give you the most recent information on that subject.

Our continuing investigations confirm that the organic integration of German industrial might and technical skill into their war machine was effected on a scale to confound the imagination. The influence of the giant combines and cartels which prostituted the discoveries of modern science and the techniques of modern business organization to the aims of Nazi aggression has been traced to all corners of the world. For well over a decade these German cartels have reached out in order to establish outside of Germany footholds which were designed to serve as spearheads of German aggression. This aggression was no less important to the German designs for world conquest than the invasion by the German armies. That is why the elimination of these spearheads of industrial aggression is so essential a part of the American program for the industrial disarmament of Germany. I will describe briefly the measures we have taken and those which we contemplate in carrying out our program for German industrial disarmament.

The CHAIRMAN. I want to ask you a question at that point, General. I have been asked this question several times and I have been unable to answer it, and possibly you can.

The question is this: From the study of these records does it look like German industry actually dominated German government, or was the partnership between industry and government or was the partnership between industry and the General Staff that was operating that machine?

Industry seemed to me to be guided by the decisions of the General Staff, but also sometimes the General Staff seemed to be guided by industry and I just wondered if you have been able to determine yet which was the dominant factor.

General HILLDRING. Again I would like you to get the opinion of Colonel Bernstein, who has made the most exhaustive study of this. But it seems to me, Senator, from what I have read of our investigations into I. G. Farben, that it was subservient to the Nazi government, and to the German General Staff, in that the conduct of its business was integrated with and controlled by the Government and the General Staff. On the other hand, it is certainly true that the industrial skill of the I. G. Farben outfit, which was completely at the disposal of the Government and of the General Staff, frequently guided the decisions of the Government and the General Staff.

The CHAIRMAN. In other words, you got the impression that the geopolitical end of German policy was guided by industry, even to the plans of the staff, and then industry in turn assisted the staff in carrying out its plans, so that it was a sort of unholy alliance, as Senator Guffey sometimes says?

General HILLDRING. Yes, sir; I think that is about the situation, sir. It was a symbiotic relationship for a common infamous objective.

The CHAIRMAN. And there were two purposes: Industry had gotten top heavy in its productive powers and sought to get new markets by force, and in that it was using the army. On the other hand, the Government wanted world domination for its ideology, and it was using both army and industry.

General HILLDRING. Yes, sir.

The basic directive for the control of Germany instructs the United States commander, who is also the United States representative on the control council, to prohibit all private cartels and other similar business arrangements of a public or quasi public nature which exercised regulation over marketing arrangements, production, prices, industrial technology, and sales.

The CHAIRMAN. General, you state that the United States commander there, who is also our representative on the control council, is directed to prohibit all private cartels and other similar business arrangements in Germany. It is my understanding the major portion of German heavy industry is concentrated in the British zone and not in our zone of occupation. Can you tell us whether the British representatives on the control council have a similar directive to prohibit such cartels and break up such cartels as have already been formed?

General HILLDRING. I haven't information as to the detailed instructions which the British military governor has, Senator, but we have gotten quadripartite agreement on a wide variety of matters related to this general subject, which, in addition to the fact that the British subscribed to the Potsdam Declaration, would lead me to believe that our policies are not far apart.

The CHAIRMAN. I have been informed that to start out with the British policy, or at least the British aim, was not similar to ours, but that they have been gradually working into closer harmony with our operators there. Have you seen that—that their people on the ground are working in better harmony with us than they were at the outset?

General HILLDRING. I could wax rather eloquent on that point, Senator, without taking credit—

The CHAIRMAN. Our people on the ground have been doing a little bit of salesmanship on the British?

General HILLDRING. This much I will say, Senator, I think that today—I think we will all agree, that to work out the solution of our

problems in the international field with our partners, the British and the Russians and the French, is one of the most important activities we are carrying on.

The CHAIRMAN. I think that is right.

General HILLDRING. And I think the record which has been made in Berlin and Vienna, in bringing together in tangible accomplishment between the Soviet and the British and the French and ourselves, is a really noteworthy achievement, and it is true that in the beginning when we first sat down around the table, it took us a little time, a little longer to agree on these things than it perhaps should, but the rapidity with which we are reaching agreement on matters of transcendental importance today in Berlin and Vienna is a real achievement in cooperation with our three partners.

The CHAIRMAN. As I understand it, the Council gets out a general plan?

General HILLDRING. Yes, sir.

The CHAIRMAN. And then it is left to the commander in each district to implement that plan by appropriate localized orders; is that right?

General HILLDRING. That is the procedure today with respect to all matters on which we do reach quadripartite agreement.

The CHAIRMAN. There may be differences in the local orders that are issued, but you do find from your observation that there has been gradually a better working together than there was at the outset?

General HILLDRING. Yes, sir; there certainly is a much better working agreement.

On the matter of executing the quadripartite decisions in Berlin, Mr. Chairman, I just want to refresh your memory on the fact that it was decided at Potsdam that we would establish some central control machinery for the purpose of executing some of these decisions in certain fields, which for reasons which you know, we haven't yet been able to accomplish. But three of the four partners have already agreed on that, and it seems to me that when we are able to institute that central machinery, the differences in execution in the four zones, which you alluded to, will be very largely overcome.

The United States commander is likewise instructed to prevent production in and to take custody of all plants and equipment designed for the production of arms, munitions, and implements of war and to hold such plants for subsequent disposition.

The CHAIRMAN. When you say the United States commander is instructed to prevent production in and take custody of all plants and equipment designed for the production of arms and munitions, do you mean plants which are only necessarily related to war production or plants which have been and could be again readily devoted to such production?

You know, in all-out war about 95 percent of production can be adapted to war purposes. I know one illustration in this country in which a plant that manufactured a certain drug that was vitally necessary in hospitals was immediately converted to manufacture of an extremely valuable explosive.

General HILLDRING. That is a pretty difficult question to answer.

The CHAIRMAN. That is why I believe you have a very difficult problem in regard to the German munitions industry. A plant that makes tractors can make tanks.

General HILLDRING. If you mean that we will seize and prohibit production in any plant that can be converted to war use, that might mean any industry.

The CHAIRMAN. That is what I am getting at.

General HILLDRING. In other words, if you had a building with electrical power connected to it, regardless of what it was making, you could convert that plant to a war use.

The CHAIRMAN. By changing machinery.

General HILLDRING. By taking out the machinery that is in there and putting in other machinery.

The CHAIRMAN. Or by converting some of the machinery?

General HILLDRING. So if I were to say yes to that, it might be interpreted as meaning that we will leave no industry in Germany, and that is not our intention, Senator.

The CHAIRMAN. Then shouldn't our policy with respect to German industry just be a tough policy which will take no chances that it will again menace peace and security, and eliminate all specialized arms plants?

General HILLDRING. All of them.

The CHAIRMAN. But on the other plants, eliminate down to what is necessary for German existence, or subsistence, so that they won't have anything to convert, that what they do have will be necessary for them to get along with.

General HILLDRING. In general, you have given in that statement, Senator, our general policy.

The CHAIRMAN. We will eliminate all given war plants that are used solely for the manufacture of munitions?

General HILLDRING. That is correct.

The CHAIRMAN. And in regard to other plants, reduce them down to a potential that will just take care of Germany?

General HILLDRING. That is correct, sir.

The CHAIRMAN. So that they can't be expanded into a war potential?

General HILLDRING. Yes, sir.

The plants and equipment required for reparation will be removed; those remaining will be destroyed if they are especially adapted to the production of arms, munitions, and implements of war. The directive also prohibits the production and acquisition of facilities which produce parts or components especially designed for incorporation in arms, munitions, and implements of war, as well as airplanes and merchant ships.

United States policy is to permit technological and scientific research in Germany only after it is affirmatively established that contemplated research will not contribute to Germany's future war potential, and even then only under careful licensing and other appropriate safeguard.

The CHAIRMAN. I understand that research is being permitted in some German plants. What actual safeguards have been set up in those plants in order to make sure that Germany is not conducting war research?

General HILLDRING. In the United States zone they are all licensed and inspected. On a quadripartite basis I don't believe we have come to any German-wide arrangement on that, Senator, but as an indication that our partners contemplate with respect to research the same

general view we have, I can point to the Control Council law No. 9, which has already been approved by the four partners, which has as one of its objectives the control of research. I should again say that that unquestionably will mean a system of licensing and, more important, of scrupulous and eternal inspection.

The CHAIRMAN. Then any plant, in order to do research, must first seek a license?

General HILLDRING. That is right, sir.

The CHAIRMAN. Then having obtained a license it is subject to inspection to see that it doesn't violate the limitations of that license? It couldn't go into, shall we say, atomic research or something of that nature, because in a very short time inspectors would catch them? You have the necessary scientific personnel with the inspection departments to make sure what is going on, don't you?

General HILLDRING. We do in our zone, largely. The point I want to clarify again, Mr. Chairman, is that that is not yet on a quadripartite basis, but the fact that it is likely to be is indicated, as I say, by this incorporation of the fact that research is to be controlled across the whole of Germany.

The CHAIRMAN. That can go in the record?

General HILLDRING. Yes, sir; that can go in the record.

(Control Council law No. 9 follows:)

CONTROL COUNCIL LAW NO. 9, PROVIDING FOR THE SEIZURE OF PROPERTY OWNED BY I. G. FARBEINDUSTRIE AND THE CONTROL THEREOF

In order to insure that Germany will never again threaten her neighbors or the peace of the world, and taking into consideration that I. G. Farbenindustrie knowingly and prominently engaged in building up and maintaining the German war potential, the Control Council enacts as follows:

ARTICLE 1. All plants, properties, and assets of any nature situated in Germany which were, on or after May 8, 1945, owned or controlled by I. G. Farbenindustrie A. G. are hereby seized by and the legal title thereto is vested in the Control Council.

ARTICLE 2. In order to control the seized plants, properties, and assets which belonged to I. G. Farbenindustrie, there shall be created a committee consisting of four control officers appointed by the respective zone commanders. Policies agreed upon by the committee on behalf of the Control Council shall be implemented in each zone by the zone commander, acting through his control officer.

ARTICLE 3. The committee shall accomplish the following ultimate objectives in respect of the plants, properties, assets, and activities of I. G. Farbenindustrie A. G.:

- A. Making certain plants and assets available for reparations.
- B. Destruction of certain plants used exclusively for war-making purposes.
- C. Dispersion of ownership of remaining plants and assets.
- D. Termination of cartel relationships.
- E. Control of research.
- F. Control of production activities.

Plants reported by the committee as available for reparations or for destruction shall be processed through the normal channels.

ARTICLE 4. All acts and things heretofore done or performed by the zone commanders, and their respective control officers in connection with seizing the management, direction and control of I. G. Farbenindustrie A. G. in their respective zones are hereby ratified, approved, and confirmed.

BERLIN (continued). Following is in reference to item 6 of last conference and refers only to American zone:

- (a) No I. G.-owned plants have been destroyed.
- (b) Two Montan (Reich-owned) (I. G.-operated) explosives plants have been destroyed (DAG Ebenhausen Kaufbeuren).
- (c) No I. G. or Montan plants are earmarked for destruction.
- (d) One plant DAG Hesse Lichtenau, a Montan plant, is earmarked for reparations.

(e) Fourteen Montan-I. G.-operated plants (including (b) and (d) above) were recommended for reparations by the I. G. control officer to the Industry Branch. No action taken by the Industry Branch other than indicated in (b) and (d) above.

(f) Two of the remaining Montan plants, Ettringen and Kaufering, were never in operation.

(g) Reporting on current manufacturing operations is fragmentary and inadequate.

(h) Some information is available for 64 plants:

1. Twenty-four plants report employment as of October 31, 1945, of 11,500 persons for production or repairs. No operating information for remaining 40 plants.

2. Twenty-one of the twenty-four plants are in production including one Montan explosives plants (another is being repaired).

3. Of 20 I. G.-owned plants in production, 13 produced direct war materials. They are now employing about 10,000 persons and are producing explosives, cartridges, powder fuses, dyes, acetone, drugs, other chemicals and celluloid products. Hoechst now has 5,000 employees and Biebrich 3,156.

4. Seven I. G. plants not classified as direct war plants are producing oxygen, gasoline, buna rubber articles, and other products.

(i) Analysis of long form questionnaires submitted to the I. G. control officer indicates the following:

1. Removal of war potential is considered secondary to the requirements of the civilian economy. Only 6 of 32 manufacturing plants reported on were recommended by subcontrol officers for reparations or for destruction; 4 of these 6 plants were Montan (Reich-owned) and I. G.-operated.

2. Reparations are recommended only from direct war plants.

3. Fifteen or twenty-one war-production plants were recommended for continued operations.

4. War-production plants are reported less feasible for independent operations than plants not classified as producers of direct war material.

5. Revival of large-scale operations and monopoly practices are explicit in the recommendations for grouping Hoechst, Griesheim, Offenbach, and Mainkur plants.

6. Tabulation discloses the highly improbable conclusion that no war research was carried on in I. G. plants.

BERLIN (continued). Following is extracted from latest I. G. study which will be forwarded: "I. G. Farben subcontrol officer recommendations on war production plans needed by the civilian economy—

"1. Hoechst. This plant produced about 15-20 percent of the total German production of dinitrobenzene; approximately 4 percent of the total German production of white salt for hexogen and yellow meal (propellant). The statement is made that nitric acid and equipment is too massive to dismantle and, in addition, nitric acid is essential for the manufacture of dyestuffs, pharmaceuticals and synthetic nitrogenous fertilizers; also this plant is the only nitrate fertilizer plant in the United States zone. Regarding the production of chemicals, the following recommendation is made: Since the plant was not an essential war plant, operation might be at German peacetime requirements or for delivery of drugs and chemicals in reparations and restitution or a combination of both purposes. The plant would be of more value as an operating one than as a source of machinery and other equipment, i. e., motors, turbines. Before considering demolition, thought should be given to the fact that the products manufactured were practically peacetime needs and conveniences rather than war materials; however, sulphuric acid, nitric acid, and chlorine were of practically all types of explosives and no doubt a large portion of the acid output of the plant was used at the plants that produced military explosives.

"2. Anorgana Oendorf. This plant produced mustard gas from 1941 through 1945. The recommendation is as follows: This is a war plant and is available for reparations. It is felt, however, that the plant would aid in the over-all economy of Bavaria to such an extent that the plant should not be made available for reparations until the middle of 1946. This statement is based on the ability of the plant to produce pharmaceuticals, solvents, and detergents for both civilian and Army use. Example of recommendations are (as?) not feasible to operate as an independent unit; Griesheim chemicals plant I. G.—I do not feel that it would be practical or economically sound to operate this plant as an independent unit. It is my belief that the Griesheim chemical plant could be combined with the Hoechst plant as one plant for the following reasons: (1) Geographically the plant is near Hoechst; (2) many of the intermediates made here

are necessary for the manufacture of products at Hoechst; (3) in the past all matters for Griesheim are handled by Hoechst with the exception of wages, sales and a few minor other matters. * * * The only major changes necessary would be to combine Griesheim with the Hoechst sales organization (this having been handled in the past by Frankfurt) and put the Griesheim plant under the management of the Hoechst plant. Steedener Kalkwerke has very extensive new installations erected specifically to meet the burnt lime requirements of the synthetic rubber plant of I. G. Ludwigshafen. The plant can therefore only operate economically if these facilities are producing in their normal capacity. To justify operations it is necessary that the plant be guaranteed a continuous large scale demand for lime. Such a demand exists only with some of the larger chemical works. Thus to assure a normal and profitable production, the best arrangement would be direct combination with a big chemical work. The plants which are particularly in need of lime on this basis are all former I. G. Farbenindustrie plants—Ludwigshafen for carbide production, for insecticides and for lacquers; Hoechst for production of artificial fertilizers; A. G. fur Stickstoffdunger Knapsack (British zone) for carbide production. A similar connection with the steel industry is possible although this plant is equipped to produce a higher grade lime than is necessarily required by the steel industry."

WASHINGTON. For the Kilgore committee hearings we require from Frankfurt: (1) Copies of the Polish and Czech Dyestuffs Agreements, (2) all additional microfilm completed since we left Frankfurt, especially the microfilm exhibits to the von Heider-Kugler-Bergwardt studies on I. G.'s relations to firms in occupied countries and I. G.'s participations in these countries. These studies were contained in red folders and were being handled by Anne Friedman.

BERLIN. O. K.

WASHINGTON. The following questions re the Farben law are asked simply in order that we may understand the application of the law:

(a) Why is article 3B limited to plants used exclusively for war-making purposes?

(b) Is there any clear indication of the test or formula, etc., desired by the four participating countries in determining what plants and assets are to be available for reparations?

(c) Who are to be designated as members of Farben Control Committee?

BERLIN. (a) Destruction of plants other than those used exclusively for war-making purposes is not planned. Such nonexclusively war plants are presumably available for reparations.

(b) We know of no clear tests or formulae.

(c) In the reorganization proposal sent to Clay today by the special committee and concurred by Dodge and Fahy, it is suggested a special deputy be set up in the Economics Division to do the decartelization job. It is anticipated he would be the United States member of the Farben Control Committee.

WASHINGTON. Why did Colonel Boyd of Industry Branch consider no action respecting 14 Montan-I. G.-operated plants was necessary except as indicated in your item 3B and D (see p. 2 of this transcript)?

BERLIN. We do not know the status.

WASHINGTON. What are included in direct war plants and what is considered direct war matériel? Who approved recommendation that reparations be made only from direct war plants?

BERLIN. Direct war plants are those plants that produce arms, ammunition, and poison gas explosives, other implements of war components or parts for any of above major ingredients. In addition, plants producing chemicals, not including medicines or pharmaceuticals, synthetic rubber, synthetic petroleum, magnesium. Recommendations for reparations only from direct war plants have not been officially approved. These recommendations were made by I. G. subcontrol officers to the control officer of I. G. Farben finance division. These recommendations are indicative of future plans regarding reparations.

WASHINGTON. Whose tabulation indicates that no war research was carried on in I. G. plants? On what was tabulation based?

BERLIN: DICEA tabulation of questionnaires submitted by subcontrol officers to control officer I. G. Farben indicates that no war research was carried on in I. G. plants. The questionnaire submitted by subcontrol officers was initiated by the I. G. Farben control officer and issued by the Industry Division for completion by each subcontrol officer in charge of a plant.

WASHINGTON. What are reasons given for recommendations that Offenbach and Mainkur plants be grouped with Hoechst and Griesheim? What is status of these recommendations? Who has approved them?

BERLIN. Interplant dependency is basis for recommending grouping of Offenbach Mainkur Hoochst Griesheim. The principal purpose of the long form is to elicit information and recommendations upon which to formulate a program for the accomplishment of the objectives announced in general order No. 2 which directed the seizure of the direction and control of I. G. Farbenindustrie and the possession of all its property in the United States zone. These recommendations are now being considered in the formulation of the above-mentioned program.

WASHINGTON. We will send you in next few days copies of printed Farben report which constitutes a considerable revision of September 12 report. Also expect within 2 weeks to have printed all exhibits to revised report and copies will be forwarded to you. Additional information in report reveals in even clearer terms the iniquitous role of Farben in the conspiracy to wage aggressive war. What information or findings have come from the Quadripartite Farben Investigating Committee set up on August 10?

BERLIN. We have seen no results produced by that committee.

The CHAIRMAN. Go ahead, please.

General HILLDRING. It is also our firm policy to limit to minimum essentials the production of iron and steel, chemicals, nonferrous metals (except aluminum and magnesium) machine tools, radio and electrical equipment, automotive vehicles, and heavy machinery.

The CHAIRMAN. When you say it is our policy to limit to minimum essentials the production of these materials, what schedules have you in mind? Have schedules been prepared as to what minimum number?

General HILLDRING. They are being discussed in quadripartite committees in Berlin, Mr. Chairman, to establish the maximums—the maximum that will be permitted for this minimum economy.

The CHAIRMAN. This Hoover report has been much publicized. Is that report in conformity with the schedule, or is it the schedule, or just what has happened?

General HILLDRING. The Hoover report, widely discussed and, I think, helpfully discussed, Senator, did not represent the view of the Office of Military Government of Germany.

The CHAIRMAN. In other words, that was Mr. Hoover's own theory which he put up?

General HILLDRING. It was the opinion of his committee, of the committee of which he was chairman. It was not representative of anything more than the opinion of this committee, and as a working basis, as a point of departure for discussions, as such it has served a useful purpose. It was not approved by anybody above the level of the committee that contributed it, but as a working document, it was submitted to the quadripartite committee on the level of living in Germany.

The CHAIRMAN. General Clay did not adopt it as policy at all?

General HILLDRING. He did not adopt it.

The CHAIRMAN. It was somewhat similar, shall we say, to a bill that is introduced in the Congress, which goes into committee and the committee amends it and reports it out, and then it may be completely torn apart on the floor and an entirely new bill substituted?

General HILLDRING. That is a very good analogy, Mr. Chairman.

As an essential part of our economic security policy, the Potsdam Declaration provided that the Control Council would take steps to exercise control over German-owned external assets which were not under the control of those United Nations which took part in the war against Germany.

In urging upon the Control Council methods for effectuating this mandate, General Eisenhower stated in the Control Council that the

Four Powers had already created one new precedent in international law in bringing the Nazi war criminals before an international court for trial and that he did not object to the establishment of additional precedents. General Eisenhower then urged that in the name of justice, it was necessary to reach those foreign assets which by many devices have found haven outside Germany.

On October 30, the Control Council enacted the so-called vesting and marshaling decree. All rights and interests in any property outside Germany owned or controlled by any natural or legal person of German nationality inside or outside Germany were thereby vested in a newly constituted German External Property Commission composed of representatives of the four occupying powers and constituted as an intergovernmental agency of the Control Council. In the decree's preamble, it is stated: "* * * The Control Council is determined to assume control of all German assets abroad and to divest the said assets of their German ownership with the intention thereby of promoting international peace and collective security by the elimination of German war potentials."

The CHAIRMAN. General, what is the relationship, if any, between the External Property Commission, which has been set up to vest Germany's assets in foreign countries, and DICEA?

General HILLDRING. There will be a great deal of relationship, Mr. Chairman, between DICEA and this Commission, rather the American member of the Commission, and it is General Clay's intention, and General McNarney's, to have the Chief of DICEA serve as the American member of this Commission, in order that there may be no conflict as to United States policy.

The CHAIRMAN. Who is the Chief of DICEA now?

General HILLDRING. Colonel Bernstein.

The CHAIRMAN. The American representative then on the Commission hasn't been definitely named yet, but it has been determined that whoever is Chief of DICEA will be the American member of the Commission?

General HILLDRING. That is correct.

The CHAIRMAN. Who formulates the policy and directives which guide the American representative in carrying out his functions on the Commission?

General HILLDRING. In that regard, Mr. Chairman, we go to the same policy source that we do on all other matters. Our State Department will establish the policy, and I have had some conferences with the State Department official who has that particular responsibility.

The CHAIRMAN. Has the External Property Commission taken any specific action yet to secure cooperation of the neutral governments in ferreting out and finding out what these resources are?

General HILLDRING. I think not. This is a rather recent declaration, Mr. Chairman, and this Commission was organized as late as last week.

The CHAIRMAN. I am wondering if anybody has studied the impact of that on the Alien Property Custodian's duties in the United States?

General HILLDRING. That, again, under the directive of the President, would be a function of the State Department to see that civilian agencies of the Government, any agency of our Government that was involved in any policy in connection with this business, be consulted

and their views considered in respect to any policy formulated in the foreign field in the occupied areas. I am certain that the State Department is doing that.

The CHAIRMAN. I think this Commission has one of the toughest jobs.

General HILLDRING. There is one point there; this decree does not vest title to German properties in the United States.

The CHAIRMAN. So that would still be under the Alien Property Custodian?

General HILLDRING. That is right; but he would still have some marginal interest in this problem, it would seem to me.

The CHAIRMAN. Frankly, that appears to me an even more difficult job than you have in Germany. You can lay your hands on things there in a tangible form. In neutral and other countries it is a much more difficult job, and you can do nothing in the neutral countries without complete cooperation of DICEA. They are the source of information from which you work, and I think it is a wise choice to put the head of DICEA on as the member of the Commission.

General HILLDRING. Yes, sir; in order that they may be completely integrated.

The Control Council is now actively considering the provisions of a law which will prohibit excessive concentrations of German economic power and prohibit German participation in international cartels. The position of the United States member is greatly strengthened by the results, already known, of the investigations made by the United States military government of I. G. Farbenindustrie and similar organizations.

The CHAIRMAN. I wonder whether the question has been raised in regard to the possible future collection of royalties on German patents. If you remember, after World War I, there was paid to Krupp a little over 70,000,000 American dollars on accrued patent royalties on armor plate, or a process used by us in fighting the war. Such accrued royalties might form a tremendous source of German capital abroad.

General HILLDRING. Senator, I have to admit that is one thing my bright youngsters haven't brought to me yet. Maybe one of them could answer that question.

The CHAIRMAN. We may have companies in the United States that under their contracts accrued a certain amount for such royalties.

General HILLDRING. Can you find an answer to that question?

Lt. Col. ERNEST A. GROSS. I think it is contemplated, sir, that all German external assets in the United States, including, without doubt, royalties due, would be available for reparations payments. However, that is not within the scope of the War Department.

The CHAIRMAN. I am wondering whether you have somebody or some group watching that situation?

General HILLDRING. Write that down, Colonel.

Thank you, Senator, we'll pry into that one.

The CHAIRMAN. I remember in a hearing in 1941, covering various German patents, statements were made to us by corporate heads on the postwar royalty situation, and I have been keeping an eye on that all the way through.

General HILLDRING. We will also, hereafter.

The CHAIRMAN. I don't want that to be a part of the cost of the war. General HILLDRING. All members of the Control Council have agreed to the principle that—

* * * for the purpose of preventing Germany from endangering the safety of her neighbors or again constituting a threat to them or to international peace, and in order to destroy Germany's economic potential to wage war, and in order to facilitate Germany's reconstruction on a peaceful and democratic basis, it is essential that the German economy should be decentralized by the elimination of all excessive concentration of economic power as exemplified, in particular, by cartels, syndicates, trusts, combines, and other types of monopolistic or restrictive arrangements which could be used by Germany as instruments of political or economic aggression.

There remains only final quadripartite agreements as to the exact means of implementing this agreed principle.

This is one of the real achievements of those four negotiators that I spoke of earlier, sitting in Berlin, Mr. Chairman.

The CHAIRMAN. I discovered abroad that the coal cartel practically controlled the technical management of all coal mines. While individual corporations would own a mine, they had to get their management out of the cartel group, because they had all the experienced men on contract. It seems to me that is one reason why occupation is going to have to last a long time, to convince these men that they can break their contracts and go to work for individual plants without suffering reprisals from the old cartel group.

General HILLDRING. That is very true.

The CHAIRMAN. I remember very well in both the Ruhr and the Saar Basins, you were having to use the management from the old cartel group in order to get the mines in operation.

General HILLDRING. In the early days after the collapse.

The CHAIRMAN. That's right. After the collapse you couldn't find technical and skilled personnel who were not under contract to the cartels.

General HILLDRING. Another token of our determination to crush Germany's war-making potential is Control Council Law No. 9, passed on November 30 of this year. This law provides for the seizure and control of all property owned or controlled in Germany by I. G. Farbenindustrie. That is the law I have already submitted.

It is because I. G. Farbenindustrie deliberately and prominently contributed to and fostered Germany's war-making potential that its properties were seized and title vested in the Control Council. The enactment provides that certain plants and assets will be made available for reparations; plants used exclusively for war-making will be destroyed; cartel relationships will be terminated; ownership of remaining plants and assets will be dispersed and research and production activity will be rigorously controlled.

What are we now going to do about these cartel organizations which we discover to have contributed so mightily to German's war machine? How will we render them impotent to support another aggression. As I have pointed out, the Control Council has now agreed that the economic power of cartels, syndicates, trusts, and combines will be eliminated.

That is a quadripartite agreement, sir. That is, across the board.

In order to assure the accomplishment of this aim, excessive concentrations of corporate ownership and management will be broken up and prohibited. Ownership and management of plants and assets

which are not removed for reparations or which are not destroyed will be dispersed and the complex devices by which the Nazi government fostered central ownership and control will be outlawed. German participation in international cartel arrangements will, of course, be prohibited.

The facts which we are discovering concerning the activities of these organizations will not only enable us to accomplish our objectives intelligently and speedily, but should also serve to generate an informed public opinion which will support our efforts to insure that these measures have genuine and lasting effect.

The CHAIRMAN. General, I recently read an article, I believe in the Saturday Evening Post, on the subject of cartels, in which the writer insisted that, for instance, Netherland's industries could not exist without cartels, and indicated that European industry drew its lifeblood from cartels. Have you heard any talk of that kind abroad?

General HILLDRING. The War Department's responsibility, as you know, Senator, in Europe today is delimited entirely by the frontiers of Germany and Austria.

The CHAIRMAN. But if that sentiment exists in the liberated and so-called neutral countries, our efforts to eliminate cartels may meet with such resistance that it will be hard for us to get cooperation. I am wondering if you have heard of that?

General HILLDRING. Without saying just that as bluntly as you have, Senator, I think I tried to indicate it by pointing out that despite the fact that there may be such feeling on the part of certain of the United Nations in Europe, we did get law No. 9 through the Control Council.

The CHAIRMAN. And I think it was an accomplishment. The example used in this article was the N. V. Philips Co., in Holland. They said they simply couldn't exist without that, and they went on to cite the profits made by that branch which was seized as against the profits made by that branch which was with the Allied Forces, plants located in England, the United States, and various other places.

The cartel groups have apparently been very busy with propaganda, trying to convince the working people that they would suffer if cartels were outlawed. The cartelists have been beating the drums and carrying the torch over in Europe, and even in this country to some extent, if one may judge from this article in the Saturday Evening Post.

How did this JSC 1067 come to be drawn? Was it just a meeting?

General HILLDRING. Last March the President of the United States issued a directive to five agencies to prepare instructions to be given to the United States Military Governor in Germany, based on principles which he laid down in this directive.

The CHAIRMAN. Then it came out as a result of State, War, Navy, and other interested agencies?

General HILLDRING. State, War, Navy, Treasury, and FEA.

The CHAIRMAN. Their joint thinking?

General HILLDRING. Joint thinking on that resulted in the preparation of IPCOG-1, which later became known as the rather famous JCS 1067.

The CHAIRMAN. Is there any plan for writing any revisions to 1067 along the lines suggested by Byron Price or by the Colmer committee?

General HILLDRING. Yes; Mr. Chairman. The President has referred as you probably know, the Byron Price Report to the three secretaries, State, War, and Navy, who are presently considering the revision of 1067 in accordance with the request of the President.

The only thing that has been done so far is to ask the United States Military Governor of Germany what his recommendations are with respect to that. That is the only step that has been taken so far.

The CHAIRMAN. Could you say now that there is an intention to revise it to such an extent as to change its intent and purpose, or will it just be revised to make it a little more workable?

General HILLDRING. You really should get a policy maker of the War Department, a Secretary or Assistant Secretary, to answer that question, or a member of the State Department; but I can say this, Senator, perhaps without offending the policy makers, and perhaps without offending Mr. Price—I told him this at the time: General Clay and I like 1067.

The CHAIRMAN. That is what I wanted to hear, and it is hoped that men on the ground will, as far as possible from their information, control the revisions in that.

General HILLDRING. Maybe I shouldn't have said that. It sounds like disagreement with the President's inspector. But it is the way I feel.

The CHAIRMAN. No; I don't so consider it, but I am asking this from the viewpoint of people on the ground. Is there any current plan to amend the program for dealing with Germany as embodied in the Potsdam agreement, that you know of, that is under consideration?

General HILLDRING. You have gotten way over my head, Senator. As you know, the Potsdam agreement—

The CHAIRMAN. But you, as an individual—do you know of any such plans?

General HILLDRING. No, sir; I do not.

The CHAIRMAN. So far as you know, that really represents our policy in Germany at the present time, and you know of no idea of changing that—that has been transmitted to you.

General HILLDRING. That's right, sir; there has been no—

The CHAIRMAN. I don't want to ask you to go into another echelon at all. Is it any part of American policy to deal with the western zones of Germany as a buffer against the U. S. S. R.?

General HILLDRING. There is no such policy that I know of.

The CHAIRMAN. There is no such line of thinking among the occupational forces that we have over there?

General HILLDRING. That's absolutely right.

The CHAIRMAN. That is what I wanted to bring out.

General HILLDRING. I think, Senator, that our record of achievement with our Russian allies to date is the best proof that that is not so. There is the finest understanding between the military governor and the Russian representative, as is evidenced by the great amount of accomplishment that has occurred.

The CHAIRMAN. But, General, do you realize one thing: Those things have never really been said publicly, and the country would rather welcome such a statement because it would set their minds at rest. It has all been a matter of inference, and the people don't know, and some others don't know.

General HILLDRING. I am delighted with this opportunity to disavow it most emphatically, Mr. Chairman.

The CHAIRMAN. Thank you for coming up, General.

General HILLDRING. Thank you for the opportunity, Mr. Chairman.

The CHAIRMAN. At this time I want to introduce in the record a news item from the New York Herald Tribune of December 11, 1945, regarding 26 plants listed by the Allies for reparations. That is the first time that a list has been published so far.

(The news item referred to follows:)

[From New York Herald Tribune, December 11, 1945]

TWENTY-SIX NAZI PLANTS LISTED BY ALLIES AS REPARATIONS

RUSSIA GETS 47.8 PERCENT OF FIRST GROUP FROM ZONES HELD BY UNITED STATES, BRITAIN, FRANCE

(By Russell Hill, from the Herald Tribune Bureau)

BERLIN, December 10.—The first list of German war plants available for reparations has been approved by the four-power coordinating committee of the Allied control authority, it was announced today. The plants have been earmarked for delivery either to the Soviet Union or to western claimants.

Unanimous agreement was reached at a quadrupartite meeting held last Thursday, with Lt. Gen. Lucius D. Clay, American deputy military governor, in the chair.

There was considerable discussion before unanimous agreement was reached, but the fact that a decision was made is regarded as encouraging. Since the United States was not claiming any of the plants on this first list, Clay was able to act as mediator as well as chairman.

From 26 important plants in the American, British, and French zones of Germany, valued at 231,972,405 (1938) reichsmarks (about \$93,000,000), equipment worth 111,250,811 marks, or 47.8 percent of the total, will go to Russia.

The remaining plants have not been assigned to individual nations, and an inter-Allied reparations agency which will meet at Brussels must decide on their division among those of the western nations which have put in claims. The western nations include all except Russia and Poland, whose claims are to be satisfied from the Soviet Union's share.

The 17 so-called western nations are the United States, Britain, France, Belgium, Holland, Luxembourg, Yugoslavia, Czechoslovakia, Greece, Egypt, South Africa, Australia, New Zealand, Canada, India, Denmark, and Norway. Not all of these countries had put in claims for plants on this first list.

Included on the approved list are such important concerns as the 25,000,000-mark Fischer ball-bearing plant at Schweinfurt, whose equipment will be divided equally between the Soviet Union and western claimants; the 25,000,000-mark Blohm and Voss shipbuilding plant at Hamburg, which goes to the western powers, and the 27,000,000-mark Krupp metallurgic plant at Borbeck, which goes in its entirety to the Soviet Union.

FIVE OF LARGEST TO RUSSIA

Of the 26 plants 5 of the largest were allotted to the Soviet Union, 2 were split up, and 19 were allocated in their entirety to the western nations.

Equipment valued at 120,993,915 marks comes from plants in the British zone and at 110,699,000 marks from factories in the American zone. Only 1 plant, the smallest of the 26, valued at 279,490 marks is located in the French zone.

The giant Krupp Works at Essen were withdrawn from the list after the Russians stated that they did not want them and would prefer to see them destroyed. It is understood that claims of other interested nations will be satisfied before the remainder of the plant is demolished.

The French have withdrawn from the list the I. G. Farben Chemical plant at Ludwigshafen, which had previously been declared surplus.

The coordinating committee's decision is an implementation of that part of the Potsdam declaration which provides that advance deliveries shall be made before the final amount of reparations from western Germany has been fixed. This in turn must be done by February 2, 1946, 6 months from the signing of the Potsdam agreement.

The fact that the Russians are getting more than 47 percent of the plants on the first list does not present a deviation from the principles of Potsdam which allotted them 25 percent of the total. The Soviet Union got its claims in first and feels that it is entitled to quick action, but ultimately its share will not exceed the 25 percent laid down.

Most of the plants on this list have already been dismantled and crated and presumably the equipment allotted to Russia will be shipped without further delay. The remaining plants cannot be delivered until an allocation has been made among the various western claimants.

Among the plants allotted to the Soviet Union are the following: The underground motor parts plant at Neckarelz near Heidelberg, valued at 19,000,000 marks; the Deutsche Schiff and Maschinenbau A. G. (Deschimag), at Bremen, one of the largest shipbuilding concerns in Germany, 12,070,000 marks; the Gendorf thermoelectric plant near Munich, 9,088,000 marks, and the Bandeisenwalzwerke, a metallurgic plant at Dinslaken, 18,166,177 marks.

In addition to the Schweinfurt ball-bearing plant, the Schiess-Defries machine tool construction plant at Dusseldorf will be split up between the Soviet Union and western claimants, with Russia getting equipment worth 12,765,189 marks and the other nations getting equipment worth 3,379,110 marks.

WESTERN NATIONS' SHARE

The following plants will go entirely to the western nations: The Grosskraftwerk, a thermoelectric underground power plant at Mannheim; the Hanie & Lueg machine construction plant at Dusseldorf; the Rheinische Chamotte Dinaswerke, a fireproofing plant at Bendorf am Rhein.

Also, the Hensold optical plant at Herborn; the Mathes and Weber soda plant at Duisburg; the Waldrich lathe manufacturing plant at Siegen; the Wagner lathe-manufacturing plant at Dortmund; the Deutz Diesel engine plant at Oberursel.

Also, the Mueller machine tool plant at Esslingen; the Bohne Kohle machine-tool plant at Esslingen; the Hastedt electric power plant at Bremen; a hydroelectric plant at Teging, near Muhlendorf; the B. M. W. No. 1 and No. 2 aircraft engine plants at Munich.

Also the Kurbelwellenwerke, a crankshaft plant near Hamburg; a small-arms factory at Neuengamme, near Hamburg; the Hanseatische Kettenwerke, a plant at Hamburg manufacturing cartridge cases and small fuzes; the large Hess Luchenau explosives plant at Furstenhagen; and the Blohm und Voss ship-building plant.

The CHAIRMAN. I want to introduce also another news story from the same newspaper, of the same date, on the question of the United States breaking off talks with the Swiss on the foreign assets due to disclosures recently made as to some of their activities.

(The news item referred to follows:)

[From New York Herald-Tribune, December 11, 1945]

UNITED STATES BREAKS OFF TALKS ON SWISS' FROZEN ASSETS

WASHINGTON IS DISSATISFIED OVER ATTITUDE OF BERN ON HIDDEN GERMAN FUNDS

(By Carl Levin by wireless to the Herald-Tribune)

ZURICH, December 10.—Switzerland's hope of effecting an agreement with the United States to unfreeze between \$1,500,000,000 and \$2,000,000,000 in Swiss accounts and properties in the United States suffered a second set-back in a week today when Swiss bankers were informed that the United States has notified their Government that negotiations looking toward releasing these assets on certification may be considered broken off.

An official of a leading Swiss bank at this Swiss banking center said that the latest move in constantly deteriorating Swiss-American relations stemming from the Allied quest for cloaked German assets came in the form of a formal notification from the American Legation in Bern to the Swiss Foreign Office. The banker, who did not wish to be identified, said that he understood that the Amer-

ican representative stated that it may be some time now before any action can be taken which would permit the Swiss to use the vast capital which has been blocked in the United States since June 14, 1941.

American officials at Bern refused to comment, but from other sources it is learned that the United States action resulted from dissatisfaction with what it felt were uncooperative and dilatory tactics on the part of the Swiss regarding safe-haven legislation and the attitude of the Swiss in connection with the Allied control vesting decree on German foreign assets. Washington is said to feel that this is untenable in view of the importance of the financial disarmament of Germany.

The latest American move came as no real surprise to the Swiss Government and banking interests because of the lack of interest recently shown by the United States in the negotiations. Only last Thursday they learned indirectly of Secretary of the Treasury Fred M. Vincent's announcement of a sweeping relaxation of freezing controls for all countries except Switzerland and other neutrals.

The Swiss knew at the time of the announcement that they had not satisfied the United States and other Allies in the quest for concealed German assets. Outwardly, they took the view that there is no real hurry to unfreeze their accounts. Privately, however, the matter is one of the gravest concern here and is a growing irritant to Swiss-American relations.

The dispute is really a double-barreled affair. It involves German assets in Switzerland as well as those suspected of being cloaked under false names or in Swiss omnibus accounts with American banking and brokerage accounts.

At American request the Swiss have taken several steps recently to identify German assets here. They have taken a census of Axis holdings and on the basis of 250,000 returns filed by 25,000 persons, firms required to list German holdings have reported \$175,000,000 of German holdings in Switzerland. The clearing house reported at the same time an additional \$54,000,000 under inquiry. The Federal Council has also issued a decree ordering the opening of safe-deposit boxes stated to be German and has lifted the bank secrets act for the restricted purpose of locating German assets here, but not in the United States.

However, even the president of the State Compensation Office (comparable to the United States Foreign Funds Control Office) has said in a press conference that some Germans may not have filed returns, that others may have filed incomplete or inexact returns, that instances already have been found in which assets were greatly understated, and that the existence of some German safe deposit boxes may not have been disclosed. On the other hand, the Compensation Office pointed out that there may be some duplication of reported German assets as the result of filing returns by bankers and owners on the same accounts.

The Swiss Government has also invited the United States and other Allied ministers or other officials at Bern to visit the Swiss Compensation Office at Zurich to satisfy themselves as to Swiss sincerity in running down German assets. The American position, however, has remained unchanged since the United States officials felt that the procedure permits concealment and that implementation by the Swiss Government of decrees intended to uncloak concealed assets is so far inadequate for the purpose of digging up all the German assets in Switzerland.

The Swiss press has been vigorous in supporting the Swiss position and running down the Allied stand. One Swiss newspaper stated that the reaction of the Swiss Government to the recent Allied Control Council vote to vest all German external assets will be a "categorical no." It insisted that Switzerland also suffered losses in Germany and that these loans, which they say will exceed the German assets in Switzerland, have a prior claim on German assets which may be found here.

THE CHAIRMAN. The next witness is Col. Bernard Bernstein, GSC, Director of the Division of Investigation of Cartels and External Assets in the Office of Military Government in Germany. I believe you are the present head of this Grecian-named organization, DICEA; is that right, Colonel?

Colonel BERNSTEIN. Yes, sir.

THE CHAIRMAN. Go right ahead.

**TESTIMONY OF BERNARD BERNSTEIN, COLONEL, GSC, DIRECTOR,
DIVISION OF INVESTIGATION OF CARTELS AND EXTERNAL
ASSETS, OFFICE OF MILITARY GOVERNMENT, UNITED STATES
(GERMANY)**

Colonel BERNSTEIN. Senator, if I may, I should like to give just a little bit of background so that the whole picture is known.

I was the Director of the Finance Division of the United States Group Control Council and the Chief of the Financial Branch of G-5 in USFET.

The CHAIRMAN. You were formerly with the Treasury Department?

Colonel BERNSTEIN. Yes, sir; prior to going into the Army I was at the Treasury Department, and when General Eisenhower and the Secretary of War said in October 1942 that General Eisenhower wanted a Treasury official as his financial adviser, I got what I considered was a marvelous opportunity to go along, and I have been on General Eisenhower's staff since, as his financial adviser.

In connection with my work in the Control Council as the Director of the Finance Division, I undertook these investigations of Germany's external assets, and as part of that investigation, we undertook a series of investigations of Germany's big businesses, giant industries, and what are referred to as the Big Six banks.

In the course of these investigations, we found that it was necessary to look at more than external assets, and the investigation was broadened. In the midst of those investigations, a reorganization took place in the military government organization and my old Finance Division was broken into two parts, and part of the staff, the majority of the staff, remained in what was called the Finance Division and continued what are more generally regarded as the finance functions in military government. The remainder was transferred to the new Division of Investigation of Cartels and External Assets. Into this new Division was transferred the functions of locating Germany's external assets and investigating the existence and scope of Germany's cartel arrangements and other practices that restrict international trade.

That new Division of DICEA was created in the middle of September. I myself returned to the United States shortly thereafter and have since then been working with my staff through the usual communication channels.

I appreciate very much what General Hilldring said about the work we have done. I, myself, as he knows and General Clay knows, do not propose to return to carry on this work. The staff which I had totals about 140, about half of whom were doing professional work. These were men and women whom we had gathered together both from the services and with the help of the Treasury Department and the Justice Department from civilian life. Many of the men who were in the services were able to be converted into civilians which greatly helped them and helped me in the discharge of the work. Unfortunately, in that Division, as in many other parts of the military government organization, there is a great desire on the part of the men to return to this country, for a wide variety of reasons, and I think the organization faces now the need of getting a considerable amount of personnel sympathetic to the program if a job of that importance is to be carried out effectively.

The CHAIRMAN. Let me ask you a question at that point, Colonel. Isn't it generally recognized that this is a rather long job; that it isn't a job that is going to be finished up in 60 or 90 days, or 3 or 4 months; it is a very painstaking job in which a great deal of time will be used by the men who go over; isn't that right?

Colonel BERNSTEIN. I think that is inevitable, Senator.

The CHAIRMAN. Isn't that one of the reasons that the men want to get back? I have been informed if arrangements could be made to get their families to Europe, a lot of very good men would go, but they hate to take on a job where they will be so far away that every time they come back they will have to waste a month's time getting back to the States, and they feel they may be over there for a considerable period of time in order to accomplish the job.

Colonel BERNSTEIN. I have no doubt, sir, that that is one of the reasons, and that is a reason common, of course, to all of the military government organizations.

The CHAIRMAN. I have talked to some who have been asked to go.

Another question is this: I was informed by some newspapermen, one of them of Swiss nationality, however not with a Swiss paper, that the banking laws of Switzerland and certain other neutral countries in Europe were changed after '33 due to German influence, in an endeavor to carry on their cartel operations and their, shall we say, subterranean economic operations. Have you run into any changes in these laws?

Colonel BERNSTEIN. Senator, I am not familiar with that change in the law.

The CHAIRMAN. I raised a question about certain Swiss banking laws and the banking laws of other nations, and was told that, well, they were ancient laws that had been on the books for years; and some of the people who heard that statement then came to me and told me that that is not true, that that was done due to German influence getting into some of these smaller countries in Europe and persuading them it would be economically advantageous to them if they would change their banking laws, for instance, to permit these undisclosed deposits by numbers and things of that kind, so they could carry on these operations. I wonder if your Division has made a study of that?

Colonel BERNSTEIN. We haven't made a study of that particular law. We are, however, familiar with the effect of what is said to be the practice with regard to the secrecy of the banks. We felt that in connection with the work which we have done in Germany, and in particular in the work which we have done in the I. G. Farben. In our efforts to carry on certain investigations in Switzerland which we considered essential to locating definitely certain of Farben's assets which were held in Switzerland, and through Swiss accounts held elsewhere in the world, we have thus far been unsuccessful in persuading the Swiss authorities to allow us to have access to those records.

If I may, Senator, I would like to submit for the record the order of September 12, 1945, of the United States Group, Control Council in Germany, establishing the Division of Investigation of Cartels and External Assets as being perhaps the best statement of what the Division is supposed to do.

The CHAIRMAN. That may be put in the record.

(The order referred to follows:)

HEADQUARTERS,
UNITED STATES GROUP, CONTROL COUNCIL (GERMANY),
September 12, 1945.

General Orders
No. 52

ESTABLISHMENT OF A DIVISION OF INVESTIGATION
OF CARTELS AND EXTERNAL ASSETS

1. There is hereby established within the United States Group, Control Council (Germany), a Division of Investigation of Cartels and External Assets, which shall operate under the immediate direction of a Director and under the general direction and supervision of the Legal Advisor.

2. The Division of Investigation of Cartels and External Assets shall have the following functions and responsibilities:

a. To make investigations in Germany of the existence and scope of German cartels, syndicates, trusts and other concentrations of economic power, and to report the results of such investigations to the Legal Advisor together with recommendations to effect the elimination of such instrumentalities.

b. To make investigations in Germany of the existence and location of German external assets, and to communicate the results of such investigations to the Legal Advisor together with recommendations for appropriate action thereon.

3. The Finance Division shall retain the functions now performed by it except as herein provided.

4. The Finance Division shall transfer to the Division of Investigation of Cartels and External Assets such facilities and personnel as may be agreed to be appropriate for the accomplishment of the purposes of this order.

5. Colonel Bernard Bernstein, O918917, GSC, is announced as Director, Division of Investigation of Cartels and External Assets.

6. Mr. Joseph M. Dodge, in addition to his duties as Assistant Deputy for Trade and Commerce, is announced as Acting Director, Finance Division, vice Colonel Bernard Bernstein, relieved.

7. All orders in conflict herewith are rescinded.

By command of Lieutenant General Clay:

BRYAN L. MILBURN,
Brigadier General, GSC,
Chief of Staff.

Official:

[s] BRUCE EASLEY, Jr.,
Colonel, AGD,
Adjutant General.

Colonel BERNSTEIN. If I may make one other preliminary remark before going to my statement, you asked the question as to whether Farben was subservient to the Nazi government or the German General Staff, or who was on top. I myself feel it is pretty difficult to say which one of the group was on top; that, basically, you had a conspiracy of certain forces in Germany. The Nazi Party was one, and perhaps a more recent member of that conspiracy. The Wehrmacht and the German General Staff was an older member of that conspiracy, dating back to some of its Junker and Prussian traditions. The German heavy industry and German finance has also been a member of that conspiracy for some time. As a matter of fact, big German interests, business interests, and financial interests, including Farben, were part of a group that helped to a considerable extent in financing the Nazi Party before it came into power, perhaps the most dramatic meeting being the meeting in February, 1933, when Hitler addressed a rather large group of industrialists, including a representative of Farben, and at which time a substantial collection for the Nazi Party was taken up.

Those collections have continued from year to year, and one of the things we discovered in our investigations was a charming little organization called the Circle of Friends of Himmler, and that included

some of the leading industrialists and banking figures in Germany, headed by a gentleman called Kurt von Schroeder, who was a lieutenant general, I believe, in the SS, and each year Schroeder sent his charming little notes out to all the members of the circle and collected the usual donations, which were turned over to Himmler for the work of his organization.

The CHAIRMAN. They needed a Hatch Act over there; didn't they? You would say that that was a partnership in which the Nazi Party was really a front and an operating agency in governmental circles, and the backbone of it was a combination of industry, the General Staff, and the Wehrmacht; isn't that about what it was?

Colonel BERNSTEIN. Yes, sir; it is a partnership that goes a long way back, that is able, apparently, to produce a front from time to time.

The CHAIRMAN. And the Nazi Party with which it was dealing was a very fine thing to operate such a business organization in a country like Germany?

Colonel BERNSTEIN. Yes, sir.

In April 1945, shortly after the American Army captured Frankfurt-am-Main, an investigation of I. G. Farbenindustrie Aktiengesellschaft was begun by the Financial Branch of G-5, USFET, and the Finance Division of U. S. Group Control Council, with the help of personnel made available by the Treasury Department and the Department of Justice. Upon the creation in the Office of Military Government, U. S., in September of the Division of Investigations of Cartels and External Assets—sometimes called DICEA—that Division continued the investigation of Farben.

The investigation began as an effort to uncover the nature and location of the far-flung and carefully concealed external assets of Farben. This was a part of the U. S. program, later adopted by the U. S. S. R. and Britain at Potsdam, of stripping Germany of all of her external assets in the interest of future world security and using such assets for the relief and rehabilitation of countries devastated by Germany in her attempt at world conquest.

As the investigation proceeded and the true role of Farben was revealed, it became desirable to expand the purposes of the investigation to determine the part Farben played as an instrument of the German war machine in preparing for and waging a war of aggression.

The bulk of the information obtained during the course of the investigation was found in records of Farben, which were collected from its various offices and storage places throughout Germany and in secret caches which had been used by Farben when American occupation seemed imminent.

In anticipation of Allied victory thousands of Farben's important files were, according to the testimony of its responsible officials, destroyed just prior to the advent of the Allied troops and with such files were burned many Farben secrets.

The CHAIRMAN. Let me ask you a question right there. I gained the impression in Germany that the cartel group realized the fight was lost a considerable time before we landed on Normandy Beach-head. They felt that they couldn't win and started making their plans for the future. Did you find that that was the case from the way these records were handled?

Colonel BERNSTEIN. We felt that there must have been some plan to attempt to disperse records over a wide area; to hide records in the hope that when we finally came in we wouldn't be able to find everything.

The CHAIRMAN. And also a plan to disperse capital and assets, too—did you find that?

Colonel BERNSTEIN. We had a good deal of feeling that that has been done. Part of our job was taking a census of Germany's external assets in the hope of being able to locate the places to which they sent their assets through Switzerland and other available avenues.

Some records were undoubtedly lost because of the disarray created by the battle and by the rather large numbers of displaced persons who used the Farben headquarters in Frankfurt as billets. Considerable information was also obtained through interrogations of the leading I. G. personnel who had to be searched for throughout Germany. It is significant that this is the first extensive investigation ever conducted in Germany of Farben records and Farben officials. During the period of both the Weimar Republic and the Nazi Reich this proud and powerful firm was never thoroughly investigated even by its Government.

The situation, of course, changed a little bit after we got in and we began picking up some of these Farben officials. All the key I. G. personnel were incarcerated as soon as found, although not necessarily on the SHAEF mandatory arrest list. In all, 22 of such Farben officials were being held in prisons in or around Frankfurt. However, we realized that we had not been able to apprehend all of I. G.'s key personnel, such as Ambros, who played an important role in the development by Farben of poison gas, Wurster, Gajewski, Reithinger, Gattineau, Terhaar, and Mann. The I. G. officials who were arrested were scattered throughout the western zones and it took some time and digging to locate them.

Much has been said and written in this country about Farben. In many such instances it was necessary to guess at the real intentions and programs because of the lack of original source material in this country or any other places to which we had access. I feel, therefore, that it is important to emphasize that every statement which I propose to make, and the report which I have filed, is supported by exhibits in the report of the Farben Investigation which has been submitted to this committee.

This report represents the history of an industrial and economic empire which, as a leading force in German industry, participated twice within one generation in waging war aimed at the destruction and enslavement of the entire civilized world. Now that Farben has been investigated, it is to be hoped that the criminal role played by Farben's leading officials will result in their indictment and conviction as war criminals; and that the action taken by the Control Council in Germany in vesting the assets of Farben will be followed very soon by concrete action that will effectively destroy the menace it represents to the peace and security of the world.

II. SIZE AND CONTROL OF FARBEN

In 1927 Chancellor Stresemann, then head of the so-called "democratic" German Government, appraising Germany's economic potential, stated: "What have I as a trump in my hands aside from I. G.

and the coal people?" The I. G. referred to was I. G. Farbenindustrie, A. G., the largest, most powerful chemical combine in the world.

What the Chancellor did not have to say, as the I. G. Farben report conclusively demonstrates, is that without the trumps of I. G. Farben and the rest of German heavy industry, Germany could not have prepared for and launched a destructive war against the peace-loving nations of the world. And I. G. Farben, its size more than doubled in 12 years of tremendous expansion after 1927, was a trump, which, together with the remainder of Germany's industrial potential, almost enabled Hitler and Goering to extinguish the flame of freedom and human decency everywhere.

The CHAIRMAN. Colonel, did you ever run into any figures that showed how much of the moneys that were furnished under the Dawes and Young plans might have gone to the expansion of Farbenindustrie?

Colonel BERNSTEIN. No, sir; we did not run into any direct evidence in that respect, but we did run into a great deal of evidence to indicate that the German Government financed directly a considerable part of the expansion of Farben. It was the German Government, of course, that was able to benefit by the successive financial arrangements entered into in the twenties to relieve them from the reparations obligations of the last war.

I. G. Farben, nominally a private business enterprise, has been and is, in fact, a colossal empire serving the German State as one of the principal industrial cores around which successive German drives for world conquest have been organized. It was because of its size and the range of the materials it produced that the giant trust Farben was able to wield great influence on the German economy and the war machine in preparation for world aggression.

With a net worth of RM. 6 billions at the very minimum, Farben's domestic participations at the close of hostilities in this war comprised over 380 other German firms, in which it had some participation. Its factories, power installations, and mines are scattered all over Germany. The extent of these participations and plants are indicated on these two charts which were attached to the Farben report as charts Nos. 1 and 2. There was hardly a raw material or auxiliary product required in its manufacturing operations which I. G. did not produce within its own organization. It owned its own lignite and bituminous coal mines, electric-power plants, coke ovens, magnesite, gypsum, and salt mines.

The mines in Germany owned by Farben are shown on one of our charts, which is No. 3.

I think it is rather interesting, in looking at these charts, to see the way Farben's power is spread all over Germany. The figures that appear on the books of Farben, based on what they call their book value, indicate that the physical plants and properties owned outright by Farben, including 100-percent owned subsidiaries, are located in the respective four zones as follows: In the United States zone, 9.75 percent of the total; in the British zone, 11.5 percent of the total; in the French zone, 20.2 percent of the total; and in the Russian zone, 58.55 percent of the total.

The CHAIRMAN. I remember one particular bond issue sold in this country for building power dams in the eastern part of Germany, I believe it was. Do they have any connection with those?

Colonel BERNSTEIN. I don't know, but they did have some facilities, as you can see, in the eastern part of Germany. It went all the way

over into this area [indicating on map], including a plant at a place called Dyhernfurth, where they made their poison gas, and when the Russians were coming through that area, the Germans and Farben were particularly nervous at the prospect of the Russians getting that poison gas and they left no stone unturned to get it out.

The CHAIRMAN. Isn't it a fact that a large number of securities were sold in this country that went into the construction of some of these, particularly water-power plants and things of that kind, and Farben got a great deal of benefit from it?

Colonel BERNSTEIN. Yes, sir; and I might say a lot of the other securities helped some of the other giant industries of Germany which played such a big role in the war conspiracy.

I. G.'s foreign participations, both admitted and concealed, numbered over 500 firms valued at a minimum of RM. 1 billion. Its holding companies and plants blanketed Europe; and its research firms, patent offices, and other agencies are clustered around every important commercial and industrial center in both hemispheres.

Even at the time of its formation in 1925, the Interessengemeinschaft Farbenindustrie A. G. was more than a "community of interests of dye industries," as its name would indicate. It was also the largest producer in the world of chemicals, such as acids and caustic soda. It enjoyed a virtual world monopoly of both the young and rapidly growing pharmaceutical industry and the high-pressure chemical industry, typified by the great synthetic-nitrogen capacity, which had been built up in Germany during the First World War.

In subsequent years, I. G.'s industrial domain expanded still further into many related and unrelated fields, such as plastics and synthetic resins, light metals, rayon and other cellulose productions, detergents, synthetic tanning materials, synthetic rubber, synthetic gasoline and lubricating oils, rare gases, coal, and even iron and steel. It had acquired this domain partly through the expansion of existing plants, partly through the construction of new facilities, and partly through its network of participations.

The industrial position of I. G. in Germany had no parallel with any other enterprise. It has been estimated by leading Farben officials that Farben alone accounted for approximately 5 percent of Germany's total industrial activity.

In 1943, Farben's total sales amounted to more than RM. 3 billion. This, of course, does not include the sales of firms in which Farben had a participation. There were no other chemical firms in Germany which came close to this figure in annual sales. Of the 4,000 chemical firms spread over Germany, only 3 had sales over RM. 100,000,000: (1) Henckel et Cie., which made sales of slightly over RM. 200,000,000; (2) Deutsche Solvay Werke, of which I. G. owned 25 percent; and (3) Schering A. G., each of which sold between RM. one hundred and two hundred million a year. These three together produced only a small fraction of Farben's production and these firms and the remainder of the German chemical industry could compete with I. G. in only narrow segments of the latter's production activities.

Farben had 40,000 shares of preferred stock, 38,000 of which were held by a wholly owned subsidiary, and 2,000 of which were held by the Deutsche Länderbank, which was Farben's bank. Although the common stock of the company was widely scattered among a minimum of 140,000 stockholders, the control of a decisive percentage

of the voting power of the company was in the hands of I. G.'s managing board of directors. Since the central executive committee of this managing board nominated the members of the supervisory board of directors, who, in turn, appointed members of the managing board, the latter was, in effect, a self-perpetuating group which exercised complete control over the policies of the company. The annual general meetings were, accordingly, mere formalities.

Approximately 13 percent of Farben's common stock was owned abroad. Four large chemical companies outside of Germany, namely, Francolor in France, Solvay et Cie. of Belgium, I. C. I. in Great Britain, and du Pont in the United States, are reported by I. G. officials to have held approximately 6 percent of the total common stock of I. G. Verification of these figures has not yet been possible because of the fact that all shares of I. G.'s common stock were bearer shares, making it extremely difficult to trace ownership.

With regard to the du Pont people in this country, they have told us that they sold their interests in Farben in 1940. Although we have asked them to advise us as to the terms and conditions of the sale, to whom the shares were sold, and for what reasons the shares were sold, we have not as yet been furnished with any information by du Pont.

In addition to its numerous foreign subsidiaries, I. G.'s world-wide affiliations included hundreds of separate non-German concerns and ranged over a score of industries. Its cartel agreements numbered over 2,000 and included agreements with such major industrial concerns as Standard Oil (New Jersey), the Aluminum Co. of America, E. I. du Pont de Nemours, Ethyl Export Corp., Imperial Chemical Industries (Great Britain), the Dow Chemical Co., Röhm & Haas, Etablissements Kuhlmann (France) and the Mitsui interests of Japan. It was through the operation of these numerous international cartels, conventions, agreements relating to the exchange of information, and other similar arrangements that I. G. exercised its tremendous economic influence throughout the world.

At the outbreak of the war, for example, at least 90 percent of world exports of dyestuffs were subject to the great international dyestuffs cartels and other ancillary agreements. I. G., accounting for well over half of this total of exports, exercised by far the strongest influence on the business policies of the group. Again, international agreements to which I. G. was a leading party set the conditions of international trade in many other organic chemical products such as acetic, formic, and oxalic acids, chlorinated hydrocarbons, rubber accelerators and antioxidants. In the inorganic field, I. G. participated in far-reaching regulatory arrangements covering chlorine-alkali electrolysis, caustic soda, caustic potash, carbonate of potash, chlorate of soda, salt cake, sodium sulphide, phosphorus, permanganate of potash, bichromates, titanium white, and rare gases.

In agreements relating to the production and sale of light metals and "poundage" metals essential to the manufacture of high-speed steels, I. G. also occupied a prominent position. The sale of nitrogen products was regulated internationally by a convention of which I. G. was an important principal. There were broad agreements on fatty acids. There were similar agreements covering whole fields of industrial activity such as the field of high pressure chemistry, which included vital processes for the manufacture of methanol, synthetic

gasoline and rubber. I will discuss the general effect of these agreements, and, particularly, the manner in which they impeded our mobilization for war, at a later point.

III. FARBEN MADE GERMANY SELF-SUFFICIENT IN WAR MATERIALS WHICH SHE PREVIOUSLY LACKED, FOR THE EXPRESS PURPOSE OF PREPARING FOR AGGRESSIVE WARS

It was Farben's task to make Germany self-sufficient in certain critical war materials which Germany lacked and which are indispensable to modern warfare—rubber, gasoline and lubricating oils, magnesium, fibers, tanning agents, fats, explosives, and so forth. The nature and purpose of I. G.'s assignment were clearly stated by Dr. Struss, chief of I. G.'s technical bureau and one of the principal technicians responsible for carrying out this assignment. In a speech delivered in 1938, exhorting increased production of synthetic gasoline, Dr. Struss explained:

Italy won the Abyssinian war by modern weapons. In modern wars the consumption of gasoline for motorized troops, tanks, airplanes, is immense. * * * Although provisions had been made beforehand, it was impossible to store these enormous amounts of gasoline needed in the Italian territories on the coast before the war. As Italy has no petroleum of her own, she was relying on the continual import from abroad.

Nearly all the petroleum in the world is controlled by U. S. A. and the countries that are members of the League of Nations. If, therefore, gasoline had also been included in the sanctions, as proposed by England and France, the war would have come to an end very soon. Italy could win the Abyssinian war and build her empire only because England and France could not carry into effect their intentions.

This example will make it clear to you, that it is quite out of question that Germany will run the risk of a similar situation and for this reason also the German demand of fuel has to be covered by Germany herself before long.

Between 1933 and 1943, vast sums were devoted to an extraordinary intensification of I. G.'s research activities designed to develop substitutes for war products not available to Germany and processes for the expansion of production from indigenous raw materials. For example, to compensate for Germany's deficiency in bauxite, the raw material necessary in the manufacture of aluminum, I. G. concentrated on the development of magnesium. To make Germany independent of rubber imports, I. G.'s experts developed the famous buna process for the manufacture of synthetic rubber. When Hitler came into power Germany produced no synthetic rubber. I. G. Farben perfected its buna process and attained an output of 144,000 tons by 1943. Prior to 1936 Germany produced its sulphuric acid from imported pyrites. In that year I. G. built a new plant at Wolfen for the production of sulphuric acid from German gypsum. When Hitler started to organize for war, Germany had no oil. I. G. organized a whole industry to produce it. Germany needed serums for its army at home and in the field. I. G. produced them 100 percent.

Certain processes and materials which I. G. laboratories and stock could not supply to the Nazis directly were procured for Germany from Farben cartel cohorts in foreign countries. In an article entitled "American Business and Standard Oil's Blueprint for World Trade," which appeared in the Petroleum Times for December 25, 1943, Mr. R. T. Haslam of Standard Oil Co. of New Jersey defended Standard Oil's relationships with I. G. Farben. He stated that the "secrets

brought to America from Germany 15 years ago by American scientists have been turned into mighty weapons against Germany."

The CHAIRMAN. However, in 1941-42 it took a congressional investigation to release some of these secrets for the rubber industry—do you remember that?

Colonel BERNSTEIN. I remember that very well. I also remember during that period of time Germany was producing far more in the way of synthetic rubber than we were in the United States, and I think these congressional investigations helped the production of those items in the United States.

Among the I. G. Farben files searched in Germany, records have been discovered indicating that this article was the subject of considerable study by I. G. Farben scientists. In a studied and technical answer to the Haslam article directed to Dr. von Knieriem, Farben's chief legal counselor and member of I. G.'s all-powerful central committee, three of Farben's leading scientists, Dr. Pier, Dr. Zorn, and Dr. Goldberg, stated on May 30, 1944, that I. G. Farben gained technical information from America far more important to Germany's war effort than Standard Oil was able to obtain for the American war effort from Germany.

The I. G. answer describes the "many valuable contributions" which were received "as a consequence of our contracts with the Americans * * * above, and beyond the agreement * * * which just now during the war are useful to us"; namely: Iso-octane; toluol; oppanol; buna; tetraethyl lead; polymerization; dewaxing and de-asphaltization of lubricating oils, and parafflow; and finally assistance in purchasing a large reserve stock of aviation gasoline and aviation lubricating oil, which I. G. obtained "on the basis of its friendly relations with Standard Oil," but acting in fact as "trustee to the German Government."

The Farben answer describes particularly vividly Farben's receipt of the newly discovered method for the production of iso-octane and its utilization for motor fuels. This process, according to the German scientists, originated "in fact entirely with the Americans and has become known to us in detail in its separate stage through our agreements with them (Standard Oil, New Jersey) and is being used very extensively by us."

The process for producing tetraethyl lead, essential for the manufacture of aviation gasoline, was obtained for the Nazis by I. G. Farben in exactly the same way. Of this important acquisition, the Farben scientists stated:

It need not be especially mentioned that, without lead-tetraethyl the present method of warfare would be unthinkable. The fact that since the beginning of the war we could produce lead-tetraethyl is entirely due to the circumstances that shortly before, the Americans had presented us with the production plants complete with experimental knowledge, thus the difficult work of development (one need only recall the poisonous property of lead-tetraethyl which caused many deaths in the United States of America) was spared us, since we could take up the manufacture of this product together with all the experience that the Americans had gathered over long years.

It was, moreover, the first time that the Americans decided to give a license on this process in a foreign country (besides communication of unprotected secret experimental knowledge) and this only on our urgent requests to Standard Oil to fulfill our wish. Contractually we could not demand it, and we found out later that the War Department in Washington gave its permission only after long deliberation.

I. G. exploited its cartel connections with American firms not only to obtain these important processes, but also to obtain certain critical materials themselves. Because of its relations with Standard Oil of New Jersey, I. G. in 1936, acting as agent of the German Government at the request of Dr. Schacht, Minister of Economics, and General von Blomberg, Minister of War, was able to contract for the purchase of \$20,000,000 worth of high-grade aviation gasoline and lubricants. (Actually \$14,000,000 worth was delivered.) This fuel was transported to Germany and stored there; and the foreign exchange necessary for payment was supplied by the German Government. In 1938, when Germany had not yet begun to produce tetraethyl-lead essential to aviation gasoline, Farben, at the request of the Air Ministry and in conjunction with one of its Swiss subsidiaries, arranged to borrow 500 tons of the lead from the Ethyl Export Corp. of the United States. Farben did not return the borrowed lead to the American company and willingly forfeited the \$1,000,000 which it had put up to secure the return of the lead.

Farben not only procured critical raw materials for the German war effort, but also acted as custodian of such materials. As early as 1935 I. G. began stock piling materials for the various branches of the Wehrmacht. For example, by order of the Luftwaffe, I. G. had projected plans for a huge magnesium plant at Aken in 1933 and another at Stassfurt shortly thereafter. By 1935 production began in the Aken plant. The stocks of magnesium were stored in the form of pipe pieces placed in cases by order of the Ministry of Economics and the Ministry of War. Commenting on this matter, Dr. Struss stated:

In Bitterfeld and in Aken a large part of the production, probably the largest part, was fabricated into tubes. * * * These tubes were packed in boxes and designated "Textilhülsen." There was no doubt that these tubes were parts of incendiary bombs.

Not only did I. G. stock pile its own production, but at the same time it purchased large stocks of magnesium from the Dow Chemical Co. of America to build up its reserves for the Luftwaffe. From 1936 on, I. G. began accumulating stabilizers for explosives from all parts of the world; and so far as the stock piling of chemicals was concerned, the Wehrmacht actually ordered I. G. Farben to accumulate as large stocks of phosphorus and cyanides as they could possibly obtain.

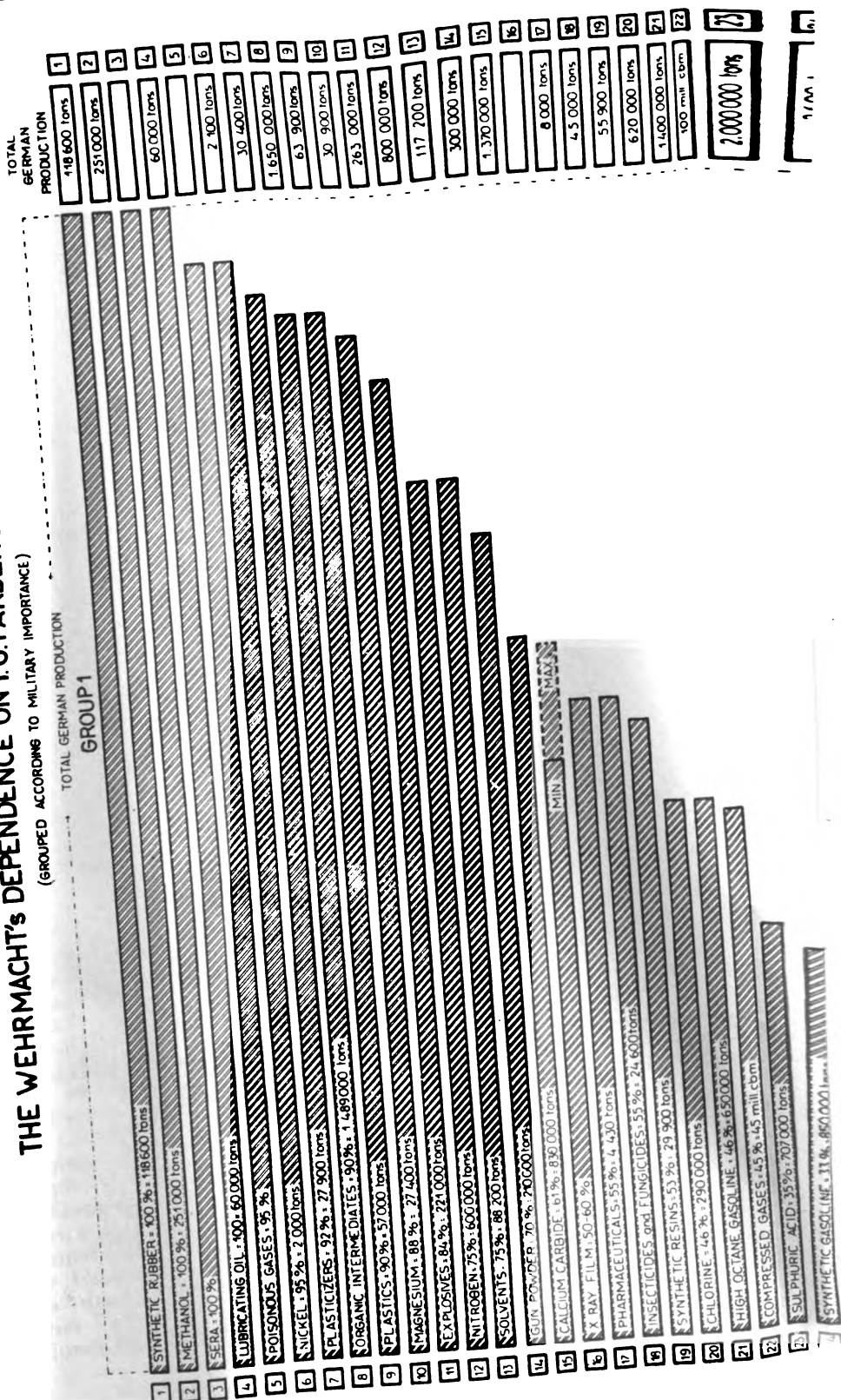
IV. FARBEN PRODUCTION WAS INDISPENSABLE TO THE GERMAN WAR EFFORT

The German war machine could not have functioned without the wide range of products manufactured for it by Farben. As the chart which I will submit here shows, Farben in 1943 manufactured 43 major products needed in the German war effort, of which 28 were of primary concern to the German armed forces, I. G. manufactured all of the synthetic rubber produced in Germany, all of the methanol, the serums, and lubricating oils. I. G. provided 95 percent of the poisonous gases and well over 90 percent of the nickel and plastics. Eighty-eight percent of the magnesium used by the Luftwaffe in its aircraft and incendiary bombs came from Farben, as did most of the nitrogen and explosives for the buzz bombs and V-2's.

It seems to me, Senator, that that chart is a very graphic portrayal of the incredibly vital role that Farben played in all of Germany's

THE WEHRMACHT's DEPENDENCE ON I.G. FARBEN's PRODUCTION (1943)

(GROUPED ACCORDING TO MILITARY IMPORTANCE)



war effort. The German Army simply couldn't have moved, or even threatened to move, unless it had an organization that produced that range in materials, and it seems to me the American public should be aware of that.

The CHAIRMAN. That chart is taken from their report?

Colonel BERNSTEIN. Yes, sir; prepared for us, as a matter of fact, by the Germans from Farben who were working under our direction.

I think that it is as vivid as any single thing we could produce for people to look at, to appreciate the role of Farben in the aggressive war program of Germany.

Not only did Farben produce practically the entire German supply of these and other essential war materials, but all other German chemical companies and numerous strategic German industries were almost totally dependent upon Farben for raw materials, for intermediate products, and for technical assistance.

The German soap industry was entirely dependent on I. G. for its supplies of detergent raw materials. The tanning industry obtained approximately 50 percent of its synthetic agents from I. G. The paint-and-varnish industry looked to I. G. for 65 percent of its raw materials. In the plastics field Röhm und Haas, Darmstadt, the only other independent producer, was totally dependent on I. G. for certain important types of intermediates. Similarly dependent was the only other producer of dyestuffs in Germany, Geigy, Grenzach.

In addition to all this, other German war industries could not have functioned effectively without the I. G. Farben know-how which was supplied to them. For instance, in the synthetic gasoline field I. G. actually produced only 33 percent of Germany's total production. Yet if we include the synthetic gasoline plants in Germany which were operated under I. G.'s license and managed by I. G.'s technical personnel, the company would have been responsible for approximately 90 percent of Germany's total output of synthetic gasoline.

The CHAIRMAN. If I remember correctly the hearings in 1942 it was testified that I. G. and Standard of Jersey formed Standard-I. G. in this country and another corporation to operate jointly, and that as their part of the contribution, Standard put in 30 million to be used in the construction of synthetic gasoline plants in Germany, which went into the German corporation, thereby gaining \$30,000,000 worth of plant facilities over there through that operation. Did you run into that?

Colonel BERNSTEIN. Farben was extremely astute in using its international contract and cartel arrangements to help get, as it were, free of charge, or with foreign financing, facilities, know-how, skills, and technology that enabled it to produce for the Wehrmacht.

The CHAIRMAN. That is the point I am bringing up. They were constantly making deals which would bring American capital in to build plants in Germany. At the same time, they were investing some German capital abroad to get control of industries in foreign countries; isn't that right?

Colonel BERNSTEIN. That is correct.

The CHAIRMAN. The dams I was thinking about were the Westphalia dams. Do you know whether that had any connection, whether Farben owned or used them?

Colonel BERNSTEIN. I do not.

The CHAIRMAN. There were rather heavy losses in the United States over the failure of that bond issue, which was executed entirely in the United States.

Colonel BERNSTEIN. In order to enable I. G. to execute this tremendous war production job, there was, of course a great expansion of its manufacturing facilities.

In the years preceding the war, more than RM. 4¼ billion, supplied principally by the German Government itself, was invested in new plants, mines, and power installations. An example of the military character of this expansion is the history of I. G.'s investments in the light-metals field. Between January 1, 1933, and January 1, 1942, I. G.'s capital investment in this field increased 1,600 percent. Between 1934 and 1935 alone it almost tripled. Just as the expansion of I. G.'s research activities was backed by the German Government because those research activities were directed toward war-connected objectives, so the German Government financed the expansion of I. G.'s productive facilities. Thus, for example, as early as 1936, the Wehrmacht, which had requested the construction of numerous types of plants, guaranteed the purchase of all production therefrom.

A compelling example of the special services performed by I. G. for the German armed forces in the production of weapons of war is the case of poison gases. In 1938 the German Government, dissatisfied with the progress made in the development and production of poison gases, called upon Farben to handle the problem. New I. G. plants for the production of these gases swung into operation and eventually, as indicated above, I. G. achieved 95 percent of the total production of poison gases. By order of the German Government many of these plants and all existing stocks of poison gas were completely destroyed before the occupation by the Russians. But at least one of the terrible secrets which the Germans hoped to save for the next war was uncovered. Our investigation has disclosed that an I. G. Farben official at Wuppertal-Elberfeld developed what the German scientists described as the deadliest poison gas in the world. This gas, unknown to the military authorities of the Allied Nations, could have penetrated any gas mask in existence.

I might say that in the interrogations of the Farben officials that occurred on this problem of the poison gas, the Germans indicated a great fear about the Russians getting the poison gas, but didn't seem to be as concerned at the possibility of either the United States or the United Kingdom getting the poison gas.

I. G. originally carried out its poison-gas experiments on monkeys; later, on human beings. For the latter purpose, inmates of concentration camps were used. I. G. Farben officials, concerned only with producing weapons of destruction, were unmoved by this use of human guinea pigs. Dr. ter Meer, one of I. G.'s leading scientists, justified the experiment not only on the grounds that the inmates of concentration camps would have been killed anyway, but also on the grounds that the experiments had a humanitarian aspect in that the lives of countless workers were saved thereby. These gases were not only used on helpless people during the stage of experimentation but were later used with full knowledge and acquiescence on the part of Farben to exterminate whole groups in concentration camps such as Auschwitz.

The CHAIRMAN. And the same thing at Dachau, in that so-called bathroom. That was one of the poison gases they used there; wasn't it?

Colonel BERNSTEIN. I believe so.

The CHAIRMAN. This information about poison gas, Colonel Bernstein, is extremely significant. Heretofore we have been told that the Nazis were the only ones who were guilty of crimes against humanity. Now in this testimony we learn that a German corporation was also guilty of crimes against humanity. I. G. Farben officials should be treated, then, no differently from the other Nazi war criminals; isn't that your impression?

Colonel BERNSTEIN. I think that must be done, sir, if one were to eliminate the entire group in Germany that is responsible for the war.

The CHAIRMAN. When I was in Frankfurt, they were questioning Schmitz, the head of I. G. Farben, and on that day he admitted that he had endeavored his best to get Hitler to use one type of poison gas which was actually deadly, and that Hitler had delayed, and he was rather condemning Hitler for not using it, because he felt it might have contributed to winning the war. Although he was always claiming loss of memory, like Hess, and others, for certain details, and always calling on his lawyer for advice before answering certain questions, he did admit that he had urged and insisted that it be used and rather resented the fact that Hitler had not used it.

Colonel BERNSTEIN. We apparently also heard some rumor to that effect and we are asking our people who are remaining on the other side to see what they can do to run it down.

The CHAIRMAN. There was an English major——

Colonel BERNSTEIN. I think it was Major Tilley who was examining Schmitz on that, and we are going to see if we can run down that information.

The CHAIRMAN. They didn't have an interpreter except Tilley and he was the only one who could talk to him.

Colonel BERNSTEIN. Major Tilley was doing a good deal of examination on that particular point. I might say our experience indicated that these key Farben officials were quite conscious of the iniquity of what Farben was doing in the field of poison gas, because the Farben officials tried to keep knowledge of the production by Farben of poison gas and its uses by the German Government as secret as possible, even in certain parts of its own organization, and it was only after rather intense investigation that we were able to get the information on poison gas out of these Farben officials.

The CHAIRMAN. I think they had been examining him for 3 or 4 days when I was there.

Colonel BERNSTEIN. Schmitz was a very difficult witness.

The CHAIRMAN. The major told me he had to get most of his answers through Schmitz' lawyer.

Colonel BERNSTEIN. That is right. Schmitz was almost one of the most recalcitrant of the witnesses that we had to deal with there.

The CHAIRMAN. He feigned senility several times.

Colonel BERNSTEIN. He was a man who was well informed on these things, as the head of the company. We feel that more recently we have had a little better luck in getting him to explain some of the transactions to which he was a party, which he instigated, particularly the role he played in some of the international cloaking transactions.

I. G. Farben's part in supplying the German armed forces with such weapons makes it clear that Dr. Von Schnitzler was not boasting when he stated in an address of welcome to the Spanish Ambassador on February 10, 1945:

But only during the war could German chemistry prove itself worthy of the task. It is no exaggeration to say that without the services of German chemistry performed under the "Four-year plan" (sic) the prosecution of modern war would have been unthinkable.

V. FARBEN WAS A NAZI AGENCY FOR WORLD-WIDE MILITARY AND ECONOMIC ESPIONAGE

I. G. Farben served the Nazi government as a principal agency for military and economic espionage throughout the world.

Farben's N. W. 7 office in Berlin was originally organized in the 1920's as I. G.'s liaison office with the various governmental agencies in Berlin. The organization of this office is shown on this chart which is chart No. 13 in the Farben report. This organization was transformed by Dr. Max Ilgner into the economic intelligence arm of the Wehrmacht.

The CHAIRMAN. That is the point I want to get to. Through the various cartel arrangements, one of the most valuable parts of German intelligence came through the German cartel group, particularly Farben, in the gathering of information from countries that they might seek to invade; isn't that right?

Colonel BERNSTEIN. That is correct, sir, and the organization that they set up to gather in this intelligence was simply an enormous one, and one that doesn't normally form a part of a business enterprise. It was so large as to cause one to believe that it was developed in conjunction with governmental authorities as a device to get intelligence in ways that the German Government itself could not get the intelligence. Farben, being a business enterprise, could more apparently legitimately get this intelligence, than could the Wehrmacht or other parts of the German Government.

The organization, although it engaged in many other activities relating to Farben, devoted a very large part of its effort and personnel to the collection of statistical and other intelligence.

The CHAIRMAN. Testimony introduced, I believe, at the rubber hearings was very illuminating on one point. Prior to our entry into the war, Standard had refused to sell toluene to Remington Arms on the grounds that Farben objected that the ammunition manufactured would go to England which was then at war with Germany, and later they objected to relinquishing secrets because the Government objected in their correspondence. In other words, when asked for certain secret information about rubber, even before we were at war, they objected because the Government of Germany had objected to their turning over the information which they had contracted to turn over.

Colonel BERNSTEIN. Farben would no more give away information that would hurt the German war effort than would the Wehrmacht or the Nazi Party. Their whole action was governed by the German war needs.

The CHAIRMAN. The impression I gained there was that, unlike an American company which would carry through a contract, they were working in full partnership with the Nazi Party, because every time

a request would come from a foreign cartel partner they would apparently submit the question to the General Staff before they would take action.

Colonel BERNSTEIN. What you say is confirmed by what we found in Germany.

The CHAIRMAN. I wondered if you had found confirmation of that.

Colonel BERNSTEIN. We did, sir.

Ilgner was the nephew of Herman Schmitz, I. G.'s president, and was also a member of I. G.'s managing board of directors. Some indication of the tremendous expansion of this office in preparation for and during the war may be gathered from the fact that its expenditures in 1943 were RM. 7,000,000 as compared with RM. 997,000 in 1932.

The largest department of N. W. 7 was the so-called statistical department (VOWI) which was formed by Dr. Ilgner in 1929 under the guidance of Dr. Reithinger. This department compiled comprehensive statistics dealing with the economic, financial, and social life of many foreign countries. Although the workings of the statistical department could not be justified from the standpoint of I. G.'s regular business operations, it was supported by top officials of I. G. and the Government. This department's tremendous compilation of statistical data, most of which obviously had no value to I. G. as a chemical and dyestuffs manufacturer, was invaluable to the government of a country preparing for world conquest.

With the outbreak of war, N. W. 7 became the focal point of requests for economic intelligence from many Nazi agencies. It began to look like what it actually was—an adjunct of the German Government. Many of the VOWI employees were ordered to military service with the Wehrwirtschafts-und Rüstungsamt (Office of War Economics and Armament), but actually continued the performance of their prior duties with Mr. Ilgner's office. The vast fund of information gathered by Dr. Reithinger and his staff proved invaluable to the OKW (Army Supreme Command). In fact, VOWI was so highly regarded by the high command that at the outbreak of war, the high command considered taking over the entire agency. However, this step was resisted so strongly by other government agencies which were also dependent on it for assistance, and VOWI was able to service the requests of the OKW with such rapidity and so completely, that it remained part of the N. W. 7 office.

From 1937 on Dr. Reithinger and his entire staff concentrated on the preparation of maps showing strategic factories in foreign countries. These surveys were prepared under direct orders from the Wehrmacht and were used by the Luftwaffe in selecting bombing targets. The VOWI also carried on extremely important investigations with respect to all European industries, particularly in England. These investigations concerned themselves, in the main, with the capacity and location of facilities for the production and transport of aircraft, munitions, and other armaments; the raw materials situation in these industries; and oil imports, exports, and refineries. This information was also used by the Nazi High Command for bombing and other purposes. Said Dr. von Schnitzler, "For all European countries they made up plans"—plans of death, destruction, complete annihilation, which almost achieved complete success.

In order to carry out its many tasks, VOWI needed a well-organized international intelligence network. This it possessed in Farben's vast

empire of foreign holdings and connections. With German ownership carefully concealed in most cases, it furnished an ideal organization for the super spy job assigned to it. In some cases, Farben's foreign subsidiaries were owned outright. More often, however, I. G. strived to maintain a semblance of legal independence though, in fact, it exercised complete control over the firm. The company cloaked its direct and indirect ownership and control of its foreign subsidiaries by utilizing every conceivable device known to the legal and "extra-legal" mind, including the use of nominees, option agreements, fictitious or intervening transfers, dividend and loan agreements, pool agreements, endorsements in blank, escrow deposits, pledges, collateral loans, rights of first refusal, management contracts, service contracts, patent agreements, cartels, and withholding know-how. Geheimrat Hermann Schmitz, I. G.'s president, was known throughout the industrial world as "the master of financial camouflage." He more than justified this designation. In 1940, I. G. Farben was able proudly to inform the German Government that "our measures for camouflage have proved to be very good during the war, and have even surpassed our expectations in numerous cases."

The CHAIRMAN. Were you successful, Colonel Bernstein, in uncovering the camouflaged assets, particularly in the United States?

Colonel BERNSTEIN. Yes, Senator, we were successful to a great extent.

The CHAIRMAN. You couldn't hope to be 100 percent successful.

I say that because, unfortunately, there are still people in all countries who want to try to get back to the old prewar cartel arrangements they were mixed up with, and some of them are helping considerably in that. Isn't that a fact, sir?

Colonel BERNSTEIN. That is right.

The CHAIRMAN. Americans and other nationals assisted in the concealment of camouflaged assets.

Colonel BERNSTEIN. The wealth of material which we have now accumulated tells a fascinating story of Farben's efforts to conceal ownership in assets held abroad, particularly in assets held in the United States and Latin America. Part of that story has already been disclosed by the Department of Justice and other interested agencies of the Government. However, these governmental agencies have requested that we refrain from disclosing at this time the balance of materials which we have turned over to such governmental agencies because of the possible prejudice which may result to other investigations and litigation in which the Government has an interest. I am constrained to point out to this committee that one of the main difficulties that we continue to run into in attempting to locate Farben's overseas assets has been the unwillingness of Swiss banks and companies and even the Swiss Government to make available to us files located in Switzerland and belonging to Farben and to Hermann Schmitz, the president of Farben, who was the one man most responsible for devising the system of hiding the true ownership of Farben's overseas assets.

After the outbreak of war in September 1939, the Anglo-French navicert control system threatened to cut off German exports to South America and other parts of the world, thereby depriving Germany of foreign exchange, and also of imports vitally needed for the prosecution of the war. The manner in which I. G.'s hundreds of ostensibly

independent foreign concerns having no apparent ties with the Axis were used to combat this blockade is by now fairly well known.

The CHAIRMAN. Did any American concerns—and by that I mean United States of America concerns—help Germany combat the blockade?

Colonel BERNSTEIN. Yes, sir. In fact, the principal manner in which Farben combated the blockade was by arranging to have American firms make direct deliveries to Farben's South American firms. Farben was represented in all these transactions by Alfredo E. Moll who acted as its undercover purchasing agent. In the early part of 1940, at the request of I. G., Moll and Ernest K. Halbach, an American citizen and president of General Dyestuffs, went to Milan for the express purpose of discussing the manner in which Farben's sales agencies in South America were to be supplied with dyestuffs and chemicals formerly obtained from Europe. Halbach agreed that General Dyestuffs would forward the merchandise through Fezandie & Sperrle, an American export firm. In addition to furnishing supplies from his own firm, Halbach agreed to procure merchandise from other American dealers. Many of the firms for whom the merchandise was destined were on the British blacklist. Accordingly, Moll gave Halbach a list of third-party consignees who received the merchandise under an explicit understanding that they were to resell the bulk thereof to I. G. blacklisted firms. Hugh Williamson, another American citizen and an attorney and director and officer of General Aniline and Film, also lent the services of his corporation in supplying South American firms. In a report which Moll sent I. G. from Mexico he also mentioned how very helpful Advance Solvents and Chemical Corp. of New York had been in maintaining deliveries to Farben's Latin-American houses. According to a report which Moll sent to Farben from Mexico during the period from March to November 1940, well over a million dollars' worth of exports were shipped from New York to Latin America.

I might add, Senator, that here again we feel that we have got documentary evidence which we found in Germany to support the points I have just been making.

What is not so well known is the role these I. G. cloaked companies played in supplying VOWI, and thereby the Nazi High Command, with economic and political intelligence.

Chemnyco, Inc., Farben's American economic intelligence services, is an excellent example of these effective espionage methods. In the guise of an American company, Chemnyco was able to supply the Wehrmacht with facts and figures concerning the American economy. Utilizing normal business contacts Chemnyco was able to transmit to Germany tremendous amounts of material ranging from photographs and blueprints to detailed descriptions of whole industrial developments.

Originally, this material was sent to I. G. Farben directly. After the outbreak of war, it was routed through I. G. offices and associates in Italy and Portugal. How invaluable this intelligence was considered is indicated in a letter dated August 3, 1940, from N. W. 7 to the Minister of Economy, which stated:

Extensive information which we receive continuously from the Chemnyco about the American company, is indispensable for our observations of the American conditions, especially with a view to the technical development, the possi-

bilities for export and the competition of foreign countries and companies, especially England. Moreover, this material is, since the beginning of the war, an important source of information for governmental, economical, and military offices.

In 1939 in the midst of a United States Government investigation, Chemnyco's vice president, Rudolf Ilgner, a naturalized American citizen and brother of Max Ilgner, ordered the destruction of a considerable part of the company's files. Ilgner pleaded guilty to the charge of obstructing justice and was convicted.

The CHAIRMAN. And Max Ilgner was the one who ran the VOWI? Colonel BERNSTEIN. He ran the whole N. W. 7 set-up.

The CHAIRMAN. And this was his brother?

Colonel BERNSTEIN. His brother.

As I say, Ilgner ordered the destruction of a considerable part of the company's files.

The CHAIRMAN. Do you know what happened to him? He isn't the one who is up on a chicken farm in Connecticut now?

Colonel BERNSTEIN. I understand he is.

The CHAIRMAN. So many of those fellows are operating chicken farms in Connecticut; some of them in New Jersey.

Did you secure any more information on this subject in Germany, Colonel?

Colonel BERNSTEIN. Unfortunately, all of the files on this particular subject were destroyed before we could get to them. We did, however, cross-examine over there, and the information we got was that the only reason the files were destroyed in this country must have been because the officials of Chemnyco were worried about violating United States security statutes.

I. G. Farben had contact men all over the world called the I. G. Verbindungsmänner. The Verbindungsmänner, in the main, were officials of the leading I. G. firm in the particular country.

The CHAIRMAN. They had one in each country where they had a few firms?

Colonel BERNSTEIN. That is right.

One of the principal duties of these Verbindungsmänner was to submit monthly reports pertaining to economic, political, and military matters. With respect to politics, the reports included such subjects as internal political developments, the composition of new governments, the effects of the Proclaimed List and the British blacklist, inter-American security, labor, immigration, political reactions within the respective countries to current events, pro-Axis and anti-Axis propaganda, and the purposes of special diplomatic missions.

Matters of vital military interest contained in these reports included a discussion of additions to the merchant navies in various Latin-American countries, a reporting of ship movements (including convoys), statistics concerning tonnage in ports, port facilities, construction of new highways and bridges, the condition of rail transportation between the Latin-American countries, the operations of Pan American Grace Air Lines, shipments of war materials to the United States and Great Britain, the Argentine military mission to the United States, rearmament in Chile, and the acquisition of air and naval bases by the United States.

The CHAIRMAN. Colonel, did you run into any information abroad or here as to whether or not the profits of American ventures, or South American ventures, were available to the espionage system of Germany in the countries in which the profits were, particularly after Germany had been blockaded?

Colonel BERNSTEIN. I think we did. I think we ran into a good deal of information in that regard, and I think a little later in my statement we can indicate how the system of the agencies throughout the Western Hemisphere that Farben had was used by Farben and by the German Government to provide funds for espionage and propaganda activities in this hemisphere.

VI. FARBEN WAS A SPEARHEAD OF THE NAZI ECONOMIC WARFARE PROGRAMS

I. G. Farben performed tremendous services for the Nazis in financing and disseminating propaganda designed to create disunity among various foreign nations and among various political, religious, and racial groups within such countries. I. G. Farben performed equally great services for the Nazis in undermining the war potential of foreign countries by means of its cartel agreements, monopoly position, and its penetration of the chemical and related industries throughout the world.

(a) Dissemination of propaganda

I. G. organized for its large-scale part in the Nazi propaganda program in the same careful, efficient way it had organized for other war operations. It first acted to assure that all I. G. Farben agents abroad were thoroughgoing Nazis. On September 10, 1937, Farben's commercial committee passed a resolution which stated in part as follows:

It is hereby understood that in no case will men be sent to our foreign companies who do not belong to the German Labor Front and who do not possess a positive attitude toward the New Order.

The CHAIRMAN. The German Labor Front was not a labor organization; it included management and at one time it included even technicians, did it not?

Colonel BERNSTEIN. The German Labor Front was the device used by the Nazi government to crush the labor unions in Germany.

The CHAIRMAN. That is the point I wanted to get at.

Colonel BERNSTEIN. One of the first things the Nazi Party did was dissolve the labor unions. It set up its Labor Front. One of its high officials was Robert Ley, who recently committed suicide. It stole all the funds of the labor unions. After our Army came into Germany, one of the first things that we did was to take over the Labor Front, dissolve it as the organization that then existed, and then we proceeded to deal with the properties that it had.

It had simply an incredible amount of property throughout the length and breadth of Germany. It also had within its organization, an extensive banking system, the German Labor Bank, which was so much a part of the Nazi system that we had no choice but to shut it down completely and liquidate that bank.

Other parts of the German Labor Front are being liquidated. They owned an enormous number of houses. My recollection is that

military government was attempting to develop a policy of using much of the houses and other properties belonging to the Labor Front to house men who were definitely anti-Nazi or were displaced persons. You are quite right, Senator, when you say the German Labor Front was not a real labor organization.

The CHAIRMAN. They used the name Labor Front to try to appease some of the labor unions?

Colonel BERNSTEIN. I don't know whether they were appeasing them or trying to throw sand in the eyes of a lot of people.

The CHAIRMAN. That may have been it.

Colonel BERNSTEIN. I continue the quotation:

The men who are to be sent should make it their special duty to represent National Socialistic Germanhood. Especially are they to be instructed that upon entering our companies they are to make contact with the Ortsgruppe of the respective Landesgruppen (organizations of the Nazi Party within the various countries) and regularly participate in their meetings as well as in the Labor Front. The sales departments should also see to it that an appropriate amount of national socialistic literature is given to them. The cooperation with the A. O. (Auslands-Organization, the foreign organization of the Nazi Party) must become more organic. It appears practical, together with the A. O., to work out a uniform plan, for the purpose of detecting defects still existing in our foreign companies to the end that they can be eliminated.

The CHAIRMAN. Anybody sent to these countries had to be a Nazi in good standing?

Colonel BERNSTEIN. Not only a Nazi in good standing, Senator, but a Nazi with what they called a positive attitude, an active Nazi.

The CHAIRMAN. Was that Farben people?

Colonel BERNSTEIN. Yes, sir. They were Farben officials, Farben employees.

I might say, Senator, in the many months I have spent in Germany, aside from the people now being tried as war criminals, I met only one man in the middle of Germany who admitted he was a Nazi.

The CHAIRMAN. They all think there are some in the next town but there are none in the town they live in.

Colonel BERNSTEIN. They all disclaim it now.

Needless to say, this policy was faithfully executed. Moreover, as I have already pointed out, the Verbindungsmänner were, in all cases, highly trusted agents carefully selected by N. W. 7 and approved by the Auslands Organization.

A few examples of I. G.'s propaganda operations will suffice to indicate the nature and importance of its services to Nazi psychological warfare.

I. G. worked directly with the "Aufklärungs Ausschuss," the overseas propaganda department of the German Government, in disseminating anti-American propaganda in Argentina. In 1939, Farben reviewed for this German propaganda organization a series of 381 articles against the United States for publication in Argentine newspapers, suggesting the names of newspapers in Buenos Aires which could be used effectively for the dissemination of such articles. For this purpose, Farben made available to the German propaganda department the services of Heinrich Homann, I. G. Verbindungsmann for Argentina.

Farben, which had for years been engaged in the dissemination of pro-German propaganda in Latin America through the schools, the press, and libraries, was particularly effective in securing wide distri-

bution of Nazi propaganda. One of its customary devices for obtaining publication of propaganda was the club of its advertising. Thus, for example, in February 1938, the pharmaceutical department of I. G. agreed on the following advertising policy:

Advertising in journals hostile to Germany shall on all terms be avoided.

The CHAIRMAN. From a commercial aspect that wouldn't be considered good trading practice by an American business house, would it? In other words, they wouldn't issue such an instruction to their advertising agencies?

Colonel BERNSTEIN. I am sure they wouldn't.

The CHAIRMAN. By the way, do you know where Homann is?

Colonel BERNSTEIN. I don't know. As you have undoubtedly seen in the press recently a great deal of difficulty exists in rounding up many of the German propaganda agents, and espionage agents in Argentina. It is a matter I should think of considerable concern to our Government.

(b) Furnishing other propaganda agencies with foreign exchange

Not only did I. G. engage directly in the dissemination of propaganda, but it was also a principal agent for furnishing foreign exchange to German governmental agencies engaged in this and related psychological and economic warfare operations abroad. In Brazil alone, during 1940 and through January 1942, the agencies of the Bayer division of Farben furnished the equivalent of RM. 3,639,343 to the German Embassy and to representatives of the NSDAP. In Spain, when the German Embassy wanted Spanish pesetas, Farben raised credits from the Spanish banks and paid back these credits with subsequent peseta receipts. A telegram dated September 2, 1939, from Cia. General de Anilinas, S. A., Mexico City, to I. G. stated:

In case of war I. G. legation asks firms Mexico to let them have moneys on a loan basis. Amounts shall be refunded by German Government. Please authorize monthly payments P. 10,000 on behalf of all I. G. agencies. Mexico press must be influenced. * * *

A notation on the bottom of this telegram states: "Board agreeable; Dr. Overhoff informed." Such payments abroad were important to the German Government in acquiring critical raw materials and in financing sabotage, espionage, and propaganda.

All of the I. G. Latin American firms maintained unrecorded in their books, secret cash accounts in banks in the names of their leading officials. These accounts were used to receive and to disburse payments of a confidential nature as, for example, the proceeds of sales to firms who did not want to be discovered dealing with the Proclaimed List I. G. companies. These are the famous S accounts and S. finance offices. The assets thereby secreted, ostensibly unaffected with an Axis taint, were free to finance espionage and propaganda, to bribe, to pay the salaries of Nazi foreign agents and to give them the wherewithal to carry out their work.

The CHAIRMAN. That is the use of private funds for governmental purpose, not in the form of taxation or tax credits, but just actual advances; isn't that right?

Colonel BERNSTEIN. Yes, sir; having the advantage, of course, that by using these private funds, they were able to cloak the purposes to which the funds were being used?

The CHAIRMAN. The point I am making is that Farben was really a part of the German Government and not a private business at all.

Colonel BERNSTEIN. I quite agree with that.

I would add perhaps one thing to it, Senator, that Farben was a part of the governmental system, with the people in Farben playing roles comparable to the top governmental people. It isn't easy to say who owned whom, as it were.

The CHAIRMAN. No, but in a similar situation, if, shall we say, du Pont in this country did the same thing abroad, why foreign countries would blow up, and we would blow up in this country, too, I say this shows the connection of Farben with this whole war program as a real partner in it.

Colonel BERNSTEIN. I agree with that, sir. I might say that in 1941, I believe, when I was with the Treasury, and when General Aniline & Film Co., was investigated by the Government, many of these points were made at the time. Some information was available in this country as to the role that Farben was playing on behalf of the Nazi government along these lines, but we have been able now to get what we hope is proof that will convince our people here that Farben would leave no stone unturned, on behalf of the Nazi government, and I believe on behalf of any future government, to carry on its espionage activities, its propaganda activity, and whatever other activity a government wanted to see performed through the world.

The CHAIRMAN. But, following through on that logically, we must reach this conclusion: No private capital would do that unless they had been promised things. Is that right?

Colonel BERNSTEIN. Yes, sir.

The CHAIRMAN. And in the event of the successful conquest of the world, by the Nazi government, which they set out to accomplish would we then not have found Farben in control of all that phase of industry? They invested in an adventure in world conquest there.

Colonel BERNSTEIN. Both as a matter of promise, and as a matter of knowledge Farben knew that if its gang was going to win, Farben was going to get its part of the booty.

The CHAIRMAN. That is why any American corporation that wants to go into a cartel shows a lack of foresight, because what would have happened is that they would have taken over their cartel partners and operated them. That was their ambition, that was one of the purposes of forming the cartels.

Colonel BERNSTEIN. That is right. From the point of view that we have been discussing here of the information becoming available to the German Government and the cartel being worked in a way to assist the German Government in an aggressive program, a U. S. concern might just as well have been making a cartel arrangement with the Wehrmacht.

The CHAIRMAN. That is what puzzles me when I find alleged businessmen still thinking they ought to reenter cartel arrangements.

Colonel BERNSTEIN. I agree, sir.

(c) *Economic warfare through cartel connections*

Germany's foreign economic policy was aimed at undermining the economic strength of countries with which Germany "anticipated" conflict. In direct testimony, high Farben officials not only admitted to that policy, but also stated that they had played an important

part in its formulation and execution. As succinctly stated by one of these officials:

The foremost purpose of the Nazi government and I. G. and all other industrialists was to keep the Wehrmacht all powerful vis-à-vis all other countries, including the United States of America.

The CHAIRMAN. In previous hearings this committee has heard much evidence showing how cartel agreements with German firms affected our national security. In this evidence only one conclusion can be reached, namely, that German companies, in conspiracy with the Nazi government, purposely crippled our war production. This statement bears out those statements. Don't you think so—that it was intentional, sir?

Colonel BERNSTEIN. I agree, sir.

The CHAIRMAN. And the machinery used was the cartel agreement?

Colonel BERNSTEIN. That is right, sir, and one would hope that our business enterprises would learn that fact now.

As has already been demonstrated before this and other congressional committees, I. G. used its extensive cartel connections with foreign firms to further this policy of the German Government. The dangers inherent in such monopolistic agreements take on a new significance when the activities of one of the parties are subordinated to the over-all policy of its government.

I. G. Farben acted in a representative capacity for the Nazi Government in its relations with its cartel partners. By virtue of its dominant position in the world chemical industry, Farben was in an excellent position to use its numerous cartel connections to prepare Germany for war. To recite the examples of such use would be to recapitulate material which is already, for the most part, public knowledge. An outstanding example, however, is Farben's successful effort, by means of cartel agreements with Standard Oil, to delay the development and use of buna rubber in the United States until at least 1940 while at the same time producing sufficient buna in Germany to make the German Army and German industry independent of rubber imports. This investigation has confirmed certain data heretofore presented to the Truman, Bone, and Kilgore committees by the Department of Justice with respect to this transaction which so seriously imperiled the war preparations of the United States. The story, in short, is that under the so-called Jasco agreement, synthetic rubber was to come under Farben's "sphere of influence." Standard was determined, however, to have an absolute monopoly of synthetic rubber developments in the United States, if and when Farben released the American rights to its process to Standard in accordance with the Jasco agreement. Accordingly, Standard fully accomplished I. G.'s purpose of preventing United States production by dissuading American rubber companies from undertaking independent research in developing synthetic rubber processes.

The CHAIRMAN. And, incidentally, by blocking the use of the alcohol process and various others that had been developed in other countries too.

Colonel BERNSTEIN. That is right.

The CHAIRMAN. By the way, do you know we are going right back in the same track again? We recently shut down all our alcohol synthetic rubber plants in the United States and are operating only Standard's petroleum plants.

Colonel BERNSTEIN. This Standard accomplished by falsely creating the impression that it had already received the buna process from Farben and was attempting to work out a scheme for licensing the process to the American rubber companies. As a matter of fact Farben had no intention of divulging the process. One conclusion which can be drawn from Standard's "stringing along" of other companies is that it did not want them to proceed with independent research thus preventing Standard from ever having a monopoly in the field. Thus, Dr. Loehr indicated that, pursuant to conversations between Mr. Howard of Standard Oil and I. G., Standard had agreed to keep American firms out of the synthetic rubber field and would let them enter it only if compelled to do so by forces beyond its control.

The CHAIRMAN. In other words, had agreed to block research in this country?

Colonel BERNSTEIN. Yes, sir; at a time when war was in the air.

By 1939, however, synthetic rubber development had reached a stage where Mr. Howard of Standard Oil stated that it would no longer be possible for him to keep the information in regard to the buna processes from the American companies. Nevertheless, he assured I. G. that Standard would manage to stay "on top of the whole scheme." As time dragged on and the licenses were not forthcoming, the clamor of the American rubber companies became so intense that Standard, not wanting to reveal the true situation, turned to Farben for an excuse to give the rubber companies. Howard of Standard, in October 1939, at a meeting with I. G. representatives in Basle, stated that he had to be provided with an excuse for not getting the know-how. I. G. obligingly cabled Standard Oil to the effect that the authorities would not permit the information to be given to the American firm. "These are the conclusions," said Dr. Loehr, "which seem to disclose that I. G. impaired the military strength of the United States," which I would have called an understatement.

The CHAIRMAN. That identical excuse was furnished in the courts of the United States when Standard was being sued. It was furnished before the Truman committee as an excuse for not releasing the patent, as an excuse for saying they had no know-how, because Farben refused to give them the know-how, and on a statement that they had nothing but the right to operate under a patent with which they had no know-how, and Farben would not give it to them, showing a conspiracy between Mr. Howard of Standard, the vice president, and Farben, to still hoodwink and stay on top, and apparently Standard is still able to stay on top, as evidenced by the shutting down of these other independent plants.

At that point in the record I want to introduce some testimony taken at a previous occasion with reference to the question of alcohol and petroleum and the way that has been manipulated in the past 6 months.

(The testimony referred to will be inserted in a later volume of the printed record.)

VII. FARBEN WAS GERMANY'S GREATEST SINGLE SOURCE OF FOREIGN EXCHANGE

Mr. BERNSTEIN. I. G. was the dominant factor in the important German chemical export trade. It accounted for approximately 10 percent of the country's total exports of all products and approxi-

mately 50 percent of Germany's total exports of chemicals and allied products. In the different sectors of that trade its position varied considerably, being strongest in pharmaceuticals, dyestuffs, and photographic materials in the order named. In 1937, 70 percent of I. G.'s total production of pharmaceuticals, 65 percent of its dyestuffs, and 40 percent of its photographic materials were exported. Its exports greatly exceeded its imports, and its net income from royalty payments and sales of patent rights also was considerable.

These transactions made Farben Germany's largest single earner of free foreign exchange. Without this foreign exchange (a) Germany could not have purchased the strategic raw materials, equipment, and technical processes unavailable in Germany and essential to Germany's rearmament, and (b) the German Government could not have financed its espionage, propaganda, and other military and political activities abroad in the preparation for and prosecution of the war.

Government pressure on German industry, and in particular on I. G., to increase their procurements of foreign exchange was always strong. With the beginning of the Four Year Plan this pressure became acute; but I. G. cooperated fully with the government in making available all possible foreign exchange for government purposes. The numerous examples of this have been set forth previously. Finally, when the foreign exchange situation became absolutely desperate, I. G. even sold some of its investments abroad.

Von Schnitzler testified in an interrogation conducted in July 1945, that it was especially important for the Nazi government to control I. G.'s policies with respect to its foreign participation and its foreign economic relations, if only from a standpoint of foreign exchange.

The policy followed was this, and I quote: "Export only what is not necessary for the Wehrmacht; import only what is absolutely necessary for the Wehrmacht."

The CHAIRMAN. Thank you, Colonel. If you will be back tomorrow morning at 10:30 a. m. we will reconvene then.

(Whereupon the hearing adjourned until 10:30 a. m., Wednesday, December 12, 1945.)

ELIMINATION OF GERMAN RESOURCES FOR WAR

WEDNESDAY, DECEMBER 12, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 11:02 a. m., pursuant to adjournment on December 11, 1945, in room 104-B, Senate Office Building, Senator Harley M. Kilgore, West Virginia, chairman, presiding.

Present: Senator Harley M. Kilgore, West Virginia.

The CHAIRMAN. The committee will come to order.

I was called to the White House unexpectedly this morning and therefore found it necessary to postpone the hearing to this hour. I also have to be at the Supreme Court in about 30 minutes, so we will get under way now. Will you please go ahead Colonel Bernstein.

TESTIMONY OF BERNARD BERNSTEIN, COLONEL, GENERAL STAFF CORPS, DIRECTOR, DIVISION OF INVESTIGATION OF CARTELS AND EXTERNAL ASSETS, OFFICE OF MILITARY GOVERNMENT, UNITED STATES (GERMANY)

Colonel BERNSTEIN. In yesterday's discussion we described certain cartel arrangements and their use by Farben as a means of strengthening the war potential of Germany. I should also have mentioned the use of the cartel arrangement for the purpose of getting around decrees of foreign governments, governments which were both enemy governments to Germany at the time or neutral governments. We have a document which I would like to introduce as an exhibit to the Farben report which indicates how Farben used that technique for the purposes that I mentioned.

This is a letter of the 5th of October 1939, written by Farben to the Ministry of Economics in Germany. It discussed the arrangements which Farben had made with Standard Oil to hide the true ownership of Farben-owned patents throughout the world. The device to be used was the Jasco company, to which the ownership of the patents would be transferred. Farben, in its letter to the Ministry of Economics, says:

After the outbreak of the war we have carried on negotiations with Standard Oil with the aim in the interest of both parties to prevent the passing of laws concerning patent ownership in favor of a third party through governmental interference in the enemy countries and also in the United States of America, should the political relations with the United States develop unfavorably.

The CHAIRMAN. They meant that even in the event we might go to war?

Colonel BERNSTEIN. Yes, sir.

At another point in the same letter, Farben states:

In this way it is accomplished that our patents in enemy territory, which today are no longer at our disposal and could be confiscated at any time, are placed in the hands of a large indisputably neutral undertaking but with which we are connected by manifold interests and relations, so that at the end of the war—it makes no difference what position the United States takes—friendly cooperation will again result. Otherwise the danger exists that these patents may be confiscated and transferred by the enemy government to such transferees as might give us difficulties at the end of the war, or make impossible an exploitation of the processes developed by us.

The letter further indicates:

We have already reported to the high command of the armed forces and have received appropriate approval.

The CHAIRMAN. Showing that that plan was approved by the German General Staff?

Colonel BERNSTEIN. The German General Staff, the German Government. It was patently a plan to attempt to forestall action by the British and American Governments dealing with Farben-owned patents throughout the world.

The CHAIRMAN. Jasco was really a patent-holding corporation?

Colonel BERNSTEIN. Organized under the laws of Louisiana, and jointly owned by Standard Oil and Farben, although Farben tried to conceal its interest.

The CHAIRMAN. But there was joint ownership there?

Colonel BERNSTEIN. Yes, sir.

The CHAIRMAN. And the ownership of the patents referred to the ownership of patents in America?

Colonel BERNSTEIN. In America and throughout the world, including the British Empire. They were to use this device not only to defeat the efforts of the United States to seize the patents but it was also a device to defeat the efforts of the British Government, or any other Allied Government that would go to war with Germany.

The CHAIRMAN. What is the date of that letter?

Colonel BERNSTEIN. Fifth of October 1939.

This morning's radio carried the story of evidence being produced at the Nuremberg trial with respect to the use of slave labor by Krupp. Krupp was not the only big industry that used slave labor. We were able to find in the files of Farben a document marked "Secret" dated the 8th of January 1945, which lists the people working for Farben. Over 63,000 foreign slave laborers worked in the Farben plants and constituted about 35 percent of the total labor force of Farben. In that number were included over 45,000 men and over 17,000 women. In addition to that, Farben employed about 9,500 prisoners of war, consisting mainly of Englishmen, Frenchmen, and Russians, and also people of other nations.

The CHAIRMAN. Were they employed, or did they just use them?

Colonel BERNSTEIN. They used them as slave laborers.

The CHAIRMAN. What remuneration was made?

Colonel BERNSTEIN. This document indicates the nature of the remuneration and the amount of food which these categories of laborers were to be given. It indicates how the laborers from the East, in particular, were required to work under even more onerous conditions than the slave laborers of the West.

I might add that in addition to what I mentioned before, Farben employed about 7,000 prisoners from concentration camps, including the camp at Auschwitz. I have no doubt that many of these slave laborers, who were prisoners of war, were engaged in the production of war goods in complete violation of international law.

The CHAIRMAN. What I am getting at is this: Did you find any records there to indicate whether or not Farben was selling their material to the German Government, or what the financial dealings were between Farben and the German Government during the war?

Colonel BERNSTEIN. There were numerous dealings because the bulk of Farben's output was for the German Government and because of the tremendously important role of Farben in the war economy. For these reasons, Farben was able undoubtedly to get this huge amount of slave labor. It was just one more method whereby the Reich facilitated the production of war material in the carrying on of the war, and also managed to kill off the slave laborers, ultimately.

The CHAIRMAN. My point is this: Was Farben charging for the material they sold, or was it being done as a seized plant by the German Government? Were they paying for their labor to the German Government or were they paying the workers? For instance, if we used prisoners of war on farms in this country we paid so much a day to the account of the man who did the work, plus the food and clothing, and so on. I was wondering whether the same thing was done by them.

Colonel BERNSTEIN. There was a certain amount of payment directly to the workers. Even then the payment was subjected to substantial taxes. The workers from the east were being subjected to a special tax.

At one point here, it says,

As it is usual for normal workmen, eastern workmen get installments insofar as wages are paid monthly. A special note of settlement, however, shall not be made for the eastern workmen. Applications on the part of firms and workshops for payment of extra pay for surplus labor, extra pay for heavy and dirty work or granting of works bonus have to be addressed in a given case to the Sozialabteilung Arbeiterangelegenheiten and all data in support of the application shall be furnished. The eastern workmen have not to pay neither tax on wages nor Bürgersteuer (civil tax). The employer, however, is bound to pay for each eastern workman the so-called Ostarbeiterabgabe (duty for eastern workmen) in accordance with the schedule attached in annex 1.

The amount of their pay was very low. The amount of their food rations was very low.

The evidence at the Nuremburg trial is applicable to the whole use of slave labor throughout Germany, and the picture given at the trial was simply terrific.

The CHAIRMAN. What the Government really did was paid a little bit and collected most of it back in taxes?

Colonel BERNSTEIN. That is right. And when the men were about to die off, they were sent out of the factories and back into the concentration camps to die.

The CHAIRMAN. I see.

Colonel BERNSTEIN. Yesterday I referred to the group of big industrialists who designated themselves as "The Circle of Friends of Himmler." I would like to put into the record, if I may, one or two of the translations of the letters which we found at the J. H. Stein Bank in Cologne during the course of one of our examinations.

This letter is from von Schroeder to an official of one of the Siemens firm and is dated March 15, 1944:

DEAR DR. BINGEL: Again this year I call on the friends of the Reichsführer with the request that, as in these past years, a sum of money be placed at his disposal to contribute to his work. May I ask that this year's contribution be, if possible, at least as much as the previous ones and that it be paid into the special account "S" with the Bankhaus Stein, Cologne, thereby expressing our faith in our Reichsführer. You know how much our Reichsführer appreciates your support and you may be assured that he is very grateful. Thanking you in advance, Heil Hitler. (Signed) von SCHRÖDER.

Copies of the identical letter were sent to a list of about a dozen representatives of the big industries. The first name is that of Dr. Bütefisch, one of the important officials of Farben.

Another letter is to the Reichsführer, S. S. Heinrich Himmler, Berlin from von Schröder:

MY VERY HONORABLE REICHSFÜHRER: With great joy I learn of your nomination as Reichsminister of the Interior and take the liberty to wishing you good luck on assuming your new post. A strong hand is now very necessary in this post and it is highly welcomed especially by our friends that it was you who were chosen for this by the Führer. I take this opportunity to inform you that your circle of friends has again placed at your disposal this year the sum of reichsmarks one million for "special purposes." An exact list showing the names of the contributors will be sent to you shortly. Again all my best wishes—as well as those of my family.

I remain yours, loyal and advising, Heil Hitler. (Signed) VON SCHRÖDER.

That is dated August 27, 1943.

As I mentioned yesterday, von Schroeder was a lieutenant general in the SS. He played an important role in the banking house of J. H. Stein which had its head office in Cologne. That bank was intimately related with the iron and steel and coal business of the Ruhr and von Schroeder played an active role in that connection.

The CHAIRMAN. Rather a nice size campaign fund?

Colonel BERNSTEIN. And to be able to be sure to get it each year, also.

I would like, if I may, to be able to indicate a few additions, but perhaps I will be able to cover them in any questions that you might like to put to me, Senator.

VIII. FARBEN'S DREAM OF WORLD CONQUEST

From the day of its accession to power the Nazi government planned and prepared for a war of world conquest. This investigation has demonstrated beyond all doubt that the policy of the Nazis was not only known to I. G. Farben and its officials but that it was always a policy with which I. G. fully agreed and which it supported to the full extent of its power and resources. This active support and cooperation can be traced back to the autumn of 1932, when I. G. seriously considered the desirability of discontinuing its costly experiments in hydrogenation. At that time leading Farben officials were split into two camps, those believing the experiments should be continued, the others, that they be discontinued in view of the losses which were running into hundreds of millions of reichsmarks. I. G. sent two of its leading officials to Hitler to determine his attitude toward retention of the protective duty on imported natural oil. Hitler assured the I. G. delegates that the duty would be retained and that the experiments fitted into his program.

Several months later, in February 1933, a meeting of 20 of Germany's leading industrialists was called by the President of the Reichstag, addressed by Hitler, and solicited by Dr. Schacht. The funds so collected, amounting to RM. 3,000,000, were used to finance the election campaign of the Nazi Party. Dr. von Schnitzler attended this meeting and arranged for the I. G. contribution to be made by Hermann Schmitz, the chief financial officer of I. G., later president of the firm. Subsequently, Schmitz was appointed to the Reichstag.

After the advent of the Nazi regime in Germany, the close relationship of I. G. to the Wehrmacht was visibly strengthened.

In 1934 the Wehrmacht became important and with increased tempo after 1936 the Wehrmacht became the prominent factor in the whole picture. Since 1934 a strong movement for investments in our plants for commodities of decisive military importance became more and more pronounced with the main objective of increasing the military potential of Germany. At first autarchic principles to make Germany independent of importation from abroad was one of the leading objectives. Since the declaration of the 4-year plan in 1936, the movement took an entirely military character and military reasons stood in the foreground. Hand in hand with this, the relations between I. G. and the Wehrmacht became more and more intimate and a continuous union between I. G. officials on the one side and the Wehrmacht representatives on the other side was the consequence of it.

One of the first steps taken by Farben in this regard was the establishment of an office which concerned itself entirely with military liaison. This was the so-called Vermittlungsstelle W. In a report on the functions of this organization, dated December 31, 1935, it was clearly stated that:

The aim of this work is the building up of a tight organization for armament in the I. G. which could be inserted without difficulty in the existing organization of the I. G. and the individual plants. In the case of war, I. G. will be treated by the authorities concerned with armament questions as one big plant which in its task for the armament, as far as it is possible to do so from the technical point of view will regulate itself without any organizational influence from outside [the work in this direction was in principle agreed upon with the Ministry of War (Wehrwirtschaftsamt) and from this office with the Ministry of Economy] * * *. To the field of the work of the Vermittlungsstelle W belongs besides the organizational set-up and long range planning, the continuous collaboration with regard to the armament and technical questions with the authorities of the Reich and with the plants of the I. G.

By the admission of I. G. officials, this office was established because, by 1934, transactions between I. G. and the Wehrmacht had become so numerous and the I. G.-Wehrmacht relationship had grown so intimate that coordinated liaison was required. It also was established at the suggestion of the German military authorities and "occupied itself principally with problems in connection with a possible war." Prior to the Allied occupation, I. G. officials destroyed the files dealing with Vermittlungsstelle W matters.

At approximately the same time that the Vermittlungsstelle W was established, I. G. received orders from the Government to prepare production plans in the event of war. As Dr. Struss said:

I know that a representative of the Ministry of Economics, Dr. Lenz, and a representative of the Ministry of War, Dr. Mureck, assisted in the making of these plans. I remember that Dr. Mureck often told us that the Ministry of War wants the plans drawn up in such-and-such a way.

Pursuant to these instructions I. G. Farben in 1934 began to mobilize for war. Every I. G. plant prepared its production plans for war and turned them over to the Vermittlungsstelle W, which submitted them to the Ministries of War and Economics. By early 1939,

these plans, the so-called MOB plans for the production of essential military goods, were approved by the Ministry of War and ready to be executed. According to Dr. Engelbertz, manager of I. G.'s plant in Griesheim, which produced many vital war chemicals such as intermediates for explosives, carbon electrodes for aluminum, and chlorine electrolyses, his plant received the approved MOB plans for its products in March or April 1939 with the understanding that they were to be put into operation at the outbreak of war.

By the middle thirties I. G. had become so preoccupied with war that the facilities of all its plants were devoted to "war games" (Kriegsspiele) and to "maneuvers in the technical problems which may come up" in the event of war. According to Dr. Struss, the war games or Kriegsspiele began in 1934 or 1935 under the supervision of Wehrmacht officials. These games were described in detail by Dr. Struss as follows:

It is true that since 1934 or 1935, soon after the establishment of the Vermittlungsstelle W in the different works, theoretical "war plant games" had been arranged to examine how the effect of bombing on certain factories would materialize. It was particularly taken into consideration what would happen if 100- or 500-kilogram bombs would fall on a certain factory and what would be the result of it. It is also right that the word "Kriegsspiele" was used for it. The "Kriegsspiele" were prepared by Mr. Ritter and Dr. Eckell later on partly by Dr. v. Brunning by personal order, of Dr. Krauch. Whether these "Kriegsspiele" originated from Professor Krauch's own initiative or by order of the Air Force, it is not known to me. The tasks were partly given by the Vermittlungsstelle W and partly by officers of the Air Force. A number of officers of all groups of the Wehrmacht (Navy, Air Force, and Army) participated in these "Kriegsspiele." The places which were hit by bombs were marked in a map of the plant so that it could be ascertained which parts of the plant were damaged, for example, a gas meter or an important pipe line. As soon as the raid finished, the management of the plant ascertained the damages and reported which part of the plant had to stop working; they further reported what time would be required in order to repair the damages. In a following meeting the consequences of the "Kriegsspiele" were described and it was ascertained that in the case of Leuna (plant) the damages involved were considerably high; especially it was found out that alterations of the pipe lines were to be made at considerable cost.

It is significant to note that in all these preparations for war I. G. Farben did more than merely comply with orders and requests of the Wehrmacht and Nazi government agencies. It functioned, in fact, as though it were a research organization of the German Government, itself charged with the responsibility of discovering all possible means of increasing the military might of Germany. Farben voluntarily initiated many projects for the Wehrmacht and then proceeded to convince the Wehrmacht of the importance of such projects. This aspect of I. G. Farben's operations is clearly disclosed in a report of Farben's development and experimental work. The report states that—

A whole range of problems has been worked at by the I. G. for its own account and only later, after certain results of experiments could be established, the offices of the Army were interested in these problems * * *. The cases were respectively rare where the Army for its part approached the I. G.

The report estimates that about 30 to 40 percent of the military projects worked on by I. G. "were submitted to the Army by the I. G. on its initiative."

Farben's active cooperation with the Wehrmacht was not confined to the assumption of the initiative on the part of I. G. technicians. With the appointment of I. G.'s chief technical man to the Four-Year

Plan, the aims and purposes of I. G. Farben merged with and became an integral part of the Nazi plans for aggressive war. In 1936 Dr. Carl Krauch, with the approval and encouragement of the Farben central committee, was selected by General Milch, on behalf of Hermann Goering, to head up the research and development section for the chemical industry in the Four-Year Plan. The duties attached to this post required the collection of statistical data and the exploitation of new processes.

Krauch continued these duties in the Four-Year Plan until 1938, always keeping his colleagues in Farben informed of his activities, while still performing his Farben duties as chief of Division I.

As the result of an unusual incident in June 1938, Goering appointed Krauch chief of all chemical expansion and construction under the Four-Year Plan. A report on certain technical processes was submitted to Krauch's office for examination and approval. Contained therein, and not intended for Krauch's approval, was a list of production quotas which the German chemical industry would meet in the years 1938-39. Krauch realized that these were hopelessly optimistic figures and could not possibly be realized by the chemical industry. He immediately went to Goering and convinced him of that fact. At that point, Goering appointed Krauch chief for the entire chemical industry under the Four-Year Plan.

When questioned about his knowledge of Hitler's intention to wage war, Krauch stated:

Question. Didn't it become apparent to you first in 1935, when the Wehrmacht exhibited great interest in your buna, and later after you assumed your job with the Four-Year Plan in 1936 to increase the chemical capacity of Germany, that the Nazi government was on the road to war?

Answer. I had the feeling that they were going to war, as Dr. Bosch told me in June 1938, and that was when I went with the wrong figures of Loeb to Goering and said to him we can't go to war because the figures are all wrong. We will lose the war on this basis.

Thus, Krauch, Bosch, and leading I. G. officials had specific, affirmative information of the Nazi plan of aggression at least as early as June 1938, 15 months before the invasion of Poland on September 1, 1939. It had been Krauch's job to help make Germany ready for war. From the German aggressors' point of view Krauch did his job well.

Thus, before the Nazi army attacked Poland, I. G. and the rest of German heavy industry was mobilized and ready after long years of preparation. In describing how perfectly the "MOB" plans worked when put into operation, Dr. von Schnitzler stated, in part, as follows:

All the German industries were mobilized in summer 1939 and in the summer 1939 the Wirtschaftsgruppe Chemie issued an order that the plans for war were in action. In June or July 1939 I. G. and all heavy industries as well knew that Hitler had decided to invade Poland if Poland would not accept his demands. Of this we were absolutely certain and in June or July 1939 German industry was completely mobilized for the invasion of Poland."

These activities of I. G. standing alone would leave no room for doubt that Farben knew for many years that the German Government intended to wage aggressive war. In addition, I. G.'s leading officials assisted in the formulation and execution of the internal and external policies of the Nazi regime to promote that end. Its president was a member of the Reichstag. Its leading scientist was one

of Goering's chief assistants under the Four-Year Plan. Its statisticians and economists prepared intelligence for the Nazi high command. Scores of its technicians were constantly on loan to the Air and War Ministries. According to Dr. von Schnitzler, the war was "only the last step of a long-prepared evolution" of the Nazi policies.

Months before the attack, I. G. was officially informed by Goering's office that the Nazi war machine would invade Poland in September 1939 if Poland did not accept Hitler's demands. Before Hitler's moves against Czechoslovakia, I. G. had completed its preparations to take over its leading competitor in that country.

Farben not only planned and prepared for war, but it also planned and prepared for the future when Germany would have conquered the world. In particular, it planned for Farben's part in the New Order and for the use of the spoil which Farben was to receive.

In June 1940, with half of Europe already under the Nazi heel and with the downfall of France imminent, Hitler's plans to conquer the world seemed capable of early fruition. I. G., too, had dreams of world empire, dreams which it translated with painstaking clarity into a document appropriately entitled "Neuordnung" (New Order). The document was submitted to the Ministry of Economics. The letter of transmittal which accompanied the document stated that I. G. anticipated the German conquest of Europe, felt that a new order for the chemistry industry of the world was required to supplement Hitler's New Order, and rationalized its purposes in the light of the "unfair" activities taken by the Allies against Germany after World War I.

Today's extent of non-German production, however, is distinctly the result of the political and politico-economic forces which have been directed against Germany for the last 20 years.

The immediate objective of the document was to insure the full cooperation of the chemical companies of the conquered countries in producing for the Wehrmacht. The second objective envisaged the complete incorporation of the chemical industries of Europe, including the British Empire, within the framework of Hitler's New Order. The third objective was to eliminate United States competition in the world market. Finally, Farben was preparing to utilize again its vaunted economic warfare weapons, cartels, capital investments and know-how, in anticipation of a possible conflict between Germany and the United States of America.

I. G. proposed to accomplish the subversion of the European chemical industry by absorbing companies, eliminating plants, and controlling production and distribution through the medium of German-dominated cartels.

Under Farben's contemplated new order trade relations between Europe and other countries in the chemical field would have been completely reserved to I. G. and Germany. I. G. planned to accomplish this complete control of the European economy by the use of import duties, quotas, licenses, export regulations, certificates of origin, foreign exchange controls, tax policies, and patents and trade-marks. The charts, numbered exhibit 8 to chapter VI of the Farben report, demonstrate the painstaking detail with which Farben drew up its specific plans for each country. Particularly noteworthy are the number of items of which local production was to be completely

forbidden, and the number of items the production of which was to require prior German approval.

The charts attached hereto illustrate graphically the nature of Farben's specific plans for a new chemical order in individual countries. They present some indication of the painstaking detail with which Farben prepared these plans. In the extreme left column are listed chemical products, trade in which was presumably of particular interest to Farben. The next column lists the major producers in each country of the itemized product. There then follows an indication of the present import duty and of the new schedules proposed by Farben. I. G. proposed three separate duty schedules: (1) For imports from Germany; (2) for imports from other European countries within the German orbit; (3) for all other countries including the U. S. A. Products coming in under the first schedule were to be either free or dutiable at a token rate. Products imported under the second, for the most part, were to be dutiable at 30 percent of value. Products imported under the third schedule were to be taxed at 50 percent or more of their value. These schedules thus assured that all imports would be from Germany and virtually prohibited importation from the United States. In addition, I. G. advocated that the construction of additional capacity within the various countries for the production of most of these products should require German approval and that restrictions be placed upon the export of these products by the listed producers.

Also of particular significance are the new import duty schedules proposed by Farben. Products from Germany were to be completely duty free, or dutiable at a token rate only. Imports from countries within the German orbit were to have a duty amounting to 30 percent of their value. Imports from all other countries, however, including the United States, where permitted, were to be taxed at 50 percent of their value. These schedules alone assured that all imports would be from Germany and virtually prohibited the importation of products from the United States.

With respect to England, the I. G.'s new order contemplated that Great Britain would be required to guarantee Germany at least a 30-percent participation in the British dyestuffs turn-over and that products not produced by the British industry would be imported only from Germany. Furthermore, I. G. proposed that British dyestuffs companies be prohibited from exporting directly or indirectly to Europe (including Asiatic Russia), the American Continent (with the exception of Canada), China, Japan, Dutch East Indies.

Farben's economic blitzkreig of the United States was specially planned. Said Dr. von Schnitzler:

It must be remembered that in preparing the Neuordnung we were following the lines of the so-called Gross-Raum-Politik laid down by the Government.

We were looking to the overwhelming downfall of France and eventual capitulation of England when we prepared the document. It must be remembered that we knew well the aims and policies of the Government and we knew that it was the intention of the Government to improve its strength in relation to the countries outside of the European sphere. This meant, of course, the United States because outside of Europe the United States was the only strong country with which Germany had to reckon. Therefore, we wrote in the Neuordnung that we intended to keep Germany as strong as possible militaristically in relation to the United States. We could accomplish this only by limiting the production of armaments in Latin America. We did not want in the event of an eventual conflict with the United States to permit Latin America to supply the United

States of America with war materials. It should be remembered that I. G. had to follow the lines of the Nazi Government.

Partially explaining the methods I. G. would use, Von Schnitzler wrote:

It is obvious that the Government's first interest was a militaristic one. Therefore the main points in the "Neue Plan" will have been: no licenses or know-how for such chemicals should be given to the chemical industry outside of Europe without before having asked I. G. of their opinion. This measure, of course, can be understood as being directed against the United States because United States remained apart from Russia the only country with a great economic potential in the outside world.

Farben linked the entire success of its Neuordnung to the outcome of its struggle with the United States.

The principal weight of the discussion bearing on a new arrangement of the world market will rest on the relationship with the North American concerns.

With covetous eyes, Farben emphasized that pan-Americanism had been strengthened by the war and that this would hamper the Neuordnung program.

The strengthening of pan-Americanism will coincide with the effects of the fact that England will now completely lose her role as financier of the Latin-American countries * * * and that the United States of America will take her place. * * * It will, therefore, depend on the degree of order or disorder of the European economic sphere and on the creation of a determined commercial policy, in how far and at what pace Europe, and more particularly Germany, will be able to rebuild, maintain, and develop its position as a regular trade partner in the Latin-American continent.

I. G. also laid special emphasis on driving the United States from the European market. For example in regard to nitrogen products, it proposed:

For the future, it is desired that—in a manner similar to that proposed for other market—Germany be given priority for (the supplying of) all additional requirements of nitrogen of any kind. This stop shall be designed, in particular, to exclude or control North American imports. * * *

Farben also urged and the Economic Ministry agreed that—

It is necessary to remove the Americans from French production scene with every means at our disposal.

Commenting upon the Economic Ministry's views in this matter, I. G. stated:

The determination with which he (Schlotterer) expounded this thesis leaves no doubt that we ought not be too much concerned as to the means we are to be allowed to use.

Having made a major contribution to the Nazi war potential, I. G. reaped the profits of aggression. Even prior to the Nazi conquest, Farben was the major chemical firm on the continent. Yet its acquisitions as a result of conquest were tremendous. These acquisitions of chemical and dyestuffs firms in the conquered countries totalled approximately 350,000,000 reichsmarks.

One after the other, it absorbed or eliminated its competitors in the dyestuffs field in the conquered countries until not a single independent dyestuffs company remained. This looting was characterized by (1) the planning engaged in prior to each Nazi aggression; (2) the ruthlessness and speed which was exhibited in taking over and managing such plants; and (3) the fact that the transactions were executed under duress and that rightful owners often did not receive any compensation whatever.

After the occupation of Poland, for example, Farben acquired, among other firms, Boruta, the largest Polish dyestuffs plant in that country with full knowledge that the Polish owners would receive nothing for this property. Farben did make payment for this particular property; but it was to the SS organization which took charge of allocating the loot in Poland. It should also be noted that Farben's ability to obtain concessions of this type from the SS was undoubtedly facilitated, by its large annual contributions to Heinrich Himmler, Reichsführer SS.

In the case of Czechoslovakia, I. G. Farben was determined that the dyestuffs industry of Czechoslovakia would not fall into the hands of some third party thereby impairing the world position of Farben. Accordingly 3 months before the occupation of the Sudetenland a meeting was called between Farben's Berlin personnel and the managers of its Czech agencies to decide upon a course of action. On July 28, 1938, a monograph on the structure of the Prager Verein was issued. By September 23, 1938, Farben officials had conducted successful negotiations with the Nazi government for the appointment of two of its directors as commissars of the Prager Verein's two largest plants, the two dyestuffs plants (Aussig and Falkenau) in the Sudetenland. A Farben report describes subsequent events as follows: •

On October 1 the entry of the German troops began, on October 3 Falkenau was occupied, and on October 9 Aussig [was occupied]. All Sudeten factories of the Prague Verein were entrusted to a commissar, Director Dr. Kugler (I. G.).

Farben President Hermann Schmitz was quick to pay off for such lightning service. He sent a wire to Hitler:

Profoundly impressed by the return of Sudeten-Germany to the Reich, which you, my Fuehrer, have achieved, the I. G. Farbenindustrie puts an amount of one-half million reichsmarks at your disposal for use in the Sudeten-German territory.

The Prager Verein objected strongly to Farben's commissars and to Farben's efforts to negotiate the purchase of the plants. However, it had no alternative but to sell out for a price equal to only 1 year's annual sales turn-over.

Commenting on the speed of the negotiations Dr. von Schnitzler stated:

Seldom has a great international economic agreement containing so many clauses and covering so many domains been concluded so speedily as this. In 1 day the agreement in principle was reached and the lump sum was fixed. In the 30 days following all clauses were prepared and in another 2 days negotiations in Berlin about December 7, the agreement and all its bylaws were signed.

In answer to a query as to what would have happened to the plants if the owners had refused to sell, Dr. von Schnitzler replied:

* * * no doubt the German Government would have sequestered the property and installed commissars to manage it on a permanent basis.

With respect to France Farben at first expected to purchase the local chemical companies at knock-down prices from the SS or the Wehrmacht. It soon became apparent to the Nazis, however, that many French industrialists were willing to join forces with the Germans against the Allies rather than lose their property; and, in fact, that certain French chemical leaders, notably Joseph Frossard, the head of Etablissements Kuhlmann, which was the dominant chemical

company in France and next to I. G. was the largest chemical company on the European continent, were extremely anxious to open negotiations with the Germans. Dr. von Schnitzler said:

Frossard consequently started nearly at once—I think it was in August—with his endeavors to come on speaking terms with us, he not only addressed Dr. Kramer in Paris, but he let me know through Mr. Koechlin of I. R. Geigy in Basel that he was desirous of a conversation with us. We saw Mr. Koechlin in October 1940, in Zurich. Notwithstanding the applications made by I. G. to the German Government I was not in a hurry to react on their suggestions, as we were not prepared to renew our relations with the French group on the basis of the old cartel agreement but aspired to a much deeper rooted agreement. I thought it advisable to let them simmer in their own juice and to wait till they asked for such private negotiations through the official channel of the armistice commission.

Many months before the meeting of Hitler with Petain and Laval placed German-French collaboration on an official basis, the French chemical industry was pressing for an understanding with I. G. Farben. The nature of the understanding finally reached is described in a report from the Farben agent in Paris who stated:

One sees absolutely clear at Kuhlmann's that Germany will win the war and that the organization of the European economy will be made under the leadership of Germany. Frossard offers to put his whole industry into the services of Germany to strengthen the chemical potential for the continuance of the war against England.

Kuhlmann would be prepared to produce all preliminary and auxiliary products for the I. G. which would be desired from the German side. He, Frossard, wants a confidential collaboration—closer connection by marriage in the dyestuff and chemical field, enclosure of the French industry in the European economy under German leadership.

Not only was Frossard himself anxious to work for the Nazis, but he also promised that he would see to it that any other leading men of the Kuhlmann concern who might prove intractable would be dismissed. In addition, he offered to secure the collaboration of other French industrialists. Frossard also assisted I. G. greatly in the transfer of French labor to Germany. Even before this transfer was officially agreed to by the Vichy government, Frossard offered to arrange for the transport of such laborers to German factories.

You can be convinced [wrote Dr. von Schnitzler] that General Director Frossard handles the question of sending workmen in closed units to works of I. G. with just as much understanding as good will * * *

Frossard was not the only example of French collaboration. French chemical companies showed a similar disposition. Dr. von Schnitzler testified that only one chemical company in the whole of France showed a refractory attitude. With this cooperation it was not very difficult for Farben to secure effective control of the French dyestuffs industry through the creation of Francolor in which Farben took a 51 percent interest.

Francolor, created in 1940-41, absorbed substantially the entire French dyestuffs industry. In return the French companies received less than one-half of 1 percent of the common stock of Farben.

These were the fruits of conquest which Farben earned as a fellow conspirator, with knowledge of and participation in the crime. As stated by Dr. Gustav Küpper, chief counsel of Farben's dyestuffs department:

To my knowledge, I. G. Farben, its directors and officers, fully approved the Nazi aggression against Austria, Poland, Czechoslovakia, and France. * * * I. G. profited considerably from these conquests.

Rising Pavilion

FRANCE

	Rhône-Poulenc	-	-	-	-	-	-	-	yes
Ferro-silicium	-	-	-	-	-	-	-	-	yes
Ferro-chromium	-	-	-	-	-	-	-	-	yes
Trichlor Ethylene	-	65 ffrs. - 100 kg.	-	-	-	-	-	-	yes
Formaldehyde	-	-	-	-	-	-	-	-	-
Ethylene (Glycol, etc.)	1. Cie Courrières Kuhlmann	-	-	-	-	-	-	-	yes - confined to present capacity of Manufacturing approval required
Solvents, synthetic resins, other Laquer Raw Materials Including Acetic ether Acetyl Cellulose Sodium acetate Lead acetate G.B. ester Softener R.E.A. Spec. Solvent D.A Glybal A	1. Rhône-Poulenc Progil (Kuhlmann) 2. Bozel-Maletra 3. Soc. Ind. des Dérivés de l'Acétylène 4. And others	187 ffrs. - 100 kg. n. wt. 800 ffrs. - 100 kg. n. wt. 30 ffrs. - 100 kg. g. wt. 11,800 ffrs. - 100 kg. n. wt. 25% of Value " " " " " " " " " " " " Plus 9% Turnover Tax except Acetylcellulose	-	-	-	-	-	-	-
Calcium-carbide	-	36 ffrs. - 100 kg	-	-	-	-	-	-	yes
Silicium-carbide	-	-	-	-	-	-	-	-	-

X. THE MENACE OF I. G. FARBEN

To summarize, the I. G. Farben report has confirmed what heretofore have been mere speculations; and has uncovered a wealth of evidence proving conclusively: (1) that without I. G.'s immense productive facilities, its intensive research and vast international affiliations, Germany's prosecution of the war would have been unthinkable and impossible; (2) that Farben not only directed its energies toward arming Germany, but concentrated on weakening her intended victims; and (3) that this double-barrelled attempt to expand the German industrial potential for war and to restrict that of the rest of the world was not conceived and executed in the normal course of business. For the proof is overwhelming that I. G. Farben officials had full prior knowledge of Germany's plan for world conquest, promoted those plans, planned their own operations accordingly, and anticipated expanding their empire on the plunder acquired.

As an example of an aggressive management which disregarded all human values and committed itself to a program for world domination, Farben is symbolic of the role played by the large industrial firms of Germany. The proposition must be recognized that giant industry, throwing all its weight behind a despotic government, actually holds the balance of power in the conduct of successful warfare. As stated by Dr. von Schnitzler:

Thus, in acting as it had done, I. G. contracted a great responsibility and constituted a substantial aid on the chemical domain and decisive help to Hitler's foreign policy, which led to war and to the ruin of Germany.

Thus, I must conclude that I. G. is largely responsible for Hitler's policy.

As of VE-day, Farben officials themselves estimated that 87 percent of I. G.'s wartime (1943) capacity remained intact. This is much larger than I. G.'s war potential as of the outbreak of war in September 1939. In order to resume large-scale operations these plants require only the necessary fuel and raw materials. Practically all of the technicians necessary to the successful operation of these plants are available in Germany. I. G.'s war potential in terms of production on VE-day is shown graphically on this chart which is chart No. 16 to the Farben report.

If allied policy is that "Germany never again will threaten her neighbors or the peace of the world" then Farben must be destroyed together with its capacities for war production.

The CHAIRMAN. I have noted a few questions that I want to ask you.

For instance, can you furnish a general statement as to what your investigations of Farben and other German business, industrial and financial, enterprises indicate as to the role they played in Germany's conspiracy to wage aggressive war? You covered it partly yesterday, but I wonder if you have anything more.

Colonel BERNSTEIN. I would like to say this, that in addition to our investigation of Farben we have been investigating a number of other concerns, particularly, the iron and steel companies, the electrical companies and the big banks. We hope to prepare reports which we feel would be of equal significance to the report we have prepared on Farben. I think generally it might be said that what we found Farben doing was also being done by other big industrial and financial enterprises in Germany. We also find an interrelationship between the financial and industrial firms which was very close

and intimate and reflects an identical spirit and point of view on the subject of aggression.

The CHAIRMAN. In other words, this was not what you might call a national security agreement at all. It was really an agreement for conquest. The plans were based on conquest and aggression and not merely to safeguard the German Reich?

Colonel BERNSTEIN. Absolutely. It was a question of loot as a result of aggression; a desire to dominate the world from a political, military, and economic point of view.

The CHAIRMAN. This I. G. Farben, your testimony shows, had cartel relations with Standard Oil of New Jersey, and also with Ethyl Export Corp. and through these relationships Farben was able to obtain some five hundred tons of tetraethyl of lead. This portion of the report brought to my attention some paragraphs from the over-all report recently issued by United States Strategic Bombing Survey. I would like to read to you one paragraph from the report:

Eliminating from consideration the Heydebreck and Brixlegg plants, which were only projects, and the two Italian plants, whose production was unavailable, there were only three plants supplying ethylene dibromide. These plants were not bombed, although the equipment and processes used were such as to make them highly vulnerable to air attack.

Colonel Bernstein, I should like you to comment on the failure to bomb the only tetraethyl plants available to Germany.

Colonel BERNSTEIN. I am in no position to comment on that. My main work was in the field of civil affairs and military government and I am not familiar with the programs of the Air Force in their bombing.

The CHAIRMAN. You have been around the Farben offices in Frankfurt quite a bit haven't you?

Colonel BERNSTEIN. Yes, sir. I have been around the Farben offices in Frankfurt and the Farben plants in the Frankfurt area, Griesheim, and other places.

The CHAIRMAN. You noticed the bombing limits around the Farben offices?

Colonel BERNSTEIN. The Farben offices were not hit by bombs.

The CHAIRMAN. There was a rather definite line around them at which bombing ended.

Colonel BERNSTEIN. Sir, I am not sufficiently expert in the functioning—

The CHAIRMAN (interposing). I am talking about demolition.

Colonel BERNSTEIN. Actually, large parts of Frankfurt, including portions fairly close to the Farben building, the main headquarters, were bombed. Farben in Frankfurt itself did not appear to have been hit by any bombs. However, I have no significant information on that subject.

The CHAIRMAN. I was very much interested in Farben's so-called "new order," document which described plans for its own expansion after a German victory. Would it be correct to say that if Farben's "new order" for the chemical industry had been placed in effect American chemical industries would have been limited to United States markets? Can you describe in some detail just how the "new order" scheme would have operated with reference to American industry?

Colonel BERNSTEIN. Senator, I feel that the "new order" document is a tremendously significant document to American business. It

gives them, as clearly as I have ever seen anywhere, a picture of what would have happened to American industry had Germany succeeded in winning the war. I think pretty clearly the chemical companies of the United States would have been completely frozen out of European markets, and, by and large, out of world markets. The detail with which this plan was prepared is simply incredible. This document that I have here is a translation of the "new order" document. It reveals a knowledge of conditions in the chemical field throughout the world that could only have resulted from the expressed desire to formulate a plan for the absorption of most of these chemical companies, and for the drastic reduction of the role which the remainder would be permitted to play.

The charts, which we have over here [indicating] which we have attached as exhibits to the Farben report indicate also the techniques that Farben intended to follow in order to expand its own control and reduce the role played by chemical companies in Europe and in the United States.

I think Farben clearly recognized that its main opponent would be the American chemical industries and its program was formulated in such a way as to be ready to take on the American chemical companies in a life-and-death struggle and Farben anticipated it was going to be the victor.

I, myself, feel that a great service would be done to American business concerns, not only in the chemical field, but in other fields, if organizations such as the Chamber of Commerce and the National Association of Manufacturers were to take this "new order" document and out of it write a brochure which they could circulate to their membership, so that their membership could, without having to read a several-hundred-page document, get the most essential points of the program of Farben to dominate the world chemical industry. And Farben was dealing only in chemicals. Undoubtedly the other great German industries were preparing comparable plans for their fields of activities.

Farben makes a point of the fact that its plan is simply a translation into the field of chemical industry of the whole "new order" philosophy of the Reich, and we may assume that that philosophy would be translated in industry after industry.

The CHAIRMAN. You noticed, Colonel, did you not, in the various files in Frankfurt that there would be a folder file, one on the techniques in dealing with North American businesses and another labeled Information with Reference to Certain Phases in the United States, and another one, Information on Brazil. There seemed to be a most exhaustive survey of conditions.

Colonel BERNSTEIN. It was, sir.

The CHAIRMAN. And all carefully tabulated and filed.

Colonel BERNSTEIN. It was, undoubtedly. I would like, if I may, to mention one or two other items in connections with the "new order" document. I think, Senator, you mentioned yesterday reading an article which contained the remark that in Holland they cannot get along without cartels. Farben had something in store for our friends in Holland should Germany have succeeded in winning the war.

For Holland, Farben's "new order" document envisioned the complete elimination of the photographic industry since (and I quote):

In our future business with Holland in photographic materials it would be desirable if the requirements of the Dutch market can entirely be satisfied by the German photographic industry.

The French and Norwegian photographic industries were to be treated similarly.

With regard to the French pharmaceutical industry, I. G. proposed (and I quote):

On the French side this "new order" established in our mutual relations would have to be supplemented by a decree forbidding the construction of plants producing pharmaceutical products. In addition, a number of small and unimportant laboratories, most of which are of local importance only, should be closed.

Further with respect to the exclusion of all other countries from the French domestic market, I. G. proposed (and I quote):

Enforcement of a French quota and licensing system in favor of Germany which will have as its purpose that French demands for imports will be supplied by Germany only.

With respect to the United States, and particularly the special emphasis which Farben placed on driving the United States from the European market, the "new order" plan says with regard to nitrogen products (and I quote):

For the future, it is desired that in a manner similar to that proposed for other markets, Germany be given priority for the supplying of all additional requirements of nitrogen of any kind. This step shall be designed in particular to exclude or control North American imports.

This was typical of the injunctions laid down with respect to specified products too numerous to mention.

With respect to dental products, a large part of which France had received from the United States, German supplies were to be substituted. Not only did I. G. intend to drive the United States of America and other free countries from the European markets; it also expected and prepared to compete strongly with the American industry for the remaining free markets of the world.

Forced away—

says the "new order" document—

from European business for reasons which were effective already prior to the war and which will become increasingly effective after the war, the Americans will do everything within their power to maintain and promote the development of their exports of chemicals.

The CHAIRMAN. It was interesting to me in studying various cartel agreements to discover how German companies had played upon the whole theory of ours of a high tariff to protect American industry, by agreeing to grant exclusive grants in the United States and at the same time excluding us from the rest of the world, with the idea of letting us exploit our own markets only. Have you noticed that in any of their cartel agreements? They played on that theory of ours that the one way to build prosperity in the United States was to erect high tariff walls forbidding others to come in, realizing at the same time that they would forbid us from trading in other markets.

Colonel BERNSTEIN. Incidentally, in their "new order" plan Germany was going to force other countries to reverse some of their high tariff policies. The "new order" document provided that as far

as German products are concerned, a free trade policy was to be followed. Tariffs and duties were to be eliminated entirely as far as German imports from Germany were concerned; or if there were any kind of a duty it would be a nominal one of 2 percent.

They thought it desirable to maintain a high tariff policy in the countries of the world with respect to chemicals that came from sources other than their own.

The CHAIRMAN. In other words, they were using the selective tariff system also.

Colonel BERNSTEIN. It was a rather new way of using the selective tariff system.

The CHAIRMAN. It is my understanding that among the functions you have been charged with as head of DICEA is the uncovering of the foreign assets of various German companies and industrialists, including I. G. Farben. Can you give us some picture of the success of I. G.'s penetration in Argentina?

Colonel BERNSTEIN. I might say with respect to that, sir, that we have been asked by the agencies of the Government to refrain from making public here a considerable amount of material that we have obtained on the penetration of Farben into Latin America, particularly into Argentina. It was quite clear, though, that Farben had agencies there through which it not only could carry on the Nazi propaganda line but also could carry on espionage activities for the Wehrmacht and the German Government, and be a source through which a vast amount of information of value to the Wehrmacht and the Nazi Government could be obtained from the whole Western Hemisphere.

The CHAIRMAN. General Hildring testified yesterday that a decree had been passed by the Control Council ordering the seizure of such German external assets to be used as reparations as well as to destroy German's economic reserve throughout the world for another war. How does this affect Argentina? By that I mean this could only be done if Argentina would acquiesce in the seizure, is that right, and that applies to any other nation?

Colonel BERNSTEIN. Well, it raises some of the legal questions arising under the decree, plus, of course, political questions. This is a matter, I suppose, on which State Department will have the final word for our Government as to whether Argentina will be treated more like a neutral country such as Switzerland, or whether it would be treated more like an Allied country such as Brazil.

The basis on which that decision would be made is, I believe, at a high level.

The CHAIRMAN. However, the point I am getting at is this: As with all sovereign countries—either neutral or Allied countries—the only way the Control Council can operate is with the consent of the country involved, and it is a question of internal or domestic negotiations with that country to get us the right to go in there, in the courts, and by taking judgments, and so forth, seize these assets; isn't that right?

Colonel BERNSTEIN. That is correct.

The CHAIRMAN. It couldn't be handled by decree, it wouldn't be binding on any country as far as it invades their sovereignty.

Colonel BERNSTEIN. I would be unwilling to say that a decree is not binding on the countries. I think the Control Council would want to take the position that under the decree it has a legal right to Germany's external assets. Of course the enforcement of that right

would require cooperation from the government of the countries where the assets are.

The CHAIRMAN. That is right. That is not effective unless the other countries will cooperate, and then only to the extent with which they will cooperate.

Colonel BERNSTEIN. As a practical matter, that is substantially correct.

The CHAIRMAN. I am late in court now. If you don't mind waiting 30 minutes, we will conclude this after I get back.

(A recess was taken from 11:40 a. m. to 12:10 p. m.)

The CHAIRMAN. Now, Colonel Bernstein, I would like to call your attention to an item which is appearing in Scripps-Howard newspapers today charging that in China the man who is directing liquidation of I. G. Farben's vast holdings in the Far East is a well-known Nazi, S. Gadow, who is being assisted in this work by 22 other German nationals, many of them active Nazis as well, I should like to know, Colonel, whether this situation has any parallel in Europe, that you know of.

Colonel BERNSTEIN. I hope it doesn't sir. I am quite sure those people are not functioning on behalf of the Control Council in attempting to deal with those assets, and I will do everything I can to get that information sent over to the Control Council with a view to seeing whether some action can be taken on it.

The CHAIRMAN. Are there any other instances that you know of where Nazis or collaborationists have been installed in positions of control in the industrial disarmament program, particularly with respect to any I. G. Farben properties?

Colonel BERNSTEIN. Sir, I think there has been a good bit of criticism about using Nazis and people who were associated with the Nazis in carrying on industrial activities in Germany. My own organization, my own staff working together with a group of British personnel out of Düsseldorf gathered together a great deal of information of a very telling character with respect to some 80 industrialists in the Ruhr area who were active, particularly in the iron and steel business. Some of those people were getting ready to reopen their plants and put them all in running order. They felt that it wouldn't need more than 3 to 6 months to put some of their plants in running order. Others were ready to be put in operation immediately.

We gathered together this information. These 80 industrialists have now been arrested. Many of them seem ripe for treatment as war criminals. They are not working in their factories now.

The CHAIRMAN. I want you to understand, Colonel, I fully realize what you were up against in Europe. In fact, I don't see how, with the small staff over there, you accomplished as much as you did, even with the cooperation of others. As you well remember, when I discussed it with you at one time, I thought you needed about 1,000 people over there until you got this mess straightened out.

I am not criticizing you, and I also realize, having been there, that you have to use German personnel sometimes to do the classifying jobs, under supervision of American personnel and sometimes ideas get out, of that kind.

Colonel BERNSTEIN. Senator, I would like to say one thing, if I may.

The CHAIRMAN. Yes?

Colonel BERNSTEIN. I want to express my appreciation to you for the support that you have given continuously for many, many months, both abroad and here, to the effort to get at the story of the role played by German industry, German cartels, in carrying out Germany's program for aggressive war. I know of no one, sir, on the Hill who has been as active and effective and helpful to our organization on the other side in the work that we have been doing.

The CHAIRMAN. Thanks very much, Colonel Bernstein. I have been interested and I would like to explain in the record one of my interests in this: In studying the cartel picture from the American side before we got in there, I felt that the other side of the picture ought to be brought to American industry, in the hopes that American industry will see the dangerous situation they place not only the Government but themselves in, and cooperate with the Government in preventing such future situations from arising.

I think this historical and legal and economic research into those records will make one of the greatest contributions to the welfare of business in this country that can be made, when it is finally published and given to the public in such a way that they can understand and read it, because apparently we are utter amateurs in dealing with the cartel organizations such as they have abroad.

At my request, General Hildring was good enough to furnish the subcommittee with copies of the general and special orders issued by the military government with respect to I. G. Farben. I observe that special order No. 2 issued July 7, 1945, created an advisory board for I. G. and that you were one of the officials appointed to it. Can you describe for us the activities of this board, stating particularly what your functions were, what have been the achievements of the board, and whether it is still functioning today?

Colonel BERNSTEIN. Well, sir, I believe this past June General Clay asked General Draper and myself to draft an order setting forth a program to deal so effectively with Farben that the company would never become a menace again. We got to work on it.

There were certain differences of view as to what was the desirable thing to do. There were some of us who felt that the role of Farben had been such that its war potential had to be destroyed or transferred as reparations. There were others who had grave doubts as to the desirability of that kind of approach and who felt that Farben should be allowed to function without substantial reduction of its war capacity. In any event, General Clay had caused to be signed the order of the 5th of July which on paper prescribed a program for the reduction of Farben's war potential.

An advisory committee was established, of which I was one of the members; other members included General Draper, and Rufus Wyszor, a legal adviser, and a man who was the property control officer. We used to have periodic meetings to discuss the Farben program. The dominant philosophy appeared to be at the time that Farben and the Farben plants were to be dealt with substantially in the same way as other factories in Germany.

The Industry Branch and the Production Control Agency, which were parts of the military government organization in Germany, felt that their responsibility for getting German industry producing required that they see to it that Farben be permitted to produce in the same way as other industries in Germany were producing; and they con-

tinued to oppose singling out Farben for special treatment insofar as reduction of war potential was concerned.

Accordingly, despite repeated suggestions as to what was the true objective of the July 5 order, much time was spent in the weeks and months after July to see how various plants could be gotten going. One must bear in mind the point of view expressed by a leading member of the Industry Branch and Production Control Agency in that period of time when he expressed distress at some of the suggestions that were being made as to the need of going forward with the denazification program. He said "After all, how could I be expected to get German factories to produce if I am not allowed to use Nazis and German cartels?"

I think General Clay has from time to time made clear, and General Eisenhower has every time I have heard him made perfectly clear, the American policy to root out nazism in government and in private enterprises, regardless of whether it meant a less efficient working of Government and industry.

I think it has undoubtedly taken some time for those views to seep through to all places, but I am sure that was General Eisenhower's and General Clay's point of view. But it took some convincing. Actually, sir, we found ourselves one day being approached by representatives of the control officer of Farben, who asked us if we would release from prison, or arrange for the release from prison, of some of the key Farben officials, whose activities we have been describing during the last 2 days, in order that such Farben officials might be employed at very high salaries to carry on the activities of the Farben plants.

We were also asked if we could devise some method whereby the salaries that would be paid to these Farben officials would not have to be blocked in accordance with General Eisenhower's orders which blocked the funds of certain categories of people, in which this group was included.

My division, the Finance Division, at that time advised we would not be party to any system of evading General Eisenhower's orders, and we didn't think it appropriate that these people be employed at such salaries and have their funds unblocked. That was part of the problem that one faced.

I just wanted to mention one further thing. General Hilldring put in evidence yesterday a transcript of a conversation that I had with members of my staff—I believe just a week ago—in which they had furnished to me, in anticipation of these hearings, a statement of the way things were currently going in connection with Farben. I think a reading of that statement shows what progress has been made and what progress has not been made. Although I. G. Farben plants in the United States zone are now available for reparations, no such plants in the United States zone have, as yet, been removed. No I. G. Farben-owned plants in the United States zone have, as yet, been destroyed. Substantially all Farben plants and other Farben installations in the United States zone are now operating with a minimum of managerial supervision from any higher level. As far as dispersing ownership is concerned, no transfers of ownership have been made.

I think here we have a clear case—bearing in mind the American Directive 1067, the Potsdam agreement, the orders of July 5, and

now more recently the orders of November 30—we have a case of a clear statement of the American policy with respect to Farben. The problem now is to get on with the job of effectively carrying out that policy so that Farben ceases to be a war menace.

The CHAIRMAN. Of course, I realize that Farben, even more so than we in this country in our chemical industry, followed the system of having just a few keymen who knew certain factors and those were not, shall we say, a matter of record, but carried in the minds of those men and their assistants; for instance, in setting up some of the German-controlled industries in the United States and getting into our own chemical industry—du Pont, Carbon Carbide Chemical, and various others—they followed that system. Nobody else in the plant knows anything about it except one or two keymen. Put you in the position of getting in those few men to tell you what made things click and that sometimes puts you in an embarrassing situation.

Colonel BERNSTEIN. Yes. Sometimes the men were retained because it was easier to get along with them.

The CHAIRMAN. General Aniline Film was a Farben subsidiary in this country and was very powerful in the chemical dye industry. There is a great discussion now with the Alien Property Custodian and various other groups as to whether or not it should be broken up or whether it should be retained intact with some kind of voting trust to control it so that foreign control never comes in. One school of thought being—which is quite correct—that there are a number of other powerful dye industries in this country and if it is broken up in small segments it will disappear and will not furnish the competition that it has furnished in the past, whereas in the breaking up of Farben abroad there is no competitor at all, and in order to make things click you have to break it up.

I think that parallels General Aniline Film in this country and the proposition of whether or not it should be broken up or allowed to operate as a competitor, shall we say, to Eastman and to du Pont and Carbon Carbide Chemical and a few more of our large outfits, to furnish competition in the field rather than take it out as a competitor completely and remove a source of competition that exists, now that the Government owns a controlling interest in it through the acquisition of the stock.

Colonel BERNSTEIN. One way to insure that nothing happens in the next 25 years for General Aniline to pop back into German hands is to carry out effectively a program of the destruction of Farben.

The CHAIRMAN. That is right. If that can be carried out completely so that it has no foreign connection, General Aniline Film will not furnish any menace to anything in this country at all. It may be a rather helpful organization, if American-controlled with no foreign affiliations.

Colonel BERNSTEIN. That is correct.

The CHAIRMAN. It seems to me from what you say that, although the governments controlling Germany have had for some time the material which you gathered showing Farben as a menace to the peace of the world, the steps which have been taken to deal with the problem are largely so far on paper, are they not?

Colonel BERNSTEIN. The effective work still has to be done.

The CHAIRMAN. Still has to be done in the future?

Colonel BERNSTEIN. Still has to be done in the future and that is why one becomes concerned with stories one hears in different places expressing the attitudes of various people. Take the statement made last week that appeared in the American press, the statement of Lord Riverdale, a leading British industrialist, particularly in the field of iron and steel, who is quoted as saying that he felt that Germany must be allowed to have a strong industry, and that this is the view generally held by British industrialists.

If, in fact, that is so, one wonders how effective a program with respect to Farben will be accomplished.

The CHAIRMAN. You remember, don't you, that just before Munich the Federation of British Industries met with a similar organization in Germany and, in spite of the menace of Munich, entered into an accord with them in which they agreed that they would join together in getting their respective governments to force—they didn't name the United States but they appropriately described us—to join in with them in a world domination scheme on industry?

Colonel BERNSTEIN. Yes, sir.

The CHAIRMAN. You know also that the British newspapers, headed by the Manchester Guardian, took the hide off the British industrialists for getting themselves into such a mess, by the way.

Colonel BERNSTEIN. I think the "school tie" tradition is not limited to the British public school system. That point of view is expressed in other ways and sometimes unfortunately influences in an unsound way governmental policies.

The CHAIRMAN. Yes; because it is so easy to slip by. Cupidity gets the better of judgment and past experience all too frequently.

Colonel BERNSTEIN. One thing that governments should have learned, bearing in mind the enormous costs of war in terms of human beings and money—is that security ought not be sacrificed for the sake of profits, where the making of those profits results in the retention of a mechanism that has twice almost caused our destruction.

The CHAIRMAN. Don't you think, then, that unless steps are taken for immediate action to destroy Farben, not merely as a legal entity but also as a physical fact, by transferring plants, some of them as reparations, and destroying those that cannot be transferred and cannot be utilized in maintaining the minimum economy in Germany, and leaving for Germany itself only that part of the chemical industry which is essential for the maintenance of the minimum standard of living, we will have gained nothing from our lessons?

Colonel BERNSTEIN. I agree with that fully.

The CHAIRMAN. And from all the information that has so painstakingly been gathered?

Colonel BERNSTEIN. I agree, sir, with your analysis.

The CHAIRMAN. Why has the progress been so slow in the Control Council in taking the measures necessary for the break-up of the cartels and monopoly industries in Germany and the carrying out of the economic disarmament program?

Colonel BERNSTEIN. Well, sir, I think I have mentioned a little bit of what has happened in Farben. Farben was our first case and we had quite a few problems even dealing with Farben.

The CHAIRMAN. For your guinea pig there you picked a full-grown hog. [Laughter.]

Colonel BERNSTEIN. We picked what we thought would be the clearest case, but it has gone very slowly. Therefore, one can understand why the going is even slower in other fields. Effectively to destroy Germany's cartel arrangements and its concentration of economic power and to reduce its industrial capacity so as to minimize Germany's war potential, requires a considerable organization of people who are fundamentally sympathetic to such a program and who are strongly supported by the Government in this effort to carry out such a program.

I think, furthermore, we have to realize that we are dealing with three other countries and that differences of views exist, particularly on this problem of what to do about cartels. The London Economist, I think, had a rather interesting series of articles during the months of September and October, in which they were bitterly critical of the Russian and American point of view in dealing with industry in Germany. It said that the British point of view was very different, regardless of what was said at Potsdam, and came awfully close to saying that the British ought to go along and carry out their point of view regardless of what Russia and America desired to see done about industry.

That merely is reflective of a type of thinking which you meet with and which makes carrying out a decartelization program difficult, to put it mildly.

The CHAIRMAN. You know there is also wide divergence of opinion in different sections of New York.

Colonel BERNSTEIN. Yes, sir; and perhaps Washington.

The CHAIRMAN. I think the parallel of the Düsseldorf meeting was the Rye conference last year in New York while the war was going on. They held a conference in Rye, N. Y., and they tried to institute a plan to bring about the very system that brought about the war, after the war was over. That was attended by many of our leading American citizens. I think they were misguided. I don't accuse them of anything. I think you made good progress over there, but I do think that the heat must be on to complete the job for which the foundation has been laid. I think you do have a sufficient foundation from which to operate now. Is that right?

Colonel BERNSTEIN. Well, sir, a considerable number of the men I had in my division will be returning very shortly and whoever becomes responsible for doing the work of that division will find it necessary to get together an additional group of people, one would hope a group of people who would both understand the cartel and industrial problem in Germany and believe in the American policies of dealing with those things in an effective way. Otherwise, much of the program will never effectively be carried out.

The CHAIRMAN. When did you come back from Germany, Colonel?

Colonel BERNSTEIN. At the end of September.

The CHAIRMAN. We have heard in this country a great deal of contradictory evidence on present economic conditions in Germany; standard of living, extent of the destruction of the German economy, and so forth. I wonder if you would be good enough to give me your impressions—I am asking you for these unofficially, not as head of DICEA—of the present-day Germany, the conditions of the German economy and the present state of Germany's economic disarmament.

Colonel BERNSTEIN. I have been in Germany a good bit since November of last year, when I first went into the area around Aachen. I have seen a good deal of the agricultural areas and the industrial areas. I have talked to a great number of people in our military government organizations and in the British, French, and Russian military government organizations. We have made studies by our own staff. I have read many of the reports that have been written, including the very excellent reports that are in the process of being written and issued by the United States Strategic Bombing Survey. I myself feel that many of the people in the United States have been led to believe that the world need no longer fear the warlike potential of the German economy because of the damage to Germany from air attacks and from the fighting that took place within Germany's borders.

Mr. Byron Price in his report a short while ago made the remark that "all but comparatively few of the great German industrial plants still lie under the rubble" and that "there certainly is not the slightest evidence that German industry can become within the foreseeable future sufficiently strong to permit diversion of production for German war purposes."

A Member of the Senate last week, I believe, said on the floor of the Senate that most of the factories in Germany are in ruins.

I respectfully submit that such is not the condition of German industry today. It is quite true that, for example, in the American zone at the current time production is perhaps no more than 5 to 10 percent of capacity; but that is purely a temporary condition and, as the recent report of the Economic Division indicates, is due to the lack of fuel and transportation. It does not result from a lack of plant capacity, facilities, trained personnel, or know-how. Germany still has the substantial part of all of these elements of its industrial economy.

I think part of the confusion also stems from the fact that people think that in the bombing we just about destroyed all of German industry. As I understand what the Air Force was attempting to accomplish—and I think they did a perfectly magnificent job in the role they played—they weren't attempting to destroy all of German industry. They wanted to assist, so far as they were bombing industrial targets—in causing a break-down in the economy for a period of time. That they succeeded in doing. They not only effectively knocked out the synthetic-oil production so that the German Air Force was to a large extent grounded, but in the closing months of the war they so effectively bombed the transportation facilities, particularly the transportation facilities in and out of the Ruhr, that the transport of coal was enormously reduced, and the effect of reducing the transport of coal was to reduce what could be produced by the existing industrial plants in Germany.

When the war finished the German economy had about come to a stop, because transportation facilities were smashed up sufficiently to prevent movement of coal and the transportation and coal difficulties prevented all activities in the factories. But, for example, even in the case of the synthetic-oil factories where the air force did such a magnificent job of bombing, the information seems to indicate that in about 6 weeks almost any one of the synthetic plants that was bombed was back in production.

When you are dealing with the attack on the transportation system, obviously you are dealing with something that is repairable within a limited period of time. A recent report of the transportation division indicates that 92 percent of the railway trackage in the United States zone is usable.

The United States Strategic Bombing Survey stated:

The Allies did not attempt to destroy the German economy as a whole or even the war economy as a whole. The bombing offensive sought rather to stop it from operating by damaging key points.

I believe that at prior hearings of your committee evidence was produced or statements were made, based on investigations, indicating that as much as 75 percent of Germany industry was intact or readily repairable. My own investigations and studies would indicate that that is really a minimum figure. It is a minimum figure in Farben, where we have ascertained that probably as much as 87 percent is ready to go, and if the Germans were given 3 to 6 months' time for repairs, far more than that would be completely capable of operating. And I say that of Farben even though the first view one has of the enormous Farben plant at Ludwigshafen is that it looks just smashed. But when you spend some time and the experts spend some time going through the plant, they find it is nowhere near smashed, that it is nowhere near completely destroyed. The Ludwigshafen plant of Farben is working today without even the damage being significantly repaired.

The Germans themselves in the iron and steel industries mentioned that not more than 3 to 6 months were needed to get their plants going. I remember at one time when I was in the Ruhr, in Duisburg, and I asked to be taken to plants that were really hit hard—smashed.

The British officer who was dealing with the industrial problems said he was going to take me to one. The town of Duisburg was hit to a considerable extent; that is, the residential areas. So we went to the outskirts of the town to a huge plant which was a part of the Thyssen enterprise. This was going to be a place that was really hit.

Well, we spent quite a bit of time going through the plant, being taken through it by the two German managers of the plant. The vast bulk of the plant wasn't hit at all and was ready to go that very day I was there, provided it had the raw material and the coal. But when they took me to the part that looked like quite a shambles I asked them how long it would take to put that part in repair. The Germans consulted among themselves for a period of time, and they said it would take as long as 3 months before they could get into operation. "Oh, no," insisted the British officers, "they are overly optimistic. It would take at least 6 months to put that plant in repair."

Now we must also remember with regard to German plant capacity during the war that that capacity was so great that it was never fully utilized during the war. Although in this country and in Great Britain it was found necessary to work plant capacity two and sometimes three shifts—by and large, war plant capacity in the United States and Great Britain had to be worked 24 hours a day for 7 days a week in order to produce the necessary war equipment—in a very large proportion of the German industrial set-up throughout the war, they worked on a one-shift basis. That information is brought out in the over-all report recently published by the United States Strategic

Bombing Survey that made these very extensive studies of the German industry.

At one point the United States Strategic Bombing Survey says that—

production capacity, except in specific instances, was never really short; Machinery capacity was never fully utilized. Manpower, particularly womanpower, was never fully mobilized. * * * The output of civilian consumption goods, after the restriction in the initial years—which still left the standard of living at a fairly comfortable level and well above that of the depression years in the early thirties—was maintained virtually stable until well into 1944 * * *.

As a matter of fact, I recall somewhere having read the statement that Germany was able to maintain throughout the war years a higher standard of living for civilians than Germany had in 1929; and that Germany, instead of being forced into a “guns or butter” position, throughout the war years was basically enjoying a “guns and butter” position.

In many other ways the evidence appears to be indicating that Germany's industrial capacity was far greater than we realize.

The CHAIRMAN. Let me ask you a question at that point. German plant capacity had reached such a stage in the war that it was one of the contributing factors that made them want to go to war—they were top-heavy with plant capacity—

Colonel BERNSTEIN. And wanted more markets to sell their goods. Studies have shown that through the war the German economy does not appear to have suffered from any shortage of machine tools or general machinery or plant facilities except temporarily and in a few isolated cases. As a matter of fact, the Strategic Bombing Survey states that in the 3 years under Speer, beginning with 1942, Germany was able to increase its armament and munitions production three times—three times within 3 years during the war when the bombs were raining down on them. And in the case of tanks, I believe there was a sevenfold increase in production during this 3-year period.

The German labor force was never used to the limit, or even to the limits that it was being used in Britain. The German tool capacity exceeded even our own up until sometime well into the war. The German tool industry is simply enormous. The damage to it as a result of the war is slight, very slight.

The CHAIRMAN. By the way, I heard there—I didn't see it—of a machine operating by the use of some photographic methods in the making of steel dies for stamping plates, in which 1 die maker would turn out about 15 times as much in the same time as he could in the United States.

Colonel BERNSTEIN. I have no doubt it is there. The machine-tool industry is just enormous, and they never came anywhere near exhausting their capacity. As a matter of fact, I understand they took 30 percent of it and used it, not for the production of machine tools but directly for the production of munitions; they had that much of a surplus in the machine-tool industry.

The CHAIRMAN. Isn't there one thing we must watch, also, and you brought it out, that it must be stressed that our bombing was intended to delay operations in order to let the Army get in, not with the idea of destroying everything for the future? And there is one other thing that I am going to ask you about that impressed me. Germans impressed me as the best-organized group on the Continent, even after

defeat. They had been so perfectly regimented that they naturally fell into an organizational set-up just automatically.

Colonel BERNSTEIN. I think the view generally expressed in the military government circles is that the German industry and Germans generally were very efficient.

The CHAIRMAN. And highly nationalistic.

Colonel BERNSTEIN. Highly nationalistic and war-minded. What I would say about German war industry is that if it is our policy to see that Germany's industrial capacity is reduced so that it is not able to wage a war again, then we must take action to see that that is done. That situation has not yet been brought about. It was not brought about by the war, by the bombing or by the shelling. If it is to be accomplished, it will be accomplished only by positive action to be taken in the future in carrying out the Potsdam agreement and our country's directives.

The CHAIRMAN. And the manufacturing potential of a country is really a war potential. You use practically everything you produce in the plants in war, isn't that right?

Colonel BERNSTEIN. Yes.

The CHAIRMAN. So that things must be brought back in balance.

Colonel BERNSTEIN. Yes, sir.

The CHAIRMAN. Do you know whether the poison gas plant I. G. had is still in operation or is capable of being operated?

Colonel BERNSTEIN. It is capable of being operated.

The CHAIRMAN. That is in the Russian zone, I believe?

Colonel BERNSTEIN. I have a recollection that one of the plants that was producing poison gas is in the American zone. That is the Gendorf plant operated by Anorgana G. m. b. H., a wholly owned Farben subsidiary. The plant was constructed underground during the war and specialized in the production of mustard gas. This would clearly seem to be a plant that should be destroyed if anything in Farben was to be destroyed. Nevertheless, the plant is now in active operation producing pharmaceuticals which, it is claimed, are essential for the maintenance of the German economy.

You asked me earlier in the hearing a question or two about the employment policies with respect to foreign labor, and I want to mention Carl Krauch, the chairman of the I. G. supervisory board, who, as Goering's assistant, was in charge of recruiting slave labor for the German chemical industry. The guiding rule laid down by the industrialists in the German Government was to give the workers only enough food so that you could get whatever work you wanted out of them.

The CHAIRMAN. Wasn't food used as a reward and punishment, too?

Colonel BERNSTEIN. The standard was only, what did you want out of them. That was the standard. Slave labor obtained from concentration camps and used by Farben did not receive payment from Farben; that is, the slave laborers didn't receive payment from Farben. Farben paid their salaries to the SS who operated the concentration camps. This was especially true in the case of the thousands of slave laborers that worked at the Farben buna plant near Auschwitz.

The CHAIRMAN. But Farben did go through the motions of paying to the SS group who ran the camp so much per diem for the laborers?

Colonel BERNSTEIN. Sometimes they did. They did do that.

The CHAIRMAN. And then the SS group could pay the laborers or not pay them to fit the occasion; is that right?

Colonel BERNSTEIN. I don't believe the SS paid the laborers.

That is all I have.

The CHAIRMAN. We are probably going to have one hearing next week, and I may ask you for a little more information before that time and ask you to come up then.

Colonel BERNSTEIN. If I can be of help, I will be glad to.

The CHAIRMAN. Thank you very much, Colonel. I want to say I am very proud of any little part I had in getting you on that detail out there, because I feel what little efforts I did put out are very well repaid.

Colonel BERNSTEIN. Thank you, sir. Senator, your help on this has been simply tremendous, and the men on the staff know it.

The CHAIRMAN. Thank you very much.

We will recess, then, until tomorrow morning at 10:30.

(Whereupon, at 1 p. m., the hearing recessed until 10:30 a. m., Thursday, December 13, 1945.)

ADDITIONAL MATERIAL SUBMITTED BY THE WAR DEPARTMENT FOR THE RECORD

SUBCOMMITTEE ON WAR MOBILIZATION,
November 8, 1945.

Maj. Gen. JOHN H. HILLDRING,
Director, Civil Affairs Division, Washington 25, D. C.

MY DEAR GENERAL HILLDRING: There has recently appeared in the press an account of the discovery in Germany of 20 tons of Nazi Party records, including the names of Nazis in the Western Hemisphere. Would you please make available to the subcommittee the list of 200 names of Nazi agents listed as functionaries of the German-American Bund? Would you also be good enough to notify the subcommittee when all of the materials, including letters and several million index cards, have been classified and transported to the United States, so that the subcommittee may have access to them?

Most sincerely yours,

H. M. KILGORE, *Chairman.*

WAR DEPARTMENT,
Washington, November 21, 1945.

Hon. HARLEY M. KILGORE,
*Chairman, Subcommittee on War Mobilization,
United States Senate.*

DEAR SENATOR KILGORE: This will acknowledge your letter of November 8, addressed to General Hilldring, in which you request the names of 200 Nazi agents and ask that you be notified when the Nazi Party records have been transferred to this country.

It is impossible for us to provide you at this time with any of the information desired. Action is being taken, however, through appropriate channels in an effort to obtain the names requested and to ascertain the plans for shipment of the records to this country. I shall be glad to keep you informed of our progress in this connection.

Sincerely yours,

DONALD P. BOOTH,
*Brigadier General, United States Army,
Special Assistant to the Under Secretary of War.*

WAR DEPARTMENT,
THE CHIEF OF STAFF,
Washington, December 21, 1945.

Hon. HARLEY M. KILGORE,
United States Senate.

DEAR SENATOR KILGORE: I have looked very thoroughly into the matter of providing you with a list of the names of Nazi Party members in America, and find that Brigadier General Booth, special assistant to the Under Secretary of War, is working very diligently on your request.

The desired records were found in a disorganized condition at a factory near Munich where they had been taken by the Germans for pulping in order to deny them to the Allies. It has been necessary to perform considerable work on these files in order to put them in a usable condition. Upon receipt of your letter of November 8 we cabled the European theater and directed that appropriate action be taken to make available in Washington the list of names requested by you. Word has recently been received from the theater that the documents have arrived in Berlin, where they will be used by all four Allies in the administration of Germany, and that the list requested by you is being forwarded to Washington via air mail.

I understand that the above information has been telephoned to Mrs. Frank Manuel of the investigating staff, Subcommittee on War Mobilization. Due to the fact that General Booth is the officer most familiar with the case, I have asked him to continue to keep your subcommittee informed of the progress made on the procurement of the documents.

Sincerely,

DWIGHT D. EISENHOWER.

WAR DEPARTMENT,
Washington, D. C., January 5, 1946.

Hon. HARLEY M. KILGORE,
*Chairman, Subcommittee on War Mobilization,
United States Senate.*

DEAR SENATOR KILGORE: This is written with further reference to your request of November 8, 1945, for the names, which were found in the United States zone, of 200 persons in the United States apparently having Nazi affiliations.

As was indicated in my letter of November 23, 1945, it was necessary for the War Department to obtain from the theater the information which you requested. The theater has now provided a list, a copy of which is enclosed, which contains names and United States addresses of persons designated by official titles in German. The War Department has been advised that this list was not prepared by Allied personnel from a canvass of records in Germany, but was discovered by United States troops. The origin of the list, and whether or not it is based on the Nazi Party files which were also discovered by United States troops, is therefore not known.

The War Department will advise you within a few days of the status of the program for exploiting the Nazi Party files.

Sincerely yours,

DONALD P. BOOTH,
*Brigadier General, United States Army,
Special Assistant to the Under Secretary of War.*

ORTSGRUPPENAMTSWALTER

GAU OST

Astoria, Long Island:

Ortsgruppenleiter, Rudolf Markmann, 75-15 Thirty-fifth Avenue, Jackson Heights, Long Island.

Geschäftsführer, Karl Opava, 2308 Newton Avenue, Astoria, Long Island.

Kassenwart, Willi Seckel, 39-63 Forty-ninth Street, Long Island City, Long Island.

D. K. V., Ernst Krafft, 34-24 Eighty-fifth Street, Jackson Heights, Long Island.

Frauenschaft, Eva Sturn, 33-08 Twenty-ninth Street, Astoria, Long Island.

Jungenschaft

Maedchenschaft

O. D. Führer, Hermann Schwarzmann, 344 Starr Street, Brooklyn.

Organisationsl.

Schriftwart

Uschla

Buecherwart

Baltimore, Md.:

Ortsgruppenleiter, Paul Anders, 1819 Guilford Avenue, Baltimore.

Geschäftsführer, Theo. Zahn, 2027 McElderry Street, Baltimore.

Kassenwart, Wiegand Henkel, 118 South Bouldin Street, Baltimore.

D. K. V., Robert Jentzsch, 3211 Stafford Street, Baltimore.

Frauenschaft, Gerud Born, 6701 Park Heights Avenue, Baltimore.

Jungenschaft, Theo. Zahn, 2027 McElderry Street, Baltimore.

Maedchenschaft

O. D. Führer, Robert Haussmann, 808 North Port Street, Baltimore.

Organisationsl., Theo. Miller, 777 Grantley Street, Baltimore.

Schriftwart, Wm. Klein, 1736 North Gay Street, Baltimore.

Uschla, Georg Foertsch, 2712 Woodsdale Avenue, Baltimore.

Buecherwart, Paul Herke, 402 East Cold Spring Lane, Baltimore.

Schulungsleiter, Theodor Miller, 777 Grantley Street, Baltimore.

Bergen County, N. J.:

Ortsgruppenleiter, Conrad Umbach, Paramus Rural Free Delivery, Ridgewood, N. J.

Stellv. Ogl., W. Borchers, Post Office Box 128, Hackensack, N. J.

O. D. Fuehrer, Ludwig Lohr, 27 Water Street, Hackensack, N. J.

Kassenwart, W. Borchers.

D. K. V., Ogl.

Bronx, N. Y.:

Stellv. Ogl., Emil Goppelt, 49 East Eighty-third Street, New York City.

Kassenwart, Ottmar Bruestle, 1497 Third Avenue, New York City.

O. D. Fuehrer, Henry v. Holt, 1236 Webster Avenue, Bronx.

D. K. V., Erhard Schnoes, 214 St. Anns Avenue, Bronx.

Buffalo, N. Y.:

Ortsgruppenleiter, Eberhardt von Nasse, 11 West Genesee Street, Buffalo.

Kassenwart, Karl Bader, 1173 Hertel Avenue, Buffalo.

O. D. Fuehrer

D. K. V.

Frauenschaft

Jungenschaft

Maedchenschaft

Elizabeth, N. J.:

Ortsgruppenleiter, Wolfgang Paffrath, 143 High Street, Montclair, N. J.

Kassenwart, Karl Gerstle, 224 Chilton Street, Elizabeth.

O. D. Fuehrer, Ernst Lindlar, 184 Liberty Avenue, Hillside, N. J.

Frauenschaft, keine.

Jungenschaft, keine.

Maedchenschaft, keine.

Schriftwart, E. Joachim, 741 Suburban Road, Union, N. J.

Werbeleiter, J. Heller, 602 Jackson Avenue, Elizabeth.

Uschla, H. Brosamel, 125 Orchard Street, Elizabeth; W. Volkmann, 184

Liberty Avenue, Hillside, N. J.; E. Joachim, Union, N. J.

D. K. V., Ogleiter.

Hoboken, N. J.:

Ortsgruppenleiter, Gustav Elmer, 754 Palisade Avenue, Union City, N. J.

Kassenwart, Max Koenig, 927 Park Avenue, Hoboken.

O. D. Fuehrer, Max Spaeth, 157 Tenth Street, Hoboken.

D. K. V., Ogleiter.

Frauenschaft, Martha Weber, 915 Willow Avenue, Hoboken.

Hudson County:

Ortsgruppenleiter, August Klapproth, 664 Day Avenue, Ridgefield, N. J.

Kassenwart, William Otto, 820 Thirty-first Street, Union City, N. J.

D. K. V., Willy Ahlf, 424 Palisade Avenue, West New York, N. J.

O. D. Fuehrer, Gerhard Otto, 15 Fulton Avenue, Hudson Heights, N. J.

Frauenschaft, Mrs. Karl Schlinck, 679 Monroe Place, West New York, N. J.

Jamaica, Long Island:

Ortsgruppenleiter, Heinrich Hauck, 148-07 Jamaica Avenue, Jamaica, Long Island.

Kassenwart, Paul Hummel, 202-12 One Hundred and Fourth Avenue, Hollis, Long Island.

O. D. Fuehrer, Jacob Schrick, 102-14 Ninety-first Avenue, Jamaica, Long Island.

D. K. V., Karl Moll, 142-04 Liberty Avenue, Jamaica, Long Island.

Frauenschaft, Helene Grauting, 109-30 One Hundred and Thirty-first Street, South Ozone Park.

Jungenschaft, Walter Borchers, 133-04 One Hundred and Ninth Avenue, South Ozone Park, Long Island.

Werbeleiter, Kubisch.

Organisationsleiter, N. Moll, 142-04 Liberty Avenue, Jamaica.

Schriftwart, Ludw. Dietrich, 84-01 One Hundred and First Street, Richmond Hill.

Lindenhurst, Long Island:

Ortsgruppenleiter, Hans Hochfeld, 195 Fairfield Avenue, Mineola, Long Island.

Kassenwart, Hans Rompe, 245 South Fifth Street, Lindenhurst.

O. D. Fuehrer

D. K. V., Wilhelm Schomacker, 122 Deer Park Avenue, Babylon, Long Island.

Frauenschaft, Anna Albrecht, Oakwood Avenue, Huntington, Long Island.

Nassau County:

Ortsgruppenleiter, Karl Weiler, 467 Fifth Avenue, Cedarhurst, Long Island.

Kassenwart, John Dettleff, 132 North Eleventh Street, New Hyde Park.

O. D. Fuehrer, Hans Samaritter, 350 Washington Street, Hempstead, Long Island.

D. K. V., Karl Nolte, 229 Franklin Street, Garden City, Long Island.

Frauenschaft, Maria Hermann, 195 Fairfield Avenue, Mineola, Long Island.

Jungenschaft

Maedchenschaft

Newark, N. J.:

Ortsgruppenleiter, Karl Jaeger, 1680 Porter Avenue, Union, N. J.

Kassenwart, W. Becker, 923 Grove Street, Irvington, N. J.

D. K. V., F. Sayle, 17 Brown Street, Maplewood, N. J.

O. D. Fuehrer, 250 Ridge Street, Newark, N. J.

Frauenschaft, Mrs. O. May, 143 High Street, Montclair, N. J.

Jungenschaft

Maedchenschaft

Werbeleiter, E. K. Haug, 429 Florence Avenue, Hillside, N. J.

Pressewart, W. Thiele, 434 Lincoln Avenue, Orange, N. J.

New Rochelle:

Ortsgruppenleiter, F. Petri, 320 North Avenue, New Rochelle, N. Y.

Kassenwart, E. Schultheis, 40 Park Avenue, New Rochelle.

North Shore:

Ortsgruppenleiter, Theo. Dinkelacker, 9246 Fifty-second Avenue, Elmhurst, Long Island.

Kassenwart, Willy Krause, 14-14 One Hundred and Eighteenth Street, College Point.

O. D. Fuehrer, Ogl.

D. K. V., Albert Haeberle, 18-44 One Hundred and Fortieth Street, College Point.

Frauenschaft, Maria Krause, 14-14 One Hundred and Eighteenth Street, College Point.

Schriftwart, keine.

Werbeleiter, Emil Bayer.

Organisationsleiter, keine.

Jungenschaft, keine.

Maedchenschaft, keine.

Passaic County, N. J.:

Ortsgruppenleiter, Willy Luedtke, 52 Barbour Street, Haledon, N. J.

Kassenwart, E. Matthaeis, 695 Midland Avenue, Garfield, N. J.

O. D. Fuehrer, Walter Luedtke, 52 Barbour Street, Haledon, N. J.

D. K. V., Bruno Tix, 269 Passaic Street, Passaic, N. J.

Schriftwart, Kurt Schirmacher, Post Office Box 71, Clifton, N. J.

Frauenschaft, Mrs. Matthaie, 695 Midland Avenue, Garfield, N. J.

Jungenschaft, Karl Lenz, Post Office Box 14, Garfield, N. J.

Philadelphia, Pa.:

Ortsgruppenleiter, Gerhard Kunze, Turngemeinde, Broad & Columbia Streets, Philadelphia.

Kassenwart, Rudi Schwedler, 4042 K Street, Philadelphia.

O. D. Fuehrer, Norbert Biele, Post Office Box 273, Haverford, Pa.

D. K. V., Albert Mueller, 6325 Theodore Street, Philadelphia.

Werbeleiter, Adolf Kretschmann, 3315 North Water Street, Philadelphia.

Organisationsleiter, Karl Tempelmeier, 5946 North Fourth Street, Philadelphia.

Pressewart, Werner Ruthenberg, 3200 Chestnut Street, Philadelphia.

Jugenschaft, Gottlieb Pfueger, State Road, Paoli, Pa.

Frauenschaft, Hilde Ziegler, 612 Pembroke Road, Bryn Mawr, Pa.

Pittsburgh, Pa.:

Ortsgruppenleiter, Allen Goeppel, 5851 Philips Avenue, Pittsburgh.
 Kassenwart, Anton Fuchs, 912 East Ohio Street, Pittsburgh.
 O. D. Fuehrer, Andreas Gindel, 1128 Spring Garden Avenue.
 D. K. V.
 Werbeleiter, Herm. Broesamle, Niggel Street, Troy Hill, Pa.
 Schriftwart, Friedr. Kuechle, 912 East Ohio Street.
 Organisationsleiter, Curt Vetterlein, 104 Westfield Avenue, Beechview,
 Pittsburgh, Pa.
 Frauenschaft
 Jungenschaft

Poughkeepsie, N. Y.:

Ortsgruppenleiter, John Hafner, Y. M. C. A., Poughkeepsie, N. Y.
 Kassenwart
 O. D. Fuehrer, Reinhold Strobel, Millbrook, N. Y.

Reading, Pa.:

St. Ortsgruppenleiter, Carl Steinbach, 109 Reading Avenue, Wyomissing, Pa.

South Brooklyn:

Ortsgruppenleiter, Karl Nocolay, 661 East Thirty-second Street, Brooklyn.
 Kassenwart, Adolf Kramer, 3703 Fillmore Avenue, Brooklyn.
 D. K. V., Adolf Drewes, 92-59 Fourth Avenue, Brooklyn.
 O. S. Fuehrer, Martin Wilkens, 4805 Eighth Avenue, Brooklyn.
 Schriftwart, August Herwede, 483 Twentieth Street, Brooklyn.
 Werbeleiter, Henry Gerken, 6604 Tenth Avenue, Brooklyn.
 Organisationsleiter, John Knett, 460 Forty-first Street, Brooklyn.
 Maedchenschaft, Helen Prasse, 404 Sixty-first Street, Brooklyn.
 Jungenschaft, F. Nicolay, 661 East Thirty-second Street, Brooklyn.
 Frauenschaft, Berth von der Berg, 201 Ocean Parkway, Brooklyn.

Schenectady, N. Y.:

Ortsgruppenleiter, W. Lattemann, 1660 Helderberg Avenue, Schenectady.
 Kassenwart, R. Stolz, 2416 Campbell Avenue.
 Pressewart, P. Anding, 215 North Elm Street, Schenectady.
 Schriftwart, H. Kressnerk, 443 Cedar Street, Schenectady.

Stamford, Conn.:

Ortsgruppenleiter, George M. Munk, 99 North Hill Street, Springdale.
 Kassenwart, Henry Poll, 44 Shippen Avenue, Stamford.
 Werbeleiter, Wolfgang T. Mung, 943 East Main Street, Stamford.
 O. D. Fuehrer, Conrad Pohl, 6 Lockwood Avenue, Stamford.
 Organisationsl., Robert Schaefer, 23 West Washington Avenue, Stamford.
 Pressewart, Rudolf Wurzenberger, 99 North Hill Street, Springdale.

Staten Island:

Ortsgruppenleiter, George Nebber, 21 Giffords Lane, Great Kills.
 Kassenwart, Richard Mettin, 29 Norwood Avenue, Stapleton, Staten Island.
 O. D. Fuehrer, Gustav Vogt, 4 Chester Place, Tompkinsville.

Trenton, N. J.:

Ortsgruppenleiter, Gustav Flach, Central Avenue, Rural Free Delivery 6,
 Trenton.
 Kassenwart, W. Othmer.
 Schriftwart, Werner Othmer.
 O. D. Fuehrer, Hans Sass, 49 Central Avenue, Rural Free Delivery 6, Trenton.
 D. K. V., Ogl.

Washington, D. C.:

Ortsgruppenleiter, W. Bartelmess, 1418 M Street NW., Washington.

White Plains:

Ortsgruppenleiter, Jacob Rieper, 21 Harding Avenue, White Plains.
 Kassenwart, Krickhahn.
 O. D. Fuehrer, Gustav Leibiger, Juniper Lodge, Briarcliff Manor, N. Y.

Yonkers:

Ortsgruppenleiter, Walter Obermayer, 609 Van Cortland Park Avenue.

GAU WEST**Chicago, Ill.:**

Ortsgruppenleiter, Wilhelm Kurz, 5535 Parkside Avenue.
 Kassenwart, H. Stadlander.
 O. D. Fuehrer, O. Hartl.
 Geschaeftsfuehrer, K. Sautter, 1127 George Street.

- Chicago, South:**
 Ortsgruppenleiter, Rudolf Lehnhof, 2036 West Sixty-Ninth Street.
 Kassenwart, Hugo Weil.
 Schriftwart, Carl Nitz, 8224 South Emerald Avenue, Chicago.
- Cincinnati, Ohio:**
 Ortsgruppenleiter, Henry Klohe, 504 Glenwood Avenue.
 Geschaeftsfuehrer, C. Klausfelder.
- Cleveland, Ohio:**
 Ortsgruppenleiter, Martin Kessler, 13411 First Avenue.
 Geschaeftsfuehrer, Theo. Hefherr.
 Kassenwart, Edmund Wax.
 O. D. Fuehrer, William Wieser, 200 Colonial Arcade.
 D. K. V., Alfred Kluth, 2337 West Fourteenth Street.
 Frauenschaft, Senta Huettel, 1504 Addison Avenue NE.
- Dayton, Ohio:**
 Ortsgruppenleiter, Walter Weiss, 3122 Taggart Street.
 Schriftwart, George Hobuss.
- Detroit, Mich.:**
 Ortsgruppenleiter, Fritz Kuhn, 2959 Hogarth Street, Detroit.
 Kassenwart.
- Gary, Ind.:**
 Ortsgruppenleiter, Fritz Schattat, 3761 Polk Street, Gary.
 Kassenwart, Wm. Braschos, 776 Porter Avenue.
 Werbeleiter, Schriftwart, Peter Seul, 1508 West Fifth Avenue.
 Pressewart, Hans Hartmann, 1234 West Fifth Street.
- Hammond, Ind.:**
 Ortsgruppenleiter, William Lange.
 Kassenwart, A. Cramer.
- Kenosha, Wis.:**
 Ortsgruppenleiter, Ferdinand Schneider, 6232 Thirty-fifth Avenue, Kenosha.
- Milwaukee, Wis.:**
 Ortsgruppenleiter, George Froboese, 3227 North Second Street, Milwaukee.
- Sheboygan, Wis.:**
 Ortsgruppenleiter, Georg Sattler, 1019 Ashland Avenue, Sheboygan.
- St. Louis, Mo.:**
 Ortsgruppenleiter, Anton Kessler, 4541 Chouteau Avenue, St. Louis.
 Kassenwart, Albert Lutz, 4023 Ohio Avenue.
 O. D. Fuehrer, Michael Weiss, 2841 Wisconsin Avenue.
 Organisationsleiter, Rudolf H. Ernst, 4736 Alabama Avenue.
 Geschaeftsfuehrer, Carl Weiss.
 Werbeleiter, Max Breu, 4614, Bessie Avenue.
 Jugendfuehrer, Karl Roeckle, 1918 Louisiana Avenue.
 Frauenschaft, Elfriede Albertmeier, 6412 Hoffman Avenue.
- Toledo, Ohio:**
 Ortsgruppenleiter, Wilhelm Fritz, 944 Islington Street.
- Los Angeles, Calif. (Santa Barbara, Petaluma):**
 Ortsgruppenleiter, Hermann Schwinn, Deutsches Haus, 634 West Fifteenth Street.
 Kassenwart, A. Paehler.
- Oakland, Calif.:**
 Ortsgruppenleiter, Gottfried K. Hein, 82 Home Place.
 Kassenwart, Albert Herman.
- Portland, Oreg.:**
 Ortsgruppenleiter, E. A. Vennekohl, 3523 Northeast Twenty-third Avenue.
- San Francisco, Calif.:**
 Ortsgruppenleiter, Carl Hoffmann, 174-a Downey Street,
 Kassenwart, Chris. W. Letsch, 3210 Irving Street.
 Geschaeftsfuehrer, Henry Lage, care of Smith, 1548 Page Street.
 O. S. Fuehrer, Otto Hellmann, 34 Buena Vista Terrace.
 Werbeleiter, Max Lautenschlager, 63 Palm Avenue.
 Arbeitsdienst, Kurt Schmidt, 1548 Page Street.
 Frauenschaft, Wilma Heilmann, 3172 Twenty-fourth Street.
- Seattle, Wash.:**
 Ortsgruppenleiter, Harry Lechner, 6537 Sixth Avenue South.
 Kassenwart, Paul Stoll, Route 3, Box 26a.
- Spokane, Wash.:**
 Ortsgruppenleiter, Edward Reese, West 128 Second Avenue.

Y4. M 592: G 31 pt 9 1123

ELIMINATION OF GERMAN RESOURCES FOR WAR

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

FIRST SESSION

PURSUANT TO

S. Res. 107

(78th Congress)

AND

S. Res. 146

(79th Congress)

**AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS**

PART 9

DECEMBER 20, 1945

**TESTIMONY OF THE
FOREIGN ECONOMIC ADMINISTRATION**

Printed for the use of the Committee on Military Affairs



**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946**

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, Utah, *Chairman*

EDWIN C. JOHNSON, Colorado

LISTER HILL, Alabama

SHERIDAN DOWNEY, California

HARLEY M. KILGORE, West Virginia

JAMES E. MURRAY, Montana

JOSEPH C. O'MAHONEY, Wyoming

ROBERT F. WAGNER, New York

TOM STEWART, Tennessee

BURNET R. MAYBANK, South Carolina

FRANK P. BRIGGS, Missouri

WARREN R. AUSTIN, Vermont

STYLES BRIDGES, New Hampshire

CHAN GURNEY, South Dakota

CHAPMAN REVERCOMB, West Virginia

GEORGE A. WILSON, Iowa

THOMAS C. HART, Connecticut

H. ALEXANDER SMITH, New Jersey

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, West Virginia, *Chairman*

ELBERT D. THOMAS, Utah

EDWIN C. JOHNSON, Colorado

JAMES E. MURRAY, Montana

CHAPMAN REVERCOMB, West Virginia

GEORGE A. WILSON, Iowa

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

ELIMINATION OF GERMAN RESOURCES FOR WAR

THURSDAY DECEMBER 20, 1945

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:30 a. m., pursuant to call of the chairman, in room 104-B, Senate Office Building, Senator Harley M. Kilgore (chairman) presiding.

Present: Senator Harley M. Kilgore, West Virginia.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order.

The witness this morning will be Mr. Henry H. Fowler, Director of the Enemy Branch, Foreign Economic Administration.

Mr. Fowler, you were with the Foreign Economic Administration prior to the transfer of its personnel to the State Department; is that correct?

TESTIMONY OF HENRY H. FOWLER, DIRECTOR, ENEMY BRANCH, FOREIGN ECONOMIC ADMINISTRATION

Mr. FOWLER. That is correct.

The CHAIRMAN. As I understand it, these pamphlets [indicating TIDC reports] are in the nature of monographs written for the Foreign Economic Administration; they are not reports of the Administration, but present the information of the individuals who prepared the studies.

Mr. FOWLER. Yes.

The CHAIRMAN. Now, Mr. Fowler, will you go right ahead with what you have to say.

I may interrupt you with a few questions as you go along.

Mr. FOWLER. Please do so, sir.

I think, for the sake of the record, I will ask your indulgence while I read the memorandum of transmittal, since it clears up some of the detailed questions concerning the origin of this testimony and the report on which it is based, and also clearly defines its present status.

This is a memorandum from me to Mr. Crowley, who was formerly the FEA Administrator.

Subject: Final report on German economic and industrial disarmament.

I am submitting herewith the final report of the FEA Enemy Branch on A Program for German Economic and Industrial Disarmament. This report and the reports on the 31 technical industrial disarmament study projects, now complete, constitute a discharge of the responsibility delegated to the FEA by the late President Roosevelt on September 28, 1944, when he directed the FEA to conduct "studies from the economic standpoint of what should be done after the surrender of Germany to control its power and capacity to make war in the future."

As you know, this function was transferred to the Department of State by an Executive order of September 27, 1945, which directed the dissolution of the entire Foreign Economic Administration. Therefore, this report constitutes a final discharge of the assignment of the FEA Enemy Branch, which was created to carry on these studies.

This report, in process of completion at the time of the transfer to the Department of State and your resignation as FEA Administrator, has been completed under my direction and is, therefore, now submitted as a final accounting for the work of the FEA Enemy Branch, rather than the Department of State.

Arrangements have been made for the adequate distribution of copies of this report to the military and civilian officials in our Government, both here and abroad, who are responsible in policy-making or executive capacities for our German policy and its administration. As you know, mimeographed copies of the reports of the technical industrial disarmament committees (outlined in appendix D of this report) were delivered to the United States Group Control Council and interested officials in the Federal agencies in August of this year. Additional printed copies of these TIDC reports have been prepared and have or will be delivered.

Many of the general principles originally developed in the FEA studies, summarized in this final report, have become adopted United States policy in the Berlin protocol. However, at this writing, the report is not to be characterized as an adopted program of the United States Government. The extent or particulars in which the recommendations in this report or the auxiliary TIDC reports are to become adopted United States policy or program will be determined by the appropriate policy-making and executive officials in the State and War Departments, who have not yet reviewed the document. Therefore, the terms of the report, as presented, are advisory.

I am complying with a request of Chairman Kilgore of the subcommittee of the Senate Military Affairs Committee to supply his committee with a copy of this report and the TIDC reports for public release by the committee. In view of the deep national concern in the prevention of any recurrence of German aggression, I know we are in agreement that this public accounting for our work over the past year and the availability to the public of the information and views we have assembled is in the public interest.

In conclusion, several acknowledgments are in order.

First, to the various departments, agencies, and individuals who participated in the TIDC project which resulted in the 31 auxiliary reports on which this final report is based. The voluntary contribution of the large numbers of experts in other agencies (recorded in appendix D) represents a unique example of the interagency cooperation without which much of the value of this study project would have been impossible of achievement.

Second, to the staff of the FEA Enemy Branch. It is impossible to record here the personal contributions of the many individuals whose work has gone into the collection of the basic information, coordination, and development of the various study projects, and the preparation of this document.

Lastly, I should like to record on behalf of the Enemy Branch our deep appreciation of your support and backing at all times in our work, now complete.

The CHAIRMAN. I think it would be appropriate to put the letter from you to the subcommittee into the record.

Mr. FOWLER. If you will, sir.

(The chairman read an excerpt from the letter dated December 18, 1945.)

The CHAIRMAN. This letter will be made part of the record.

(The letter, dated December 18, 1945, referred to above, follows:)

FOREIGN ECONOMIC ADMINISTRATION,
Washington 25, D. C., December 18, 1945.

Hon. H. M. KILGORE,
Chairman, Subcommittee on War Mobilization,
United States Senate Committee on Military Affairs,
Washington, D. C.

DEAR SENATOR KILGORE: In response to your request by letter of December 14, I will appear before your subcommittee on December 20 in order to summarize the highlights of the final report on a program for German economic and industrial disarmament. I will submit the complete document as an exhibit to my testi-

mony with the understanding that it is submitted on behalf of the former FEA Enemy Branch rather than the Department of State, to which that Branch is now attached. In this connection there are certain facts which should be noted in the record.

The report, initiated in July, was in process of completion at the time of the transfer of portions of the FEA (including the Enemy Branch) to the Department of State by Executive order. I undertook to remain on duty until December 31, deferring a contemplated resignation to enter the private practice of law until the report could be completed, edited, and distributed to the appropriate United States military and civilian officials. The report has not been reviewed by the Department of State and, hence, should not be interpreted as having either the approval or disapproval of the Department. Rather, the report is the responsibility of the FEA Enemy Branch, acting under my direction.

In view of this background, I call to your attention the explanatory note on the inside cover page of the report, which reads:

"The FEA Enemy Branch wishes to make clear that this report should not be characterized as an expression of the adopted policy or program of the United States Government, except as the policy recommended may have been reflected in the Yalta declaration, the Berlin protocol, or public announcements by the President or the Secretary of State.

"This report constitutes a program of recommendations prepared by an official agency charged by the President with the responsibility for making a thorough study of German economic and industrial disarmament. Until or unless the program herein presented is adopted in whole or in part by the appropriate policy determining officials, its terms are purely advisory."

I would appreciate your inserting this letter into the record of your committee in connection with my appearance so that the status of this document may not be misunderstood. I would not want the publication of this report to embarrass either the representatives of the Departments of State or War who are or may become engaged in negotiations on the subject matter. So long as it is submitted on the understanding noted above, I do not believe any such embarrassment will result. In view of the deep national concern in the prevention of German aggression it seems to me to be only fitting that a public accounting for the past year's work of the FEA Enemy Branch be rendered and that the information and views it has assembled be made available to your committee and the public.

Sincerely yours,

HENRY H. FOWLER,
Director, Enemy Branch.

Mr. FOWLER. At this time, Mr. Chairman, I should like to offer for the use of the committee and for such record purposes as it deems suitable the entire report, which is entitled, "A Program for German Economic and Industrial Disarmament. Final Report. Foreign Economic Administration, Enemy Branch," and also, for the record, as exhibits to this statement today, the available numbers of the Technical Industrial Disarmament Committee reports, which are all to be in printed form. Due to some delays in the printing process we have available only 16 of the printed copies. We have available mimeographed sets of the remainder and will furnish your committee with a complete set of these reports for the record today.

(The final report of FEA Enemy Branch, entitled "A Program for German Economic and Industrial Disarmament" and the appendixes to final report, plus the following TIDC project reports: Nos. 5, 7, 9, 10, 11, 8, 12, 14, 15a, 15b, 17, 19, 20-27, 25, 31, 18, and Organization and Personnel, were filed with the committee.)

The CHAIRMAN. These reports are the studies made of the various divisions of German industry, at the request of the FEA?

Mr. FOWLER. That is correct, sir.

With your permission I will proceed to deal rather informally with the highlights of this report, using as textual material some of the material that appears in the first part of the final report, notably the

preface, the summary of the plan, and a summary statement in support of the program.

The CHAIRMAN. You can boil that down in your own words. But I would like to ask you several questions.

From your studies of this, wasn't it apparent to you that German industry, as a whole, was a part of the military program for conquest? In other words, that it was keyed into the armed forces and the two worked as integral units, and that when that industry got abroad it really was an infiltration as a part of the conquest, and would remain so if allowed to exist in that shape. Is that right?

Mr. FOWLER. Indeed, sir.

We have attempted, in a rather limited way, to document the accuracy of the statements that are implicit in your remarks. For the purposes of the record I should like to point out that in section II of this report which deals with the industrial disarmament program, in subsection C, there is a historical analysis of the way in which German industry, particularly the heavy industry, was coordinated with the German General Staff and the other economic ministries of the German Government to form a part of the machine for military conquest.

Also, in section V of the report, and in particular subsections B, C, and D, there is a documentation of the activities of German industry and trade groups outside Germany in extending their controls and their preparation devices to areas beyond the Altreich and, in particular, their efforts to acquire sources of supplies of critical materials, which would be needed in case of war, to enable Germany to withstand a blockade.

Secondly, efforts by these industrial concerns through their handling of exports and through their cartel and trade agreements with other industrial enterprises outside Germany to hold back the development of the industries important for war, while German industry was enabled to expand and take advantage of the market so provided.

The result of that, of course, would have a double impact in the event of war because the industries or economies outside Germany would suddenly feel the shock of a withdrawal of German supply of these critical materials, while German industry would have the benefit of the extra margin of capacity which had been kept alive by reason of these devices for economic warfare.

The CHAIRMAN. And by the, shall we say, arbitrary division of territory, they were able to build up a market far in excess of their needs, so that, if blockaded, their superior grouping, which had taken care of this large market, would be able to take care of expanded needs of war. Is that right?

Mr. FOWLER. Exactly.

The CHAIRMAN. Another thing that has interested me is the fact that at the same time we were making heavy plant investments in Germany itself, building plants, and selling bonds over here for the erection of power dams, German industry was also running out with branches in other countries to pick up additional money and additional territory and filtering into the economy of these other countries. While money was being loaned by our people to help them to expand their local economy, and while investments were being made there, they could find money to invest abroad, if they could control the outlet through which the investment went, and their control was exercised usually through their control of research in Germany, by which means

they exploited the inventions made over there exclusively in the country through which the plan filtered itself.

Mr. FOWLER. I think the comment you made will be stressed as I indicate some of the high lights of the summary program which has been devised. We have attempted to devise measures to meet the type of activities that you have described and to control them through two devices, one an internal control of German activities, and the second, through international agreements between the various nations who have been affected in the past by German aggression, to keep a mutual guard, as it were, against a repetition of such tactics in the future.

The CHAIRMAN. That financial set-up was brought very strongly to my attention some time ago by a man who asked if it were not possible to sequester the value of the German investments in this country and to use those to liquidate a lot of the bonds that had been sold in this country for the building of power units in Germany, and give the Germans the bonds and let the people who had lost their money over here be at least partially reimbursed from the German investments in this country. He had invested his entire savings of some \$15,000 in German bonds at the suggestion of a broker.

Mr. FOWLER. There will be several varieties of claims.

The CHAIRMAN. That was rather a unique picture. He said, "I didn't realize they had money to invest here until this thing came up."

Mr. FOWLER. This is the first public report, or report made outside of the executive agencies on this subject by the Foreign Economic Administration. However, I wouldn't want to leave the impression that we have been wholly silent on the matter during the last 12 months.

Early in the year, in January 1945, we prepared and submitted an interim report which outlined the various areas or fields which it seemed to us, from an initial analysis, needed detailed examination. On the basis of that interim report these 31 separate study projects were launched and the tentative findings, as it were, began to have their impact on the shaping of a Government program in the spring.

Following that interim report of January, the question of reparations came prominently to the fore as a result of the Yalta Conference and a series of informal memoranda dealing with the problem of reparations, which are attached as appendix B to this report, were submitted last March to the United States member of the Reparations Commission for advice.

On in the spring months, particularly in March, it became apparent that the successes of our armed forces would hasten the occasion for a definitive initial policy of Germany much sooner than had been expected, and accordingly, on April 15, 1945, Mr. Crowley submitted a preliminary program for German economic and industrial disarmament, which was an FEA recommendation to the Secretaries of State, War, Navy, and Treasury. That document is also included as an appendix, appendix C, to this report.

Then, on August 12, 1945, following the issuance of the Berlin protocol and the delegation of responsibility for the development, negotiation, and execution of a disarmament program to the Allied Control Council, the mimeographed copies of the individual reports of the Technical Industrial Disarmament Committee were delivered to the United States Group Control Council. Summaries of those docu-

ments appear as appendix D to this report, with a full account of the ways and means in which they were developed, the addition of the various participants from the other agencies, and some notation of the limitations that must be observed in using the reports.

From time to time other documents and proposals bearing on this subject have been communicated to the agencies and departments responsible for policy determination, international negotiations, and administrative execution in this field.

You will recall that I appeared before your committee in June to give a factual background of the problem, and at that time presented various materials and exhibits to my testimony dealing with that subject. I want to make one fact clear for the purposes of the record here, that in dealing with this subject of German economic and industrial disarmament, the FEA, rather than being an operating agency, has been confined in its functions to work in the field of planning and programing. The responsibility at all times for carrying on the negotiations, for administering or executing the decisions on the subject, have been lodged in the State and War Departments and, hence, I am not in any position this morning before your committee to comment, or give any accounting on that phase of the work.

The CHAIRMAN. I understand your position there.

Mr. FOWLER. We have attempted to prepare this final report, Senator, with three things in mind. A great deal has been written and said on the subject; perhaps much that appears in the report, therefore, will seem repetitious or now rather well-accepted dogma. But it seemed to us that before leaving this work, having completed the project, a final recapitulation would be useful, for three purposes.

First, that somewhere there should be provided a supporting brief for the general principles on German economic and industrial disarmament announced in the Berlin protocol. As the report will subsequently indicate, particularly in the section on the development of a disarmament program for Germany, subsection H, which is in the introductory material, the Berlin protocol is fundamentally, in most respects, a product of American policy. I will not attempt to detail the exceptions to that there, but in general the essence and principles of the Berlin protocol are a reflection of a United States point of view, and I think that is a subject or a point that is worthy of emphasis in the future in dealing with the execution and administration of that document.

The CHAIRMAN. And also based on results of our own investigations.

Mr. FOWLER. Of our own findings. In other words, 'it isn't a policy which has been handed to us by some power on whose kite we are riding. It really has been a result, I think, of the combined thinking of the various executive and legislative agencies in the Government who have been concerned with the problem.

This Berlin protocol has taken many of the general principles that are voiced in this FEA program out of the realm of the hypothetical into the area of definite agreement, and yet I have a feeling, which to some extent is borne out by history, that time and time again the underlying principles of this Berlin protocol are going to be subjected to attacks from persons who misunderstand them or who have never understood the basis or the logic of the principles. Some of these attacks will result from propaganda from the pan-German interests

who still, we must anticipate, will have a strong base to speak from at some time in the future.

The CHAIRMAN. And also from that growing group who feel that "Well, we have won the war and with the fighting stopped why should we fool around any more?" There is going to be a constantly growing sentiment in that direction.

Mr. FOWLER. Indeed. And there will be other conflicting considerations which have a valid basis, our concern for reparations or the concern of other nations for reparations, the national anxiety and desire of the entire world to see the liberated and devastated areas rebuilt, concern for the German standard of living itself. Those are economic considerations which, to some extent, impinge upon and cover the same general territory as the principles of disarmament voiced in the Berlin protocol. Therefore, it seemed to use useful to explain the merits of these principles in the roots of history and in the light of the technical realities of total war and more important, the necessities for preserving the peace, which is a consideration which seems to far outweigh any of the other elements that one might mention.

Secondly, we felt that a report providing a specific and detailed program for executing the principles of German economic and industrial disarmament announced in the Berlin protocol might be of use at this time.

If I can interpolate there for a moment, I know my own experience has been to find a good deal of material in the form of assertions of general principles which do not take on their fullest meaning until you see them in terms of concrete figures or concrete industries. To say that we adopt and will follow a program of industrial disarmament, for example, may mean one thing to you and an entirely different thing to Mr. B. It is now important, it would seem, to get the subject matter out of the area of general principle into the realm of concrete decisions.

The CHAIRMAN. Don't you think it is also necessary to give the background reasons for the concrete decision at the present time? That is, give the, shall we say, economic and historical causes for the building up of the program. I say that because you talk to the average American, and may I say the average well-educated American, and it is very hard to get him to think back to Versailles and the mistakes made from the armistice up to the start of this war, which we seek to avoid now. He doesn't realize those mistakes and we are liable to get right back on the same track we traveled before, which will eventually lead to another war unless the facts of the background are rather widely publicized.

Mr. FOWLER. That is why, Senator, we have been not only willing, but in a way felt it was fitting for the Branch in its report to figuratively put ourselves "out on a limb," to provide a target, a program to be shot at.

The CHAIRMAN. We must realize that at the end of the last war, in our haste to get the war behind us, we left the German General Staff intact. We merely disarmed their army and left them a domestic force. We left German industry intact. We left the entire economic set-up intact.

And by the use of inflation and other means they practically washed out the economic losses of World War I and were able to build themselves up, with the help we gave them. We followed at Versailles the

policy that Bismarck had followed in 1870 so successfully in hamstringing the French with cash reparations. We tried to do the same thing with them, and they dodged it.

Mr. FOWLER. General Morgan, who was the British member of the Allied Disarmament Commission, has written a very interesting book, which has recently been published, on his experiences as a member of that Commission. He has commented (and I do not presume to quote him exactly) that by 1923 Germany was in a better position to wage war than she had been in 1914. Now, of course, there are differences this time; the amount of destruction and the disintegration is substantially greater. It is awfully hard, however, to predict just how much effect that change will make.

Of course, with an opportunity to develop, as it will, its new industrial capacity, there are many advantages the Germans would have. There is a great deal of old worn-out plant which, if it had not been damaged or had not been destroyed, might be a incubus to a heavy industry economy, and I think the record will show that the successful efforts of the Germans to redevelop their heavy steel industry in the 1920's through foreign loans and through internal financing devices—

The CHAIRMAN. And through the collection of royalties in the United States from Americans for the use of their processes.

Mr. FOWLER. Yes—you found them much better equipped in terms of their steel industry in 1929 than they were in 1920.

So, to come back to the second purpose of this report, it is to set up a specific and detailed program, with figures, with the names of the particular industries, with a definition of the specific measures that we recommend be employed.

Now, the agreement as to what will be done is, of course, a matter for the four nations who are members of the Allied Control Council to decide and they are now engaged, as you know, in negotiations looking to the removal or destruction of plant and equipment prescribed under the Berlin protocol. That remains as yet in large measure to become an accomplished fact. Likewise, they are considering the institution of disarmament controls (for example, new plant construction in dangerous fields of industry or the excessive importation of critical or strategic materials and products). But this control system which is now under consideration remains to be established in order to prevent a subsequent rearmament of Germany, militarily and industrially.

At this juncture, when these things are in their initial phases of consideration, we felt it appropriate to bring forward a series of recommendations which might be useful, both to the people who have that responsibility and to the general public, in acquiring an understanding of the necessity for some of the measures that undoubtedly will have to be employed.

Thirdly, the report outlines a long-term program for lasting and permanent control of Germany's war-making power. The Berlin protocol makes clear that it constitutes an arrangement for the initial period of occupational control. The preparation of detailed international and Allied arrangements for a long-term control of and an ultimate peace treaty with Germany will involve vital decisions which are to a considerable extent anticipated and developed herein.

Again, it is an attempt to spade up the ground for internal governmental and public consideration and not an attempt to be dogmatic and say, "This is the way it has to be."

As I have indicated to you, the basis of this report is the 31 special study projects which are summarized in appendix D. The conclusions are given there. The names of the experts who participated, and their particular qualifications, are recited. The FEA Enemy Branch, consisting of several hundred persons, has spent the greater part of its time—we have had other responsibilities, but we have given this primary consideration—over the last 6 to 8 months on this matter, and in addition to that we have been afforded the opportunity for consultation with informed people in the various interested agencies, particularly the War and State and Navy Departments. A number of experts in those three agencies have been simultaneously concerned, and we are particularly indebted to the ad hoc committee of the War Department and Navy Department, which was specially constituted by the Secretaries of War and Navy to deal with projects 1, 2, and 4, which were directly related to military armament, arms, ammunition, implements of war, aircraft, and secret weapons, and so forth. We were also able, through the courtesy of the War Department and General Clay, to dispatch a general mission from the staff to the field where we spent approximately a month in observation, or, rather, consultation, with members of the staff of the Control Council who were just then beginning to take hold of the responsibility which had been given to them.

I want to underline particularly those acknowledgements, because it is quite true that we would have been unable to carry on this work in the detail and to the extent we did without the help of these other agencies of the Government.

Lastly, I would like to put at rest any implications that we consider this final report to be the last word on the subject. It is the last response that as an organization we will be privileged to make, but there is a good deal more to learn about this business of preventing and limiting Germany's economic capacity and power to make war. Particularly, we felt that field investigations on the ground of the chemical industries and the common components industries might be undertaken to advantage because the information we have had available here, particularly about the complexity of the German chemical industry and the common components industries, has not been as adequate as we would like for it to have been.

We have come to conclusions on the basis of the information that is available, but a field survey on the ground, I think, would provide the government with a good deal more information than it presently has on the subject. Perhaps that can be done by the Control Council staff, itself, in time.

The entire program, particularly on scientific disarmament, may need to be tightened in view of a fresh examination in the light of new developments in the atomic bomb field. We had practically completed most of the underlying reports and studies at the time the atomic bomb made its dramatic appearance, although some general background of the possibilities had been known.

We have attempted to deal in this report, in section VI, with some of the implications of the atomic bomb in this field, which I think deserves a very careful consideration, but the subject is obviously

by no means exhausted. Hence, although realism may call for some considerable changing of blueprints here in response to conditions and circumstances as yet unpredictable, it has seemed incumbent upon us to submit, as the agency is being dissolved, this final report.

One last word about limitations. I would like to make it clear that this report is not in any sense an outline of a complete and general economic program for Germany. Our terms of reference gave us just one specific job, and that was a limited one—I think the most important one—concerned solely with the study of measures necessary “to control its—Germany’s—power and capacity to make war in the future.” In making this study under this limited mandate we have been conscious of the fact that we have been dealing with one side of the coin; namely, the destruction of German military power, while a related but essentially different task, the planning of positive conditions which will encourage the development of Germany and Europe along peaceful economic patterns, remains to be done. In effect, the FEA program provides an outline for the surgical operations necessary to extract and extirpate the evil growths which have made Germany a force for aggression. The development of a complementary plan or program for the economic and social reconstruction of Germany and Europe along peaceful, democratic lines is a task still ahead. If anything, it will require the same degree of persistent study that has been dedicated to the program of German disarmament.

However, in any subsequent development of this more positive side of United States policy for European peace, we would hope that one condition would always be underscored: that for some decades the existence of economic power and capacity which would enable it to wage effective war alone or in alliance with others will be incompatible with world peace and prosperity.

All of us are concerned with European economic reconstruction. The danger of doing that through too much reliance on German industrial power and development is one that cannot be too often underscored. It would seem, as indicated later in this report, that one of the great objectives to be desired in European economic reconstruction is a better balance between heavy industry in Europe, as between Germany and the rest of Europe.

If you would turn in the text to section II, page 20, you will find a table 2 which illustrates this condition very graphically. This table shows why Germany has been able to dominate the war industries in Europe.

You will note that, possessing only 9.9 percent of the area and 20 percent of the population, it was responsible in 1936 for 64 percent of the coke production, 48 percent of the pig iron production, 48 percent of the steel production, 54 percent of the aluminum production, 50 percent of the automobile and truck production, 82 percent motorcycle production, 64 percent machinery, 35 percent electricity, 35 percent sulfuric acid, 54 percent nitrogenous fertilizer, 23 percent wood pulp, 4 percent natural petroleum, 53 percent bituminous sub-anthracite—that is the Steinkohle—and 82 percent of the lignite or brown coal.

In other words, possessing a much smaller percentage of the area and population, it has succeeded in dominating these heavy industries which are most important for war.

That need for a readjustment of that balance, it seems to me, goes to the root of our problem of both European reconstruction and preservation of peace.

With that brief introduction, I would like to run as hastily as I can through the principal recommendations that are to be made.

The CHAIRMAN. There is another interesting thing. The only real work in ascertaining why Germany lost the first war was done by one of our great foundations, and that was widely publicized and picked up by the German General Staff, and measures were taken to correct that before they went into this war.

After the last war, instead of studying how to keep Germany from getting into another war, we made an exhaustive study on why she lost the war, and told her about it.

Mr. FOWLER. I didn't know that.

The CHAIRMAN. Yes. The German production of protein from wood sugar was a partial result of that very exhaustive report.

Mr. FOWLER. I know, and it is recorded in this report in subsection C of section II, that the General Staff went underground. One of the devices used was the assignment of various former members to the Archives and other Government agencies to study the causes of the loss of the war. The continuity of their concern with war-making was maintained in that fashion, and by the time they were able to come out and assert themselves they had a fairly good blueprint which they proceeded to carry out, almost step by step, as that section indicates, throughout the next 10 years. I didn't know, however, that we had been of such great assistance to them in our own studies.

The CHAIRMAN. We were.

Mr. FOWLER. This summary of the FEA program for German economic and industrial disarmament is based fundamentally on one conclusion, and that is the necessity for internationally enforced economic and industrial disarmament of Germany.

International arrangements for the use of force to prevent future acts of aggression which are generally accepted must be supplemented in the case of Germany by action designed to eliminate or control its economic power and capacity to make war. An essential element in our foreign policy should be to secure the creation and maintenance of all such necessary arrangements.

The achievement of German economic and industrial disarmament will require drastic action over a substantial period of time designed to eliminate Germany's power and capacity to make war and, through controls, prevent its redevelopment. Although Germany is a militarily defeated nation, the economic base of her aggression—the resources, the capacity, the organizing institutions—is still available or can be reconstituted, unless measures are taken toward a fundamental reorientation of the German economy.

The achievement of security from future German aggression should be the primary and controlling element in our foreign policy toward Germany.

Those propositions are, perhaps, redundant here. They are generally accepted, and the only point of emphasis that I would like to make is that it isn't enough initially to disarm Germany. The important and vital problem is the nature, character, and strength of the controls that are established to prevent the redevelopment of a war

potential, which is something that will inevitably, if it is to be effective, be measured in terms of decades rather than years.

The CHAIRMAN. And, in order that that be effective, must not that policy reflect itself also in our dealings with other nations that might have some effect upon Germany's economy?

Mr. FOWLER. Indeed. The question of how other nations can be of assistance to Germany and how we could be of assistance to Germany in helping her to prepare for another war seems to require not only a series of international engagements as to internal controls in Germany of the nature and character that the Allied Control Council represents, but also some corollary international engagements concerning trade, financing, the migration of personnel, the treatment of German assets located in those countries, the treatment of German contractual arrangement, patents. A variety of items which have their fundamental impact outside Germany are not covered and cannot be effectively covered by two or three of the Allies dealing with the internal problem inside that country.

The CHAIRMAN. In the first place, Mr. Fowler, the integration existing between the armed forces of Germany, the German General Staff, the Army, and SS, and various others, and German industry that made it possible to build up this war machine in a relatively small country, were brought about by the internal cartels in Germany which made it easy to integrate the combat machinery shall we say, of Germany with the munitions-making industry of Germany and to convert industries with great rapidity and completely control them, even in peacetime.

Had it not been for those cartel arrangements, Germany would have had a much more cumbersome machine. In fact, she would have been in the position that we were at the outset of the war and even during the war, with a very loosely knit integration between industry and the military forces that we had constantly to protect against. Isn't that right?

Mr. FOWLER. Yes, sir.

The CHAIRMAN. For that reason, the cartels must be broken up if we hope to keep Germany from rearming.

Mr. FOWLER. In section V of this report there is outlined an external security program which is summarized in this summary on pages 25 through 38. It seems that in terms of space, at least, we tend to give an unusual emphasis on the importance of this external security program, and yet on closer analysis it perhaps is an emphasis that is deserved.

Germany as a power to engage in world conquests had necessarily to depend upon the integration of her economy with the economies of a number of her neighbors in Europe and with help, in other words, elsewhere.

It seemed to us that the future threat of German aggression can be greatly minimized if, by international arrangements on the outside between countries outside, the aggressive forces within that country can see that it is hopeless for them to attempt to divide and conquer. That, undoubtedly, is bound to be the tactic that they will attempt. They cannot, in the light of the power that was summoned against them in this war, feel any confidence in their ability within their own power to deal with the forces ranged against them. So they must adopt the strategy of infiltrating through various economic and

political devices to achieve some form of alliance whereby, added to Germany's resources, the resources of the other powers can give them a base on which to play.

The CHAIRMAN. And they are right now being used. Only yesterday I was approached by a representative of American industry seeking to get the German stock of a big company in the United States which was controlled by Germany, asking me to get permission from the State Department for them to get an option from the Swiss holders who now have that stock, which we had hoped the Swiss would cooperate in freezing, but which apparently now has gotten into the hands of Swiss people. I don't think they put up the money that represents the stock or anything.

I still believe that it is merely, shall be say, a trusteeship for profit, thereby getting control of that company back into the hands from which we had to wrest it when we got into the war, showing that our foreign policy must not just look at Germany, but must look, just as you said, at those other nations whose economies would help Germany, and see to it that their economy is conducive to peace and not conducive to building up a war machine in Germany.

Mr. FOWLER. Yes, sir, and in that connection I think the problem of treatment of the neutrals is one of the most difficult.

The CHAIRMAN. It is.

Mr. FOWLER. And at the same time important phases of this whole question. If I may interpolate at this point, since we are dealing with it here, we have felt, on the basis of our studies, and again this is not an official position of the United States Government but only of an agency studying the problem, that the neutrals and some of the late cobelligerents such as Turkey and Argentina, are set apart as a separate category in connection with this problem of German external security.

German economic penetration and influence in these countries was strong, and up until nearly the end of the war it had a very firm footing. This fact, coupled with the known sympathies of many individuals and groups in these countries with the Nazi cause that we cannot be blind to, creates a set of intangibles that must be faced realistically in projecting the external security program.

Questions of national sovereignty of the powers in question are intermingled with the legitimate security and reparations interests of the Allies and the United Nations.

The satisfactory solution of the problem is not likely to emerge except through very painstaking and intensive negotiations, and care on the part of the United Nations to respect the legitimate incidents of sovereignty, but more importantly the understanding willingness of these neutrals and of Argentina and Turkey to accommodate their national interests to the international security from future German aggression, which is a world stake.

Much remains to be done in this field, and in particular on the following: To obtain from the countries in question the information concerning the identity and location of German assets within their territory and any other information they have bearing upon German economic and political penetration. It is very difficult for us to obtain that information completely from outside Germany. We must have the help and cooperation of those governments, and they must know that we value and put store by that cooperation.

Secondly, it would seem important to obtain some agreement of the countries in question on the substantive provisions of an external security program that all of the nations would cooperate together to maintain.

Third, to obtain an agreement from the countries in question concerning the administrative arrangements which they will permit to be followed by the Allies in connection with the treatment of German assets and personnel existing in those countries.

Fourth, to obtain their agreement concerning future trade arrangements between the export and import control authority for Germany and the nations, always for their respective territories, including any further exchange of a financial character.

The administration and disposition of German assets in the neutral countries, Argentina and Turkey, is not likely to be consummated in accordance with the full interests of Allied and United Nations security, except through the operations of a German external assets commission established and manned by the Allies and possessed of substantial authority and operating control of these assets in the neutral countries. Such a commission should be endowed with power and authority of both the German Government and the former German property owners. It should have adequate technical and engineering personnel located in the countries where these assets exist to supervise and check upon their administration and arrange for their ultimate disposition into safe hands.

It should take into primary account the security interests of the Allies in the problem.

Finally coming to the toughest phase of this problem, should any of the countries in question prove unwilling to cooperate with the Allies in their endeavor to suppress the seeds of another war, the employment of existing sanctions in terms of loans, trade agreements, and a number of things which are treated in detail in this report, and the development of new ones, should be aggressively pursued by the Allies, acting in concert until a satisfactory elimination of Germany's economic base in these countries is achieved.

That is our view. It is simply a view based upon a careful analysis of the difficulties that are involved in dealing with complex properties.

The CHAIRMAN. But that is why that entire philosophy must color our foreign policy.

Mr. FOWLER. When you examine the extent and nature, let's say, of the German electrical industry in Spain, it is a very complex and finely integrated affair which it is difficult to extirpate and to remove from German control, from the direction of German managers, from the access of the German technicians, without a firm understanding with the local authorities in question and adequate Allied supervisory personnel on the ground administering those properties and disposing of them on terms and conditions that would guarantee as far as possible against their return into the former German hands.

The CHAIRMAN. You know, Mr. Fowler, my mind goes back to an incident in my own State. The Supreme Court of West Virginia one time handed down a decision on a negotiable banking paper that was very carelessly worded and made the negotiability of paper questionable.

The bankers of the other States of the Union said, "We are not going to take any more negotiable paper out of the banks of that

State," and within 24 hours that decision was straightened out and business went on. Any State or any nation will act when its economy is endangered.

Mr. FOWLER. In the last year the Swiss agreement that you referred to was negotiated in connection with a trade agreement with Switzerland for items that were in short supply and were necessary to their economy. I think an examination of the problem will show that a very fair and understanding case can be made to these neutral governments as to why it is in their interests to join with the Allies in this common international endeavor.

The CHAIRMAN. But we as a nation can't do it by ourselves. We must have the cooperation of all the United Nations.

Mr. FOWLER. Exactly.

The CHAIRMAN. And it does not involve a surrender of sovereignty.

Mr. FOWLER. It is a matter of international agreement.

I have jumped ahead to discuss the external security problem. I will come back now to the second point in this summary program, namely the establishment and execution during the occupation period of a program for German economic and industrial disarmament, to be followed through by the maintenance of controls designed to prevent rearmament in the future. The achievement of German disarmament requires the full-scale military occupation or complete control of the German economy for a period of time. Such a full measure of control for a limited period of time is necessary to the establishment and execution of the initial phases of the program, and that is the period we are in right now.

A military disarmament program designed to stop the production of arms, ammunition, and implements of war, while highly necessary and an integral part of this program, falls far short of being an adequate measure of limitation on the power and capacity of Germany to make war. Military potential in a total war is a combination of modern industrial, scientific and institutional components of such a nature as to make them equally useful for war or civilian production.

Therefore, adequate disarmament measures must touch and concern not only the direct manufacture of military weapons, but also:

(a) The economic and industrial base in terms of facilities and access to materials.

(b) The scientific and engineering research on facilities useful for waging war.

(c) The economic institutions used or usable for the effective mobilization of the resources of war.

(d) The basis for evasion of internal disarmament of Germany existing in German assets and personnel outside Germany.

It should be the principal aim of military government, the occupying authorities, and the Allied Control Council to develop and effectuate these disarmament measures during the period of full-scale occupation and control and provide the basis for the semipermanent maintenance of such controls as may be necessary in the indefinite future.

It should be contemplated that at the end of full-scale occupation and control such features as the elimination of war plants and excessive war industries and the installation of continued control measures should be successfully consummated. Full-scale occupation and control should not be given up until certain assurances of continuing security have been provided.

These assurances, of a semipermanent German disarmament program, should be the subject of agreement between the Allies before they retire from their present position of full-scale control, and should include:

1. The establishment of German governmental machinery of acceptable composition according to political determinations of the Allies concerning the degree of decentralization of political authority necessary and the extent of territory to be maintained under German rule.
2. The successful negotiation of agreement between the Allies including the details of continuing disarmament to which the parties are committed to enforce, and providing for common action in the event of violation of such conditions by Germany in the form of strict military sanctions.

The Controls to be maintained would be established by Allied authority and not by treaty, although acknowledgment of this authority by German governmental machinery should be a condition precedent to the withdrawal of full-scale occupation.

May I interpolate there to say this question of security, according to the notions presented in this report, is not a matter of bargaining between the Allies and a German government. It is a matter of agreement between the Allies which that German government must accept as a condition to the withdrawal of full-scale occupation and control.

It is not a matter of haggling as between the new government and the former Allies. That would seem to have been one of the great weaknesses after the last war, the way the Germans through negotiations were able to interpret or spell out the provisions of the treaty to their own advantage.

The CHAIRMAN. Yes. And also their habit of dealing with individual Allies instead of dealing with the Allies as a group at all times. In other words, the United Nations must force all dealings to be with the composite group rather than to allow them to talk with various members and try to win their support.

Mr. FOWLER. The lodgment of full-scale responsibility in the Allied Control Council by the Berlin protocol seems to have been one of the great advances that we managed to obtain over the last war.

Finally, as a condition to this giving up of full-scale military occupation, there should be the establishment of a semipermanent Allied disarmament commission fully empowered with authority and administrative machinery to maintain the disarmament plan after the Allied Control Council has retired from a position of responsibility for the general control of German affairs.

As the section of this report on administration indicates, there is no reason why the current structure of the Allied Control Council could not evolve into this permanent disarmament commission after it relinquished its responsibilities for some of the normal incidents of government to the German governmental machinery.

The first of these programs that I want briefly to summarize is the military disarmament program. Before doing so, I ought to note that these international agreements, and the administrative machinery that may be established to enforce them on a semipermanent basis, ought to be arranged so that the nature and degree of the control is flexible and subject to change. A measure of control deemed unnecessary today may become highly important tomorrow because of

technological improvements or developments; or a measure of control deemed necessary today may be released at some subsequent time.

For example, in the program that we have developed, a good deal of emphasis is laid on the reduction in capacity of the steel and related heavy industries. A less emphasis is placed upon the control of the manufacture of wood products, which we consider as one of the more or less peaceful industries which Germany could be allowed to develop, particularly to exploit her own forest reserves, which are greatly over-expanded and are indeed being stock-piled as a future source of supply. It might develop that over the next decade technological improvements in the field of plastics or wood products would dictate a different view over the importance of controlling the wood products or wood processing industry than the one we would have today in the light of current technology.

At the same time, developments might occur which would make a control established today seem relatively unimportant or redundant, in the light of other advances that have taken place in the intervening period of time.

So in these permanent controls and measures a certain degree of flexibility, if provided, would be of substantial advantage in adapting the measures to meet technological change; also, the progress of the development of various weapons of war.

Coming to the military disarmament program, I will only give a very brief summary of it here, and you will find a much fuller treatment in section I of the report and in TIDC projects 1 and 2, which were developed by the ad hoc committee of the War and Navy Departments.

I should say there that those two reports, projects 1 and 2, which were prepared by a committee composed of two representatives from the War Department, two from the Navy Department, were among the most useful and valuable of the handbooks that we were able to procure, and I think that the full treatment of this problem of military disarmament in those reports would be worthy of attention.

The elements in the program recommended by these projects and adopted by FEA as part of its final report are as follows:

1. The manufacture of arms, ammunition and implements of war, including aircraft, should be forbidden, and their importation into Germany barred except for permission to import for police purposes granted by the Allied Control Council. Prohibited items should include those defined in TIDC projects 1 and 2, and discussed in section 1 of this report, together with any other items that the Allied authorities may, by agreement, include in this list.

I won't take your time to read the twenty- or thirty-odd specific items that are included in section 1.

2. All facilities specialized for the production of items determined to be within this classification should be removed and the production or importation of additional facilities of that type prohibited. These facilities should include the 11 categories of plants, 40 specified categories of facilities and equipment described in section 1 of this report, and such additional items as the Allied Control authorities may, by agreement, designate as plants or facilities specialized for war production.

If I may, I would like to pause and lay some emphasis on this fact. The facilities referred to here in the military disarmament program

are facilities which, according to our experts, have their only real use in the making of weapons for war. For example, a survey of our machine tool industry as utilized in this war and checked by contacts between the chairman of the Machine Tool Committee and the manufacturers who were participating in our program developed a list of some 36 types of machine tools that it was generally agreed you wouldn't want unless you were making an article for aircraft or an article for guns, a particular type of gun boring, or some defined piece of mechanism that was needed for an armament program.

So, in distinguishing between the quantity of machine tools that would exist in Germany under an industrial disarmament program, it is important to single out these specific types to see that every one of those is eliminated, because they are not useful for civilian production, or at least their use is so limited that the real purpose of any manufacturer in maintaining them would be as an element for the ultimate conversion of his plant to war. They are not the general-purpose, all-purpose, civilian type of machine tool that would be useful.

In that connection—if I may use this chart for a moment—incidentally, sir, I would like it to be noted in the record that these charts were prepared for reproduction in the TIDC reports. I didn't want you to think that we had spent the taxpayers' money in preparing them solely for the purposes of the hearing. They have been photographed and included in order to summarize, and are included in these reports, so that there is no point in offering this material for the record.

In the case of the iron and steel industry, this point I have just explained about the types of steel facilities which are fundamentally armament facilities stands out here. Wholly apart from the question of the capacity of the steel industry that should be left in Germany, there are certain steel facilities which, because of their use, ought to be eliminated completely from the German steel industry. I won't bother to detail those except to say that they have been carefully selected by our experts in our own steel industry here in the War Department, the Navy Department, the War Production Board, and other agencies concerned; the general point, for example, is that steel equipment that is built to produce an ingot in excess of 4,500 pounds in 9 cases out of 10 has an armament use in mind, or electric furnaces are so closely related and so important for the processing of certain ferro alloys which have their primary use through this process in the so-called tough steels for armament purposes, that the electric furnace as an item of steel equipment is considered a part of the specialized equipment for war.

I won't go through the other parts of that, except to say that there are numbers of types of equipment in plants which ought to be eliminated completely, because they fall within that category of specialized facilities. We have tried to detail them.

You will find in this report, in section I, a table which, in terms of the steel industry, indicates the recommended limitations on steel equipment which should be imposed. For example, a crucible pot should be limited to 80 pounds in size because those in excess of that have their normal use in the armament field. So these quantity limitations as to the size of plants and equipment in steel plants have been developed with the military disarmament program in mind; similarly, in

connection with the machine tools, the 36 types of machine tools which have their primary use in aircraft and similar arms plants have been identified.

Certain auxiliary measures will be necessary in addition to the physical removal of these facilities, including the limitation of the governmental institutions which organized and maintained programs of military production of war planning and the prevention of their open or disguised restoration. This will include:

(a) The prohibition of the establishment or maintenance of any department, organization, or agency inside Germany or outside Germany under German control whose practice or purpose it is to plan, design, manufacture, acquire, or operate any arms, ammunition, or implements of war, including aircraft.

(b) The prohibition of the appropriation or disbursement of funds to be used for military purposes, including control of the appropriation of funds by the Government for the establishment or support of laboratories, schools, or other institutions which might be devoted to the development of such activities.

Those auxiliary measures, to parallel it to our own picture here, would add up to providing that the Germans are not to have a department of war, a department of navy, a department of air, and that German taxpayers' moneys are not to be appropriated for that purpose. Their appropriations or funds are to be checked to make sure that the disbursement of funds for the building of a military establishment as distinct from a local police force is prevented. Those auxiliary steps seem quite self-evident and require no further comment.

Special recommendations pertaining to the aircraft industry include:

(a) The limitation of all Government agencies or private institutions in Germany, or outside Germany controlled by Germans, for the development or execution of plans for the design, manufacture, procurement, or operation of aircraft or components as described in section 1 of this report, and the prohibition of their reestablishment.

(b) The prevention of the manufacture, ownership, storage, or operation by the German Government or by any public or private agency under German control, within or outside of Germany, of any aircraft or aeronautical training devices or components thereof (except only such operations of civilian aircraft and facilities therefor as are provided below).

(c) The establishment pursuant to Allied agreement of international arrangement for the control, management, and operation of all civilian flying in and over German territory and for the control of all ground services for aircraft, the making of flights, both civilian and military, subject to a traffic control organization established by and subject to Allied agreement.

Now I come to what is perhaps the most difficult and most controversial part of this disarmament problem, the industrial disarmament program. Most of one's personal experiences I think, will include the finding of easy agreement with the persons on the other side of the discussion on military disarmament, institutional disarmament, scientific disarmament, and the eternal security program we have discussed. On the other hand, the industrial disarmament program has been a subject of a considerable difference of opinion. The FEA has tried to profit by those differences of opinion, and I would like at this point to say that we feel we have greatly benefited by the fact that this part of

the subject has been discussed openly and publicly by outstanding men who have taken the time and trouble to develop analyses of the problem and treat them openly from their points of view. Mr. Morgenthau, Mr. Baruch, the Brookings Institution book, by Moulton and Marlio, the reports of the national engineering societies, Mr. Conant's treatment of the problem, all appeared publicly from time to time. As we will indicate later, we have tried to profit by their views and at the same time to test them and assay them in terms of a practical, detailed program.

The planks in this industrial disarmament program are as follows:

1. The following industries vitally important or useful in war production are to be eliminated or controlled as required by the Yalta declaration and the Berlin protocol. Then there is a listing of these industries. I would like to tell you, Senator, the way we arrived at this list of industries that is vital for either elimination or control.

First we made an analysis in terms of our own war production experience here of the industries which seemed to be most important and vital in terms of our own war effort. Then we checked that list with the ad hoc committee of the War and Navy Departments and they suggested several additional industries, and we created separate projects for those industries. To a considerable extent we defined those industries as specifically as we could in our own terms for the purpose of these individual studies, and it is quite likely that some segment or some additional industry that was not selected for inclusion in this list may at some later time, or even now, be properly included, but we tried to exclude from this consideration at the outset the industries which seemed to be less important and more or less peaceful in character.

To take a simple illustration, the shoe industry has its importance for war. Soldiers need shoes. But we didn't include the shoe industry in this list because we thought that it was fundamentally a civilian type industry which didn't have the rating or priority in its treatment for war that would justify the elaboration of measures of elimination and control.

I won't read the list of the industries because they are treated later.

The CHAIRMAN. Did you look at this in the studies from the question of industrialization? One cause, I believe, of Germans being conquest-minded, aside from the national training and education, is overindustrialization. It is like an abscess. It bursts out into war.

Mr. FOWLER. I share your view that the industries which for the purposes of this current program we have treated as peaceful may at some time take a turn on the road. Let's take, for example, the consumer durable goods industry—the electric iron or a simple household article like the washing machine or vacuum cleaner. The limitation on those industries which we have imposed has been an indirect one. It is the quantity of the machine tools that are available.

The CHAIRMAN. In the plant quality?

Mr. FOWLER. That's right.

The CHAIRMAN. Colonel Bernstein the other day stated that Germany's plant facilities were in excess of her wartime needs in certain categories.

Mr. FOWLER. We found, in this analysis of the events between 1920 and 1939, that the German general staff and its collaborators

had really three targets that they were driving toward. They were endeavoring to build up Germany's heavy industry in excess of her peacetime needs to the greatest extent they could. That is borne out in almost every one of the heavy industries.

The CHAIRMAN. In your charts here it shows the gross, for instance, of ingot tons of steel to the 1938 level, which is terrific.

Mr. FOWLER. The expansion is recited for each one of these: Light metals, petroleum, rubber, electronics, antifriction bearings, common components, machine tools, automotive, shipping, machinery industries, iron and steel, chemical industries, solid fuels, electric power, ferro-alloys, optical instruments and precision equipment, forest products, transportation, and communication. All of those industries were the ones in which there was a tremendous expansion between the twenties and the last war.

The CHAIRMAN. Beyond what the country's real needs were?

Mr. FOWLER. Beyond what it needed.

First, they sought to obtain industrial self-sufficiency in certain of the materials that were important for war. When they found, in World War I, that, for example, they suffered from a lack of oil and rubber because of the British blockade, they began to figure out ways and means whereby the chinks in their industrial self-sufficiency could be filled, and hence the development of these two industries.

Secondly, they began to import excessive quantities of a number of metals and nonmetallic materials that would be necessary in vast quantities in the event of a war program.

Thirdly, they tried to achieve German industrial and economic domination of Europe along the lines that the chart has indicated in terms of physical capacity and then through the cartels, trade agreements, buying of properties in these other countries with foreign exchange, patent controls, and a number of related devices which were used, I think, for two purposes: First, to obtain some political footing and sympathy in those countries; and, second, to mobilize the resources of those countries in a way in which they could be integrated into the German war machine by conquest, so as to give Germany plus Europe a quantitative position in the war industries to stand against the rest of the world.

The CHAIRMAN. And, through the cartel agreements, to create shortages where shortages would be the most damaging.

Mr. FOWLER. The five preliminary measures that we have devised to operate on these three targets of German effort between the wars are designed to effect an initial substantial reduction of Germany's over-all industrial capacity, particularly in the heavy industries, which is far in excess of peacetime requirements, and to prevent a restoration in the future of any rebuilding of a dangerous excess.

Secondly, to permanently eliminate Germany's industrial or material self-sufficiency for war, and the third, to eliminate German economic and industrial domination of Europe.

The particular measures or means that we have chosen to accomplish these objectives are five:

1. The complete elimination of certain key industries of unusual importance for war or which have been created in Germany primarily for the purpose of achieving industrial self-sufficiency.

2. The reduction of excessive capacity in the industries important for war which are not scheduled for complete elimination. A partial deindustrialization of those industries.

3. The establishment of industrial controls designed to control the capacity, rate of manufacturing and exports of the industries important for war which are to be permitted to continue on a substantially reduced scale in the German economy.

4. The removal of the plants and facilities rendered useless by the foregoing measures in such a manner as to make them readily available for reestablishment in the countries entitled to claim reparations.

5. The establishment of a control of the imports and distribution of materials and products that are highly important in quantity for sustained military operations.

If you will turn to page 49a, we have tried to tabulate these measures very specifically.

The CHAIRMAN. You mean in the final report?

Mr. FOWLER. No; it is in the text here. It is also in the final report. On page 49a, there is a tabular summary of this program; 49a lists the industries that are to be eliminated completely and rebuilding permanently prohibited.

Germany is to be made dependent on the outside world for any essential civilian needs she might have of these products. For example, Germany will need some supply of ball bearings, she will need some supply of oil and rubber, either natural or synthetic. But she is to get those materials from the outside world, and those industries are to be completely eliminated.

Abrasives; antifriction bearings; calcium cyanamide; electronics (except civilian radios); light metals, including raw aluminum and magnesium; synthetic methanol; synthetic oil; ocean-going ships; synthetic rubber; technical and scientific optical instruments (except civilian cameras); heavy trucks.

Then on the next page, in category Roman II, industries whose capacities are to be reduced and subsequent capacity rate of production and exports controlled. It is contemplated that this program would be maintained for the duration of reparations or a decade, whichever is longer, at the end of which time appropriate modifications would be the subject of negotiation between the Allied governments.

I pause there to say that this is a short-term program with long-term potentialities. No one, I believe, today could predict what our views should be about the future of these industries, say, between 1955 and 1965, but, as the report indicates, it seems to us to be terribly important at this time, when you are attempting to remove these excess capacities and get these industries reestablished in the other European countries, to have a breathing spell or a static period in which Germans will know that if they want to develop their standard of living, if they want to develop a better economy, they can't hope to do it by a repetition of their maneuvers after the last war in redeveloping great capacities in these heavy industries important for war.

So, in the table, you will see in the first column an estimate of the amount of capacity or production from figures we have obtained through intelligence and other channels.

In the second column, a recommendation for the extent of capacity which is left in Germany.

In the third column, an estimate of the capacity which would be eliminated. There has to be some allowance there for bomb damage, for inaccurate figures, but we try to approximate in those three col-

umns an estimate of what Germany had, an estimate of how much in terms of disarmament, not reparations as such.

The purpose of this is not to fix a standard of living. Its purpose is to disarm Germany.

Then in the third column, the estimates of the amounts of capacity that would be removed, and, finally, in the last column, some indication of the nature of the export control that should be imposed.

The CHAIRMAN. I notice you also have an estimate of labor to be displaced by such changes, which I think is very good, too.

Mr. FOWLER. There is a complete table on that subject in the text of the report, the estimate being that if you take the 1936 labor pattern, the execution of this industrial disarmament program would displace approximately 1,900,000 workers. We have tried to include some of those figures for the convenience of the reader in this table.

The CHAIRMAN. You also have, on 49(h), a list of imports to be prohibited, a list to be licensed, and a list to be kept under surveillance.

Mr. FOWLER. That is right.

I want to note and to read to you the prefatory note to this table, which applies to all of the figures in this industrial disarmament program. First it should be noted that this table covers only the industrial disarmament program. The military items are dealt with in section I.

The tables which have been prepared for the convenience of the reader in order to give him a bird's-eye view of the impact of the industrial disarmament program should be studied in connection with the appropriate sections of the text of the report. The reader should also bear in mind that many of the figures in the tables and in the text of the report are estimates based on the best sources available to FEA. While the estimates represent a careful and painstaking study and have been dovetailed with each other in a comprehensive scheme, which represents FEA's best judgment of the quantitative measures to be taken, they are not offered as absolutes which cannot be changed. Indeed, in the case of the chemicals and common components industries the FEA industrial disarmament program includes recommendations for detailed field surveys to provide accurate detailed data not now available. Therefore, any of the figures may be subject to some adjustment in detail, especially for use in complicated negotiations among the members of the Allied Control Council, without destroying the effectiveness of the program. And, in view of the integrated character of any such program, a change in one part may necessitate adjustments in other related parts. However, the limits on any adjustment should be taken as set by the purposes of the FEA industrial disarmament program which seeks to give practical application to the resolves expressed in the Yalta declaration and the Berlin protocol.

In other words, Senator, I wouldn't want to leave with you the impression that we assume a completely infallible judgment on these detailed figures. In a complicated negotiation, as you will understand, where the views of four countries have to be accommodated, it is quite likely that variations from these figures by all four countries, who might be as purposeful on the industrial disarmament issue as we, could result, and we are submitting these figures as our best estimates not in an attempt to bind or commit anyone to them, but to say that this is the type and character and range of the sort of program that we believe would achieve the purposes of industrial disarmament that have been outlined, eliminating the excess, destroying Germany's industrial self-sufficiency, and eliminating her industrial domination of Europe.

The CHAIRMAN. I remember that after the last war American representatives went to the peace table with no such collection of

information as they will now have. We are now getting very complete information on Germany and Japan and other countries. I am hoping, also, that our representatives will go to the peace table with a very thoroughgoing knowledge of the United States of America, its potentialities and its needs, and their impact upon the world and the world's impact upon them. I think that we also need, shall we say, a DEA, a domestic economic administration, a survey of the United States of America.

Mr. FOWLER. We certainly found plenty of chinks when we started the war-production program.

The CHAIRMAN. I think that a domestic analysis like this is badly needed.

Mr. FOWLER. Yes. I am sure that most of the other countries maintain that kind of information.

The CHAIRMAN. On themselves and on us, too. I think we should do the same thing domestically that your organizations have done and are still continuing to do in the foreign field.

Mr. FOWLER. We found in the preparation of these reports that the war production program had certainly taught us more about our industrial economy and how it worked and how it operated and what purposes it was to be used for.

The CHAIRMAN. I believe that right now the Government officials of the United States know more about American industry than they ever have known in their lives, probably more than a whole lot of the industrialists know, because the average industrialist is in one field and he is watching that field and is not paying much attention to the other fields. That is why, in the building up of the War Production Board and various other agencies, it was so hard sometimes to make one man see the impact of something he did upon some other branch of industry.

Mr. FOWLER. Undoubtedly, the information that will be available in the files of the Board and the War and Navy Departments——

The CHAIRMAN. Will be of tremendous value, but it should be gotten together just like this.

Mr. FOWLER. You have to maintain that information, too.

The CHAIRMAN. It must be maintained. We should have a constant survey.

Mr. FOWLER. Of course, as you know, one of our great problems all during the early period of the war was getting a machine-tool inventory. We just did not know where to put our hands on the particular items that we needed.

The CHAIRMAN. I notice that these reports are marked "Restricted." Are they?

Mr. FOWLER. We are now taking them out of the restricted category.

The CHAIRMAN. So these could be made a part of our record?

Mr. FOWLER. They can be made a part of the record.

I shall take just a few more minutes, if I may, to call to your attention the scientific disarmament program, which I am not going to read the summary of here, but I want to say that it has been one of the most difficult and intangible problems that we have had to try to meet.

I don't feel that any elaboration of the subject before the committee could add any to the sum total of your information on it, but

we have gone out on a limb to recommend a scientific disarmament program which involves, first, the elimination of certain facilities completely, laboratories and installations of described kinds which, according to our information and the advice of the ad hoc committee of the War and Navy Departments, are installations and laboratories fundamentally for the purpose of making war.

The CHAIRMAN. You know, Mr. Fowler, we have information to the effect that Germany has shipped entire laboratories and set them up in neutral countries. She did that in 1942, 1943, and 1944.

Mr. FOWLER. Yes, sir.

The CHAIRMAN. Have any plans been made with reference to what can be done on that?

Mr. FOWLER. That would have to be handled, I think, through the external security program. It is one of the most important phases.

The CHAIRMAN. Do you have any detailed knowledge of how much of that has gone on?

Mr. FOWLER. I am afraid that all we have is the knowledge that enough has gone on to know that it is really a problem, but I don't think we have anything like complete information at hand.

The CHAIRMAN. I think the only way we will ever get the complete information is through a careful study of the German files, which of course we haven't had time to make.

Mr. FOWLER. We have included that as a recommendation in this external security program. The really fundamental part of the program is investigation, because it is awfully hard to convince any of these countries as to the nature of the German penetration problem unless you can lay the facts right out on the table. It is awfully hard to justify the diplomatic representations and the proposals that you make to them to undertake action in cooperation with you unless you can prove your case. If you don't have that data, it will be very difficult to convince a country that it ought to submit to various types of arrangements that might be inconvenient or might interfere with what they consider to be their normal sovereign rights.

The second phase of this scientific disarmament program, after you eliminate the specified categories of laboratories and scientific equipment, the facilities which we have detailed here, is to undertake a licensing system on all research that is to be continued.

The CHAIRMAN. Including inspection with the licensing?

Mr. FOWLER. Right, sir.

Licenses should be obtained from the Allied authorities before any research work is initiated. No licenses should be issued for the study of—then there is listed military products, aircraft or aeronautics, atomic energy, and peacetime research projects related to fields from which future secret weapons may be developed.

Then there is a list of the categories of dangerous research which according to our view now should not be licensed, regardless of the reasons for them.

It is important to include there a prohibition against research in these industries that are to be eliminated from Germany. It is not logical, for example, to eliminate the synthetic rubber industry in Germany completely, to make her buy rubber from the outside world, and allow German chemists to continue to develop synthetic rubber processes. So, the research control program ought to be

coordinated and meshed with the industrial disarmament program in those fields.

The CHAIRMAN. That is right.

Mr. FOWLER. Secondly, after licensing, there should be control of the finance of scientific research. The control of the financing of scientific research and development would include a prohibition against the use of Government or private funds for direct support or subsidy in and out of Germany of military research of all kinds; require as part of licensing system disclosure of sources of all financial backing and use of all funds of all laboratories, Government or private; require disclosure of sources and disbursements of all funds raised by public collection.

The fourth and last phase of the scientific disarmament program concerns the control of scientific personnel now in Germany, which is probably the most intangible and difficult of all. We have recommended that all scientific personnel be registered, including engineers and that licenses to that personnel to continue their scientific work be granted, except to former key individuals in war research, former leading Nazis, and violators of the control regulations.

Secondly, as a measure of controlling scientific personnel, place technical education under the jurisdiction of the Scientific and Research Section of the Allied Control Authority. A good deal of slanting of research and development, as we know, can be accomplished through the technical education that is provided. It can be slanted in a peaceful direction or in a war direction, depending upon upon the schools and universities.

Third, prohibit the migration of German scientists and engineers in all but exceptional cases, and subject their foreign travel to particular scrutiny. The experts on that subject weighed very carefully the advantage of the dispersing of this scientific organization in Germany or of keeping it in Germany under control, and the factors that led to this recommendation, I think, can be briefly summarized that, if you allowed German scientific personnel to migrate freely into all countries of the world, they could there carry on their research without a break in continuity in the laboratories and with the equipment provided by the industrial and governmental concerns in the other countries; and, secondly, would have the advantage of the knowledge, processes, and research that might not otherwise be available to them. Because of those factors, it was felt that a very strict control over the migration of German scientific personnel should be maintained. If you have one opening for them, if they can go to just one country, that is where they are apt to congregate, if you don't have that fundamental Allied control at the outset.

Last, prohibit foreign interests in Germany from carrying on research, and by international agreement curtail or stop similar activities of German nationals abroad.

Accredited foreign scientists should, of course, enjoy freedom of travel within Germany.

The next program, the institutional disarmament program, ties into the other more physical controls. It attempts to list the official institutions in the German Government which were part of the war machine and which should be abolished and their restoration prevented. It deals also with the private organizations that were mobilized as economic institutions for war and recommends in detail

measures for the dissolution of combines, trusts, domestic cartels, through laws, decrees, and administrative organizations.

It then deals with the highly important place which German participation in international cartels has played and recommends measures, including elimination, diligent and painstaking search of company and governmental records in order to ascertain the full story of their operation, and effective diplomatic steps in the neutral and liberated countries to secure similar data.

Finally, it deals with the problem of the German general staff, which is at the root of most of these difficulties, and recommends that it not only be completely and formally dissolved, but that its members be segregated from the civilian population of Germany at least by exile, stripped of titles, rank, and status, and prevented from maintaining contact with each other.

I should note that that measure is not proposed in the nature of a criminal penalty because of some concept of guilt as war criminals. Regardless of the outcome of the war criminal trials, it has seemed to us that in the light of the experience after the last war, there should be some segregation of the members of the German general staff, much as you would treat an individual who was a carrier of disease or infection.

The CHAIRMAN. Have you recommended anything there with reference to the migration of potential general staff members? After the last war they were sent to various nations to work with their armies, ostensibly just as a nice gesture to them to help train their troops, but actually for the experience that could be gained, so they could be brought back to work with the general staff at such time as Germany became strong enough to use them.

Mr. FOWLER. Yes, sir, we have included a recommendation.

The CHAIRMAN. I don't think any of those people should be permitted to work with foreign armies at all.

Mr. FOWLER. In the external security program, which I will not have a chance to read or to treat here, on the question of German personnel, it is provided that:

All German nationals, including Germans who have become naturalized abroad, identified in any substantial way with the Nazi or pan-German activities, and possessing scientific skills or fitted for responsible positions in government, journalism, education, banking, industry, commerce, transportation, or military pursuits, should forthwith be repatriated to Germany.

Then, later, it says that:

The same general problem arises in connection with the future migration of German personnel. Clearly known Nazis or espionage agents or all others who by reason of their previous record are considered dangerous should not be allowed the normal rights of exit from Germany and entrance to the outside world. Moreover, the restrictions on movements of scientific personnel described in section III of this report are also an appropriate part of the external security program.

Clearly, there are questions of judgment and degree, but a former military officer who was obviously of sufficient rank and knowledge to be an important person, who was leaving Germany to go to another country to carry on his profession, as it were, represents something I think it is rather dangerous to turn loose.

The CHAIRMAN. For instance, within 6 months after the armistice, great numbers of German officers of rank equivalent to our grades of captain, major, and lieutenant colonel, were serving with the Mexican

Army, training the troops of Carranza. You would find them in every post and garrison.

Mr. FOWLER. Senator, I am going to conclude now just by calling your attention to the part of the statement which is in support of the program. We have tried to anticipate to some extent the types of objections that will come, which would naturally come to such a program, and we have tried, more or less as an advocate, to state the basis of our case. I won't go through that with you at this point.

The CHAIRMAN. I'll tell you what we want. We want to print this whole study as a part of the record, and have these as exhibits to go with the statement of Mr. Fowler, including those marked "Restricted," which now have been released from restriction so that we can have them.

Mr. FOWLER. We will submit the subsequent copies of these reports to you as they come off the press.

The CHAIRMAN. Do you have an extra set of these that I could turn over to the reporter?

Mr. FOWLER. There is one modification on the restriction. We have not submitted to you copies of reports on projects 1, 2, and 4, which were prepared by the War and Navy Departments. I shall have to obtain permission.

The CHAIRMAN. Are 1, 2, and 4 in this group?

Mr. FOWLER. No; they are not.

The CHAIRMAN. We can print anything that is here?

Mr. FOWLER. That is right, sir.

The CHAIRMAN. As soon as you get the restriction removed from 1, 2, and 4, we can add them?

Mr. FOWLER. Right, sir.

Here is a list of errata—errors that have occurred in the process of mimeographing. I will submit that to you. We will correct your copies of the report so you really don't need that.

The CHAIRMAN. Do you have an extra set of these?

Mr. FOWLER. Yes, sir.

The CHAIRMAN. Please give them to the reporter, so he can keep his record correct.

Mr. FOWLER. I should say that, due to the snow the flu epidemic, we didn't have time for careful proofing of this report, as we would like to have made, and we will correct the initial errors which we have spotted.

(Off the record.)

Mr. FOWLER. I should like to say also that we are especially indebted in this connection to the OSS presentation unit. They have done, I think, a remarkable job in distilling the recommendations in the individual reports in the charts that you see here, which will be duplicated in the individual reports. I know that there is so much for busy people to read these days that visual presentation is quite helpful, and I want to express here our appreciation of their work in preparing the charts for the record.

The CHAIRMAN. We will recess, to meet at the call of the chairman.

Thank you very much, Mr. Fowler. I think you have done a very able piece of work here.

(Whereupon, at 12:40 p. m., the committee adjourned, subject to the call of the chairman.)

100

1

100

1

14. 0759² : 631 17:10 1131

ELIMINATION OF GERMAN RESOURCES FOR WAR

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE
SEVENTY-NINTH CONGRESS
SECOND SESSION
PURSUANT TO
S. Res. 107
(78th Congress)
AND
S. Res. 146
(79th Congress)
AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS



PART 10
FEBRUARY 1946

I. G. FARBEN EXHIBITS
(To accompany Part 7)

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, Utah, *Chairman*

EDWIN C. JOHNSON, Colorado	WARREN R. AUSTIN, Vermont
LISTER HILL, Alabama	STYLES BRIDGES, New Hampshire
SHERIDAN DOWNEY, California	CHAN GURNEY, South Dakota
HARLEY M. KILGORE, West Virginia	CHAPMAN REVERCOMB, West Virginia
JAMES E. MURRAY, Montana	GEORGE A. WILSON, Iowa
JOSEPH C. O'MAHONEY, Wyoming	THOMAS C. HART, Connecticut
ROBERT F. WAGNER, New York	H. ALEXANDER SMITH, New Jersey
TOM STEWART, Tennessee	
BURNET R. MAYBANK, South Carolina	
FRANK P. BRIGGS, Missouri	

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, West Virginia, *Chairman*

ELBERT D. THOMAS, Utah	CHAPMAN REVERCOMB, West Virginia
EDWIN C. JOHNSON, Colorado	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	
HERBERT SCHIMMEL, <i>Chief, Investigations and Hearings</i>	
COLEMAN ROSENBERGER, <i>Hearings Editor</i>	

CONTENTS

CHAPTER I

(Exhibits Nos. 3, 6, 7, 8, 9, 10, 11, 15, 17, 18, 21, 23, 27, 28, 29, 31, 32, 33, 34, 35, 36, 38, 39 are on file with the committee)

Exhibit No.	Page
1. Estimate of the Net Value of the I. G. Farbenindustrie AG.....	1151
2. Direct and Indirect Participation of I. G. Farbenindustrie A. G. in Germany.....	1156
4. History of the Farben merger 1926. Statement by Paul Haefliger, August 6, 1945.....	1164
5. Statement by Dr. von Schnitzler, August 20, 1945, on Farben's war-time expansion and industrial significance.....	1172
12. Statement by Dr. von Schnitzler, August 21, 1945, on Farben's war-time expansion and industrial significance.....	1174
13. Figures on Farben's 1943 production as compared with total German production.....	1176
14. Dependence of other German industries on Farben. Statements by Dr. Oscar Loehr dated August 31 and September 8, 1945.....	1177
16. Total sales of Farben in 1937, 1939, and 1943, subdivided according to home market and foreign countries and products.....	1182
19. Foreign currency receipts from German export trade and other sources. Statement by Gierlichs dated August 21, 1945.....	1183
20. Analysis of Farben's yearly profits from 1930 to 1945. Statements of Paul Dencker dated August 27 and 30, 1945.....	1184
22. Statistics on Farben's labor force.....	1186
24. Expenditures on research, by years.....	1192
25. Expenditures on research, by items.....	1192
26. Expenditures on research, synthetic rubber.....	1193
30. An analysis of Farben's over-all organization.....	1193
37. Memorandum regarding ownership of Farben's common stock from Dr. Bannert to Dr. Kersten dated February 18, 1938.....	1201
40. Statement by Dr. von Schnitzler, August 16, 1945, on Farben's stockholders' meetings.....	1202

CHAPTER II

(Exhibits Nos. 5, 6, 7, 8, 9, 10 are on file with the committee)

1. "Tarnung" (camouflage) of German agencies abroad.....	1203
2. Correspondence during 1936 relating to evasion of the United States Antidumping Act.....	1205
3. Excerpt from minutes of meeting of Farben's legal committee, June 8, 1939, regarding "Protection of Farben assets abroad".....	1208
3-a. Report to Ministry of Economics dated September 26, 1940, regarding "Safeguarding of Latin American sales companies".....	1216
4. Memorandum for the commercial committee by Overhoff dated September 18, 1941, on "Protection of Latin American agencies".....	1223
11. Report on activities of Moll submitted by Flinsch, Anilinas Alemanas, on October 15, 1941.....	1227
12. Oversea exports of Farben during wartime, especially to Latin America. Statement by Overhoff dated August 23, 1945.....	1229

CHAPTER III

(Exhibits Nos. 7, 8, 11, 12, 13, 16, 17, 18, 21, 23, 24, 25, 26, 27, 28, 29, 32, 33 are on file with the committee)

1. Correspondence relating to contribution made by Farben for Government's use in Sudetenland.....	1241
2. Interrogation of Dr. von Schnitzler and Max Ilgner on Farben-Wehrmacht union.....	1242
3. History of the Vermittlungsstelle W. (Military Liaison Office).....	1244

Exhibit No.	Page
4. Statement by Dr. Hermann Schmitz dated September 18, 1945, on the Vermittlungsstelle W.-----	1246
5. Statement by Dr. Struss dated August 7, 1945, on Vermittlungsstelle W.-----	1247
6. Development of the work of the Vermittlungsstelle W., December 31, 1935.-----	1248
9. Statement by Dr. Struss dated August 13, 1945, on MOB plans (industrial mobilization plans).-----	1249
10. Interrogation of Dr. von Schnitzler dated August 18, 1945.-----	1250
14. Statement by Max Ilgner dated August 4, 1945, on the assistance rendered by Farben to the Wehrmacht.-----	1251
15. Statement by Dr. von Schnitzler dated August 8, 1945, on Farben's poison-gas experiments and manufacture.-----	1253
15-a. Interrogation of Dr. von Schnitzler, July 17, 1945, on Farben's poison-gas experiments and manufacture.-----	1261
19. Statements by Dr. von Schnitzler and Max Ilgner dated August 15, 1945, on contributions of Farben officials to rearmament program.-----	1262
20. Experiments conducted by Farben for Wehrmacht.-----	1262
22. Interrogation of Dr. Struss dated August 13, 1945, on erection of the first buna plant at Schkopau.-----	1267
30. Report by Maj. E. Tilley on examination of Dr. Fritz ter Meer, dated August 2, 1945. Statement by Dr. C. Krauch, dated September 25, 1945. Statements by Dr. Struss dated April 26 and 27, 1945, respectively; and minutes of meeting held February 23, 1939, with Army officials on Farben's poison-gas experiments and manufacture.-----	1267
31. Statement by Dr. von Schnitzler, August 22, 1945, on Farben's part in Nazi war effort.-----	1286
34. Statement by Dr. von Schnitzler, August 28, 1945, on Farben's prior knowledge of Hitler's aggressions.-----	1286
35. Confessions of Kupper dated June 12, 1945.-----	1287

CHAPTER IV

(Exhibits Nos. 2, 9, 10, 13, 14, 15, 23 are on file with the committee)

1. Interrogation of Dr. Kugler (undated). Effect of German industrialists on German foreign policy.-----	1289
3. Interrogation of Dr. Loehr, July 24, 1945, on Standard Oil.-----	1290
4. Interrogation of Dr. Loehr, September 6, 1945, on Standard Oil.-----	1293
5. Interrogation of Dr. von Schnitzler, July 26, 1945, on Standard Oil.-----	1299
6. Interrogation of Dr. Loehr, July 26, 1945, on Standard Oil.-----	1300
7. Memorandum from Dr. Goldberg to Dr. von Knieriem dated May 30, 1944, on processes obtained from Standard Oil.-----	1302
8. Interrogation of Dr. von Knieriem on August 25, 1945, on methods used to stock-pile for German Government.-----	1306
11. Statement by Max Ilgner dated June 18, 1945, on assistance given Wehrmacht, S. D., Government, and party by Farben abroad.-----	1311
12. Interrogation of Dr. von Schnitzler, July 21, 1945, on surveys prepared for Luftwaffe.-----	1320
16. Letter regarding shipments of dyestuffs to Argentina, July 21, 1943.-----	1323
17. Letter to Dr. E. von der Heyde from Dr. von Schnitzler, April 3, 1940, concerning establishment of dummy corporation to cloak espionage activities.-----	1324
17-a. Correspondence regarding Farben's relations with Chemnyco, dated August 3, 1940.-----	1324
18. Minutes of meeting of Farben's business committee, September 10, 1937, limiting Farben's foreign representatives to active Nazis.-----	1326
19-a. Memorandum regarding subsidy for remodeling German school at Santiago, Chile, June 13, 1940.-----	1330
19-b. Letter thanking Agfa-Photo, Rio de Janeiro, for projector and camera donated to the Nazi Party in Rio de Janeiro by Max Ilgner.-----	1331
19-c. Letter to Karl Huebner, October 4, 1936, concerning Farben's contributions of Nazi books and literature to the German schools in Chile.-----	1332

CONTENTS

V

Exhibit No.	Page
19-d. Letter from Max Ilgner, December 23, 1937, concerning Farben's contributions of Nazi books and literature in Sao Paulo	1332
20. Extract from minutes of Bayer "Direktions Besprechung" on advertising in journals hostile to Germany, dated February 16, 1938	1333
20-a. Telegram, dated February 9, 1939, concerning contribution of Farben firms to German legation in Mexico	1333
21. Letter to Farben from Aufklärungs-Ausschuss, August 24, 1939, on anti United States campaign in South America	1334
22. Letter from Farben to Aufklärungs-Ausschuss, September 22, 1939, on anti United States campaign in South America	1334
24. Statement by G. Hansen, dated September 5, 1945, on payments to German diplomatic and NSDAP representatives in foreign countries	1335

CHAPTER V

(Exhibits Nos. 3, 4, 5, 6, 8, 9, 10, 11, 14, 15, 16, 17, 18, 23, 24, 25, 30, 31, 32, 33, 34, 35, 40, 43, 45, 46, 48 are on file with the committee)	
1. Statement by Dr. von Schnitzler, dated August 15, 1945, on Farben's policy of aggression	1337
2. Statement by Max Ilgner, dated August 15, 1945, on Farben's policy of aggression	1339
2-a. Speech by Dr. von Schnitzler in Von Werk zu Werk, June 1939, on Farben's policy of aggression	1339
7. Statement by Dr. von Schnitzler, dated August 21, 1945, on the results of Farben's activities	1342
12. Report on Austria (subsidiaries of Skoda Werke Wetzler & Dynamit) for the meeting of the management committee on October 21, 1938	1342
13. Memorandum regarding new order for the chemical industry of Austria, April 9, 1938	1350
19. Letters to Dr. von Schnitzler and Dr. Fritz ter Meer from Kuhne, September 23, 1938, on appointment of Farben officials as Nazi commissars in Austria	1351
20. Letters to Messrs. Dr. Fritz ter Meer, Kuhne, Max Ilgner, and Dr. Wurster, from Dr. von Schnitzler, September 29, 1938, on appointment of Farben officials as Nazi commissars in Austria	1352
21. Survey of Prager Verein (Prague Union)	1353
22. Letter of Aussiger Verein objecting to Farben's activities in connection with its plants	1379
26. Statement by Dr. von Schnitzler dated July 4, 1945, re Boruta	1381
27. Telegram to Dr. Kruger from Dr. von Schnitzler, dated September 7, 1939	1384
28. Memorandum regarding Polish dyestuff plants, September 10, 1939	1384
29. Memorandum regarding Polish dyestuff plants, September 14, 1939	1385
36. Statement by Dr. von Schnitzler, dated August 30, 1945, regarding the attitude of the French dyestuff group after the defeat of France	1387
37. Report of Dr. Kramer of October 12, 1940, on a conference with Mr. Frossard at the Hotel Claridge on October 10, 1940	1388
37-a. Statement by Dr. von Schnitzler, dated August 30, 1945, regarding German-French relations	1389
38. Memorandum of principles to be followed in settlement of German-French relations in the dyestuff field	1389
39. Interrogations of Dr. von Schnitzler, July 17, 1945, on acquisition of French chemical industry	1392
41. Notes on the conversation between the representatives of the German and French dyestuff industries at Wiesbaden, November 22, 1940	1395
42. Memorandum concerning discussion with Messrs. Dr. Kolb and Duchemin in Paris on December 14, 1940, for dyestuff negotiations	1398

Exhibit No.	Page
44. Memorandum on German-French dyestuffs negotiations, January 31, 1941.....	1399
47. Memorandum of discussion with Mr. Frossard on May 29, 1941....	1400
49. Report of conferences at German military command in Paris on "peace plan".....	1402
50. Extract of letter from Ambrose to Kraugh, dated September 1, 1942, on slave labor employed by Farben.....	1407
51. Memorandum, dated August 21, 1942, on slave labor employed by Farben.....	1408
52. Statement by Dr. von Schnitzler, dated September 5, 1945, on French chemical industry.....	1409
53. Statement by Dr. von Schnitzler, dated August 31, 1945, on negotiations with the British and the French authorities and industries after the conclusion of the Versailles Treaty.....	1410

CHAPTER VI

(Exhibit No. 8 is on file with the committee)

1. Letter of Dr. von Schnitzler, dated June 24, 1940, on preparation of plans for new order in World Chemical Industry.....	1413
2. Letter from Farben to Reich Economic Ministry August 3, 1940, on Farben's new order plans.....	1413
3. Neuordnung (New Order), General.....	1415
4. Neuordnung (New Order) for France.....	1422
5. Neuordnung (New Order) for Holland.....	1445
5-a. Neuordnung (New Order) for Denmark.....	1462
5-b. Neuordnung (New Order) for Belgium.....	1476
6. Neuordnung (New Order) for Norway.....	1500
7. Interrogation of Von Heider, dated July 17, 1945, on new order for French chemical industry.....	1516
9. Memorandum for the files on "Planning of the peace", August 7, 1940.....	1517
10. Statement by Dr. von Schnitzler, dated September 8, 1945, on scope of Farben's new order.....	1520
11. Interrogation of Dr. von Schnitzler, dated July 17, 1945, on scope of Farben's new order.....	1521
12. Statement by Dr. von Schnitzler, dated September 5, 1945, on scope of Farben's new order.....	1524
13. Interrogation of Dr. Kruger, July 19, 1945, on scope of Farben's new order.....	1524

CHAPTER VII

1. Estimate of damage to Farben plants.....	1529
2. Statements of September 10 and 12, 1945, regarding decrease of productive capacity by air damage.....	1531

ELIMINATION OF GERMAN RESOURCES FOR WAR

I. G. FARBEN EXHIBITS

CHAPTER I¹

EXHIBIT No. 1

ESTIMATE OF THE NET VALUE OF THE I. G. FARBENINDUSTRIE AG.

(1) In order to get a true conception of the net value of the I. G. Farbenindustrie AG. it is necessary to be acquainted with their components and their earning power. In this examination all war-bound factors are to be eliminated as far as possible. But on the other hand it would not do to treat such factors, representing measures to cover the requirements for civil consumption—measures which are originating from the efforts to make a full use of raw material sources in the home country—as nonexistent. It will be necessary to examine their importance according to the intentions of the future policy in the economic field when turning to effect the respective established figures.

(2) Characteristical for the production programme of the concern is—

Firstly: That it comprises only a few plants for mechanical fabrication.

Secondly: That a considerable part of the excess capacities erected for pure war requirements is not the property of the firm or at least is covered partially by credits providing a war risk clause and

Thirdly: That the nature of the products of its own plants with very few exceptions is destined to supply the manufacturing industry or the consumers for peace requirements.

(3) The excess capacities for the production of high concentrated nitric acid for explosives were the property of the state owned "Wifo" and were run by I. G. only on lease. There were similar conditions as regards the Ethylene production in Gendorf and the other plants carried on by "Anorgana" on a lease-basis. In the field of the D. A. G. Troisdorf according to my knowledge the plants built for own account for war requirements were written down substantially, whereas a far superior number of such plants was not the property of the concern at all but was run by the "Verwerchemie" on lease. Plants for aviation benzine and lubricants of the concern were financed partially by indirect credits of the Reich as well as other plants similar as to the aim of production, as Magnesium and Buna plants. The production of spun rayon was favoured by tax reductions and by the consent of tax authorities to higher amortisation.

(4) In the status of the works of the concern, damages to a larger extent by air raids only occurred from the second half of 1943 onwards. A greater part of them has not yet been restored. The German regulations regarding the refunding of war damages provide the right to claim the restitution of the rebuilding costs which in all cases exceed the book values and which for the time being must be considered at their full value like any other claim founded on a performance of securities acquired in a legal way.

(5) The published balance sheet of a stock company show the net assets, which are existing at all events because their valuation is limited by regulations only as to the maximum valuation admissible but leaving a free hand for undervaluation.

To book hidden reserves under liabilities is not allowed.

The liabilities besides the open reserves can only contain hidden reserves to a certain extent in the items "Rückstellungen" (i. e. amounts set aside for a specific purpose as for instance unsettled pension claims) and "Rechnungsabgrenzungsposten" (i. e. transitory items).

(6) The regulations for the maximum valuation prescribed in the law concerning stock companies based on the principle of prime costs, find a completion in the tax law as regard the lowest limit for valuation.

¹ Exhibits No. 3, 6, 7, 8, 9, 10, 11, 16, 17, 18, 21, 23, 27, 28, 29, 31, 32, 33, 34, 35, 36, 38, 39 are on file with the committee.

But both have in common the line that the prime costs reduced by appropriate amortisations must not be exceeded and that revaluations are not admissible on account of an increase of the value not relying on actual expenses, as for instance the participation in a company on account of undistributed profits or a patent on account of licence contracts.

(7) The published balance sheets of the I. G. are taken from the books. In establishing them, use has been made of the right to form hidden reserves by undervaluating the asset items. These reductions were booked under the denomination "Wertberichtigungen" (value adjustments) because thereby the total figure arrived at by adding up all the single values of the numerous main ledgers, was being adjusted to the figure exhibited in the balance sheet.

These adjustments are split up only for a small part on the individual values which have been totalled up in the said balance sheet position.

(8) According to the official books the net assets of the I. G. are showing the following figures expressed in millions of Reichsmark.

Assets	Dec. 31, 1943	June 30, 1944	Sept. 30, 1944
Real estate and plants.....	1.928	2.055	2.097
Participations.....	783	789	794
Stocks.....	798	868	858
Securities, cash on hand and on bank.....	167	472	493
Accounts receivable and transitory items.....	1.008	1.070	959
	4.684	5.254	5.201
Less:			
Liabilities and transitory positions.....	896	1.328	1.176
Net property.....	3.788	3.926	4.025

exhibit as follows:

Assets	Dec. 31, 1943	June 30, 1944	Sept. 30, 1944
Nominal capital.....	1.400	1.400	1.400
Open reserves.....	444	444	444
Hidden reserves booked.....	1.862	1.832	1.847
Yearly profits.....	82	250	334

¹ After deduction of amounts put in reserve.

² Before deduction of amounts to be put in reserve.

The booked hidden reserves are concerning:

Assets	Dec. 31, 1943	June 30, 1944	Sept. 30, 1944
Plants.....	1.306	1.305	1.320
Participations.....	56	56	56
Stocks.....	411	411	411
Accounts receivable.....	89	60	60
Total.....	1.862	1.832	1.847

These booked hidden reserves are to be completed by hidden reserves which were not passed through the books regarding which the following is to be said:

(9) *Fixed assets (plants and real estates).*—The valuations represent the actual expenses or production costs deducting the yearly depreciations.

These depreciations used to be deducted formerly to their full extent within the year of the first operation of the plants, but from 1941 onwards according to new arrangement with the tax office only half the depreciation was allowed for the first year.

When in the beginning of 1924 the Reichsmark conversion took place, the then existing value of plants, etc., was fixed as being equal to estimated prewar costs although the general price level was then, and with a slow upwards tendency also later on, 50 percent higher and more.

Likewise the landed property was assessed at a corresponding low level, the lignite substance in central Germany being booked with a value of 5 or 6 pf. p. t. surely contained in the lignite fields.

Repairs even of large dimensions were being accounted for as production costs. The depreciations were effectuated starting from the initial costs for each separate object until same was written off entirely. The rates amounted for work buildings to 3 to 5 percent, for machines and apparatuses in general 10 percent and for such installed in the rayon and spun rayon plants 20 percent.

The relatively quick pace of depreciation had the effect that at the end of 1943 plants of an initial cost expressed in millions of Reichsmark were totally written off as follows:

Buildings and railways	329
Machines, apparatuses, and distributing installations.....	737
Other investments.....	102
Total.....	1, 168

In this total one may assume to be contained a hidden reserve not evidenced in the books of probably R.M. 250 millions. As a corresponding amount R.M. 200 millions were entered in the declaration for property tax in the year 1940, an amount which would be higher today as meanwhile further amortisations have taken place.

As super value for landed property lignite and coal fields a sum of approximately R.M. 120 millions can be added to the above-mentioned amount.

(10) *Participations*.—The difference existing between the book value of a participation as shown by the I. G. books and its real value, represents a hidden reserve. The greatest difference exists in the case of the I. G. participation in Ammoniakwerk Merseburg G. m. b. H. which is booked with R.M. 262 millions. Compared herewith an asset exists composed as follows:

Capital.....	288
Open reserves.....	80
Open value adjustments.....	133
Booked reserves for participations.....	30
Hidden reserve for participations not evidenced in the books.....	79
Hidden reserve for plants not evidenced in the books.....	90
Total.....	700

Supervalue thus to be deducted.....	438
I. G. preferential shares in order to avoid double counting.....	38

The supervalue therefore amounts to..... 400

As regard the other participations the estimated supervalues amount to in million Reichsmark:

Dynamit Troisdorf.....	90
Rheinische Stahlwerke.....	90
Kalle & Co. AG., Wiesbaden-Biebrich.....	33
Total of all the others perhaps.....	30

Total..... 243

The insurance reserve of the Pallas G. m. b. H. Konzernversicherung, of about R.M. 65 millions has not been taken into consideration in this estimate nor have I considered a supervalue for participations abroad with the exception of the share of Ammoniakwerk Merseburg in the Norsk Hydro, Oslo.

(11.) *Patents*.—The value of the total patents, processes, and trade marks, has been written down in the books to R.M. 1 for memory's sake but in the tax balance sheet this value in negotiations with the Ministry of Finance had to be assessed with R.M. 65 millions. It is not possible to state an actual value for them as long as the conditions for their application are not known.

Considering on the one side the possibility for licences without damaging the own market position and on the other hand the possibilities for an industrial exploitation in the own works and moreover the yearly expenses for research work amounting to more than R.M. 100 millions, it is not exaggerated to estimate the reserve hidden in patent holding with an amount of R.M. 200 millions. Regarding this estimate one has to have well in view that patents and processes are the basis for their own production and that these holdings cannot be sold

without a corresponding compensation to make good for the depreciation which such a sale would entail for the other assets.

(12) *Stocks*.—The finished and semi-finished products are booked at their cost prices. The value of the stocks can be estimated to be RM. 400 millions. Starting from the assumption that the selling price yields a profit of 20 percent as an average after deducting selling expenses and interest for the time of storing a hidden reserve results from this item to the amount of RM. 100 millions.

(13) *Securities*.—Compared with the actual cost prices or the written down value with which the securities are evidenced by the books, a supervalue of RM. 4 millions has been established when making up the status for property tax. This amount too constitutes a hidden reserve.

(14) *Community of interests contracts (Interessengemeinschafts-Verträge)*.—I am of the opinion that the "Interessengemeinschafts-Verträge" with the Riebeckische Montanwerke AG., Halle/Saale can be put down with a value of RM. 60 millions or more, considering their very substantial lignite fields and the fact that Riebeck was easily in a position to transfer RM. 6 millions yearly out of their own revenues to the I. G. The supervalue of the net assets compared with the nominal capital according to the official income tax balance sheet of Riebeck amounts to more than 80 millions. I abstain from a similar valuation in the case of Dynamit AG. Troisdorf and Gustav Genschow & Co. AG., Berlin, on account of the productions being of quite a different nature as is the case with Riebeck.

The balance sheets of these firms too contain a hidden reserve in the shape of a supervalue ascertained by comparing the book value with the income tax balance sheet. I have taken into consideration these hidden supervalues in my estimate of the I. G. participation value not considered in their books.

The hidden reserves not entered into the I. G. books I have referred to in the above. I may now summarize in millions of Reichsmark as follows in accordance with the attached survey:

I. G. plants.....	250
Landed property and coal fields.....	120
Participations.....	643
Patents.....	200
Stocks.....	100
Securities.....	4
Interessengemeinschaft contract with Riebeck.....	60
	1, 377
+ Booked net assets.....	4, 025
Complete property.....	5, 402

(16) This property did not participate to its full extent in the turn-over as figured below, i. e. the turn-over of the I. G. itself without its participations. An exception is made with Merseburg, Schkopau and Hülz because their sales are handled by I. G. and are therefore included in I. G.'s turn-over.

This turn-over amounts to in millions of Reichsmark:

	1942	1943	1-3. quarter 1944
Turn-over of the I. G.....	2, 904	3, 116	2, 169
Turn-over of the management companies for I. G.....	100	115	80
Turn-over in accessory business.....	294	482	329
Total.....	3, 298	3, 713	2, 578

With this turn-over completed by other incomes the I. G. in 1943 realised a profit in millions of Reichsmark as follows:

Taxable income.....	539
Tax-free income.....	65
Tax privileged extra amortisations.....	144
Total.....	748

It would go beyond the frame of this report to expose in detail the very intricate tax situation. I therefore quote the above figures only as a clue for the control of the valuation of the assets.

In deducting from this amount the expenses imposed upon it namely:

Income tax.....	297. 0
Levy on profits.....	60. 0
Property tax.....	12. 8
Voluntary contributions.....	6. 2
	<u>376. 0</u>

There remains a balance of..... 372. 0

which amount by being compared with the total net assets is equivalent to a net rent of 7 percent.

This of course does not give an indication as to the rent which these net assets might produce in the changed after-war conditions and it is therefore quite uncertain what value the assets may represent under such circumstances.

The stock-exchange quotation was fixed at about 170 percent after the new valuation of the capital in 1942. But this quotation is no sufficient measure for valuation of the existing net assets, for being influenced by regulations of the government to render difficult if not practically impossible an increase of dividends (Dividendenstop) and further by measures by the supervisor of the stock exchange to keep quotations on a low level.

(17) A more reliable estimate than my figures could be attained if the conditions prevailing for each individual work or enterprise of the concern would be investigated as to its technical conditions as well as the future prospects for production and market possibilities. It would be necessary for such an analysis to work out a programme and then compile the separate items to a complete picture of the actual situation.

The greatest uncertainties for establishing an accurate valuation are to be found in the assessment of the plants and the patents of the I. G. and their participations as well as in the question whether it will be possible to carry through its legitimate claims for the restitution of damages caused by the war and all other claims.

PAUL DENCKER.

FRANKFURT/MAIN, August 22nd, 1945.

Estimated value of I. G. Farbenindustrie Aktiengesellschaft on 30th of September 1944

[Amounts in millions of Reichsmark]

	Booked value of property	Estimated not booked hidden reserves	Estimated total value
Plants, etc.....	2, 097	370	2, 467
Patents.....	---	200	200
Participations.....	794	643	1, 437
Stocks.....	858	100	958
Securities, cash and bank.....	493	4	497
Claims and transitory.....	959	60	1, 019
Altogether.....	5, 201	1, 377	6, 578
Less liabilities and transitory.....	1, 176	---	1, 176
Net value of property.....	4, 025	1, 377	5, 402

EXHIBIT No. 2

DIRECT AND INDIRECT PARTICIPATION OF I. G. FARBENINDUSTRIE A. G. IN GERMANY

KEY TO COLUMN 5

Kind of firm:

- (a) Companies in liquidation.
- (b) Companies not in operation and administrative companies
 - 1. With landed property.
 - 2. Without landed property.
- (c) Manufacturing, mining, and transportation companies.
- (d) Sales companies.
- (e) Social enterprises.
- (f) Banks.

Participations of the following I. G. companies:

- L=Dynamit Aktiengesellschaft vorm. Alfred Nobel & Co., Troisdorf Bez. Köln. Status: 31st of December 1943.
- M=Gustav Genschow & Co. Aktiengesellschaft, Berlin. Status: 31st of December 1942.
- N=Deutsche Grube A. G., Halle/Saale. Status: 31st of December 1943.
- O=Riebeck'sche Montanwerke A. C., Halle/Saale—participation through: Rheinische Stahlwerke Essen. Status: 31st of March 1944.
- P=Gesellschaft für Landeskultur G. m. b. H., Halle/Saale—participation through: Ammoniakwerk Merseburg G. m. b. H. Status: 30th of June 1942.
- Q=Deutsche Gasolin-Aktiengesellschaft, Berlin. Status: 31st of December 1943.
- R=Chemische Werke Hülfs G. m. b. H., Marl Krs. Recklinghausen. Status: 31st of December 1943.
- S=Aktiengesellschaft für Stickstoffdünger, Knappsack Bez. Köln. Status: 31st of December 1941.
- T=Duisburger Kupferhütte, Duisburg. Status: 31st of December 1942.
- U=Chemische Werke Zscherndorf G. m. b. H., Bitterfeld. Status: 31st of December 1941.
- V=Ammoniakwerk Merseburg G. m. b. H., Merseburg. Status: 31st of December 1943.
- W=Kalle & Co., Wiesbaden-Biebrich.
- X=Deutsche Celluloidfabrik Eilenburg, Eilenburg.

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
1	Augsburg.....	Lech Elektrizitätswerke.....	140,500,000	RM. 74,200.....	(c) ---
2	Bad Homburg v. d. H.	Bad Homburger Heilquellen G. m. b. H.	² 32,400 20,000	100 percent Chemiewerk Homburg A. G.	(c) ---
3	Bad Frankenhausen.	Pfännerschaft zu Bad Frankenhausen (Kyffh.).	³ 2,500	0.24.....	(b) ---
4	Berlin.....	Agfa-Film-Export G. m. b. H.....	25,000	100.....	(d) ---
5	do.....	"Agfa" Gemeinnützige Bauges. m. b. H.	3,000	95.....	(c) ---
6	do.....	Aluminium-Verkaufs G. m. b. H.....	50,000	20.....	(d) ---
7	do.....	Aluminium-Zentrale G. m. b. H.....	21,000	16.67.....	(b) ---
8	do.....	"Astra" Grundstücks A. G.....	100,000	95 percent Bayer. Sti. Werke; 5 percent Bielefelder Sackfabrik.	(b) ---
9	do.....	Bamag-Meguig A. G.....	5,982,000	6.3.....	(c) V
10	do.....	Carl Bauer & Co.....	391,750	100.0.....	(c) M
11	do.....	Bayerische Stickstoffwerke A. G.....	25,000,000	100.0.....	(c) V
12	do.....	Behring-Institut Berlin G. m. b. H.....	20,000	100.0.....	(b) ---
13	do.....	Beskiden Erdöl Verarbeitungs G. m. b. H. i. L.	250,000	20.0.....	(a) Q
14	do.....	Braunkohle-Benzin A. G.....	125,000,000	15.815.....	(c) ---
15	do.....	Carbid-Vereinigung G. m. b. H.....	53,500	24.77 percent Knappsack 14.95 percent Wacker.	(d) ---
16	do.....	Celluloid-Verkaufsgesellschaft m. b. H.	100,000	40.0.....	(d) L
17	do.....	Chemie Ost G. m. b. H.....	20,000	5.....	(b) ²
18	do.....	Cuprama-Spinnfaser G. m. b. H.....	50,000	50.....	(d) ---
19	Berlin-Britz	Curta & Co. G. m. b. H.....	550,000	100.....	(c) ---
20	Berlin	Deutsche Bank.....		RM. 28,700.....	(f) ---
21	do.....	Deutsche Industrie-bank A. G.....	200,000,000	0.6.....	(f) V
22	do.....	Deutsche Industrie-bank.....		RM. 8,000,000, Buckwert RM. 1.	(f) ---
23	do.....	Deutscher Aero-Lloyd A. G.: Alte Aktien.....	5,000,000	0.16.....	(c) L
		Neue Aktien.....	5,600,000	0.18.....	(c) L
24	do.....	Deutsche Gasolin A. G.....	16,500,000	41.....	(c) ---

- ¹ Common.
- ² Preferred.
- ³ Bolden.

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
25	Berlin	Deutsche Oxhydric G. m. b. H.	2,000	50	(b) 2
26	do.	Deutsche Sprengchemie G. m. b. H.	1,000,000	50 percent Wasag.	(c)
27	do.	Deutsche Superphosphat Industrie G. m. b. H.	65,000	1.84	(d)
28	do.	{ G. C. Dornheim A. G.: Stamm-Aktien	752,000	} 97.44	(c) M
29	do.	Vorzugs-Aktien	48,000		
30	do.	Dresdner Bank	150,000,000	RM. 40,500	(f)
31	do.	Drugofa G. a. b. M. Chemische Produkte.	200,000	100	(d)
32	do.	Elite Grundstücks-Gesellschaft m. b. H.	100,000	64.5	(b) 1
33	do.	Erdöl-u. Kohleverwertungs A. G.	3,000,000	75.0	(d) V
34	do.	Ethyl G. m. b. H.	2,900,000	50.0	(c) V
35	do.	Fluor-Produkte G. m. b. H.	50,000	41.6	(d)
36	do.	Flussostwerke G. m. b. H.	800,000	50.0	(c)
37	do.	Forschungsgesellschaft für Faser-rehstoffe m. b. H.	100,000	2	(b)
38	do.	Gemeinnützige Kulturfilm-Vertrieb G. m. b. H.	20,000	40	(e)
39	do.	Generatorkraft Aktiengesellschaft für Tankholz und andere Generator-kraftstoffe.	4,500,000	5.13	(c)
40	do.	Gustav Genschow & Co. A. G. Stammaktien.	4,000,000	51.45	(c)
41	do.	12.5 percent Vorzugsaktien	120,000	100.0	(c)
42	do.	6.0 percent Vorzugsaktien	18,000	100.0	(c)
43	do.	Gesellschaft m. b. H. zur Verwertung Chemischer Erzeugnisse.	1,000,000	100.0	(c)
44	do.	Haus d. Chemiefaser G. m. b. H.	1,500,000	20.92	(b) 1
45	do.	Igerussko Handelsgesellschaft m. b. H.	100,000	100	(d)
46	do.	Indanthrenhaus Berlin G. m. b. H. Lauersen.	125,000	92	(d)
47	do.	Injecta A. G. Fabrik zur Fabrikation chirurgischer Instrumente.	2,000,000	75	(c)
48	do.	Karbid-Vereinigung G. m. b. H.	69,500	19.06	(d) S
49	do.	Kali-Chemio A. G.	35,000,000	25.4	(c) V
50	do.	Köln-Rottweil Aktiengesellschaft.	1,000,000	50.0	(d) L
51	do.	Kontinentale-Oel-Aktiengesellschaft (V. A.)	50,000,000	3.75	(b)
52	do.	Kunstseide-Verkaufsbüro G. m. b. H.	30,000,000	14.10	(d)
53	do.	Leuchtstoff G. m. b. H.	100,000	25	(c)
54	do.	F. von Lochow-Petkus G. m. b. H.	400,000	18.0	(c) P
55	do.	Magnetophon G. m. b. H.	2,000,000	50	(c)
56	do.	H. A. Meyer & Riemann Chemische Werke A. G.	400,000	100 percent Wasag.	(d)
57	do.	Mineralöl-Bauges. m. b. H.	1,000,000	16.67	(b)
58	do.	Niederdonau Oel G. m. b. H.	600,000	14.5	(c)
59	do.	Niedersachsen Ölgesellschaft m. b. H.	500	100	(b) 2
60	do.	Ölsaat-Verwertungs-Gesellschaft m. b. H.	200,000	100	(b) 2
61	do.	Pankreas-Verwertungs G. m. b. H.	40,000	25	(b) 2
62	do.	Plastica Tropas G. m. b. H.	20,000	50 percent D. A. G.	(b)
63	do.	Plastro-Gesellsch. m. b. H., Ver-kaufsge-sellschaft für Kunstharz-waren.	20,000	50.0	(d) L
64	do.	Propan G. m. b. H.	20,000	64	(d)
65	do.	Reichskraftsprit G. m. b. H.	1,900,000	5.79	(c) Q
66	do.	Rheinmetall-Solo-Fabrikations-und Vertriebsges. m. b. H.	50,000	41.0	(d) L
67	do.	Rumänien Mineralöl G. m. b. H.	50,000	16.0	(d) Q
68	do.	Sauerstoff-Fabrik Berlin G. m. b. H.	150,000	50.0	(c)
69	do.	Schwefel-Gesellschaft m. b. H.	50,000	46.40	(d)
70	do.	Soda-u. Aetzkalkien Ost G. m. b. H.	30,000	11.67	(b)
71	Berlin-Weissen-see.	Speyer u. Grund G. m. b. H.	40,000	29.50	(d)
72	Berlin	Sprengstoff-Verkaufsgesellschaft m. b. H.	100,000	65.0	(d) L
73	do.	Stickstoff-Ost G. m. b. H.	100,000	54.20	(b) 2
74	do.	Stickstoff-Syndikat Berlin G. m. b. H.	247,200	59.79	(d)
75	do.	Walter Strehle G. m. b. H.	5,000	80	(d)
76	do.	Carl Timmer o. H. G.	500,000	14.75	(c)
77	do.	Transocean G. m. b. H.	25,000	0.08 Riebeck	(c) O
78	do.	Transocean Gesellschaft m. b. H.	23,970	RM. 50 Dyna-mit Treisdorf.	(c) L
79	do.	Transocean G. m. b. H.	300,000	0.22	(c)

2 Preferred.

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
75	Berlin	Ungine-Perrin-Verfahren G. m. b. H.	30,000	33.33	(b) ¹
76	do	Universum Film A. G. (Ufa)	137,000,000	RM. 1,680,300	(c)
77	do	Vanadin G. m. b. H.	3,000,000	5,000	(d)
78	do	Verkaufsgemeinschaft Pyrotechnischer Fabriken G. m. b. H.	20,000	100 percent Dt. Pyrotechnischer Fabriken.	(d)
79	do	Vereinigte Sauerstoffwerke G. m. b. H.	100,000	50	(d)
80	do	Vereinigung Sulfitlaug G. m. b. H.	150,000	17.73	(b)
81	do	Westfälisch-Anhaltische Sprengstoff Actien-Gesellschaft Chemische Fabriken.	50,000,000	52.07 percent Merseb., 5.05 percent D. A. G.	(c)
82	do	Westf. Kolbenverkaufsgesellschaft Vollrath Weck & Co.	1,094,034	1.05	(d)
83	do	Zementgemeinschaft Nord G. m. b. H.	169,100	2.13	(d)
84	do	Zündschnur-Verkaufs-Gesellschaft m. b. H.	20,000	17 percent D. A. G., 15 percent Gnasschwitz.	(d)
84	Bernau bei Berlin.	Deutsche Pyrotechnische Fabriken G. m. b. H.	2,000,000	65 percent D. A. G.	(c)
85	Bernburg	Deutsche Solvay-Werke A. G.	75,000,000	25.0	(c) V
86	do	Syndikat Deutscher Aetznatronfabriken G. m. b. H.	20,000	30.0	(d)
87	Bielefeld	Bielefelder Sackfabrik G. m. b. H.	900,000	87.5 Bayer. Sti. Werke.	(c)
88	Bitterfeld	Aluminiumwerk G. m. b. H.	50,000	50 I. G.	(b)
89	do	Braunkohlenhaus G. m. b. H.	70,000	8	(b)
90	do	Wasserversorgungsgesellschaft m. b. H.	6,000	75	(e)
91	Blankenburg (Harz).	Blankenburger Grundstückserwerbs- und Verwertungs G. m. b. H.	20,000	100 Bayer. Sti. Werke.	(b)
92	Bochum	Aktiengesellschaft der Kohlenwertstoff-Verbände.	4,000,000	0.025	(c) O
93	do	Bergbau Aktiengesellschaft Lothringen.	20,179,000	0.02	(c) L
94	do	Park-Hotel Haus Rechen Bochum G. m. b. H.	240,000	3.10	(b)
95	Bonn	Gemeinnützige Siedlungsgesellschaft Rheinische Heim G. m. b. H.	700,000	0.4	(e)
95a	Bomlitz	Elbia G. m. b. H. für chemische Produkte.	300,000	100 Wolff & Co.	(c)
96	Brehna	Gartenstadt Genossenschaft Brehna u. Umgebung G. m. b. H.			(e)
97	Bremen	Kohlenhandelsgesellschaft Lüders Mentzen & Co.	2,589,943	1.12	(d)
98	Breslau	"Agfa"-Photo G. m. b. H.	5,000	100	(d)
99	do	Gemeinnützige Genossenschaft für Gefolgsschaftsverpflegung G. m. b. H.			(e)
100	do	Schmiedefeld Anschlussgleis G. m. b. H.	4,600	4.35	(c) Q
101	Briesen	Monturen G. m. b. H.	100,000	50	(b) ¹
102	Danzig	RWS-Geco Munitionsgesellschaft für Polen o. H. G.	17,500	100 Genschow	(d)
103	Darmstadt	Gewerkschaft Götzenhain	4,100	100	(b) ¹
104	Denkendorf	Zellwolle Lehrspinnerei G. m. b. H.	1,020,000	23.63	(b)
105	Dehrn/Lahn	Steedener Kalkwerke G. m. b. H.	6,000	100	(b) ²
106	Dessau	Anhaltische Rohstoff G. m. b. H.	66,000	100 I. G.	(b)
107	Dormagen	Gemeinnützige Baugenossenschaft G. m. b. H. Dormagen.	60,000	2.50	(e)
108	Dortmund	Friedr. Unde Kom. Ges.		RM. 320,000	(c) V
109	do	Friedr. Unde Kom. Ges Ingenieurbüro.	(³)	70 Merseburg.	(c)
110	do	Westfälische Kohlenhandelsgesellschaft Gastrock, Murrmann & Co.	2,951,398	1.07	(d)
111	Dresden	"Agfa"-Photo G. m. b. H.	5,000	100	(d)
112	Duisburg	Duisburger Kupferhütte	12,000,000	90.52	(c)
113	Do	Gemeinnützige Siedlungsgesellschaft Duisburger Kupferhütte m. b. H.	50,000	100	(e)
114	Duisburg-Melde- rich.	Gesellschaft für Teerverwertung m. b. H.	20,000,000	2.105	(c)

¹ Common.² Preferred.³ Kuxe.⁴ Kein festes Kapital.

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
115	Duisburg	Kohlenhandels-gesellschaft "Nieder-rhein" Weyer, Franke & Co.	3,939,192	0.63	(d) ---
116	Do	Ruhrorter Transport-Gesellschaft m. b. H.	5,000	75 Rheinstahl, 25 J. Schürmann.	(c) ---
117	Do	Jos. Schürmann G. m. b. H.	100,000	100 Rheinstahl	(c) ---
118	Düsseldorf	"Agfa"-Photo G. m. b. H.	5,000	100	(d) ---
119	Do	Hüttenzement-Verband G. m. b. H.	100,000	5.05	(d) ---
120	Do	Rheinische Senfund Weinessig-Industrie P. Eisenhardt G. m. b. H.	60,000	19.67	(d) ---
121	Eilenburg	Deutsche Celluloid-Fabrik A. C. Eilenburg.	10,000,000	100	(c) ---
122	Do	Deutsche Celluloid-Fabrik Eilenburg Gefolgshaftshilfe G. m. b. H.	20,000	50	(e) ---
123	Eisleben	Th. Hagemann Kohlenhandels-gesellschaft m. b. H. i. L.	95,000	99.47 Riebeck	(a) O
124	Do	Th. Hagemann Kohlen-Handels-gesellschaft m. b. H. i. L.	95,000	500 RM, 0.53 Genschow.	(a) M
125	Do	Milchhof Eisleben e. G. m. b. H.	---	320 RM.	(e) P
126	Elzsch	Badische Saphir-Schleifwerke G. m. b. H.	250,000	100	(c) ---
127	do	Lagerstein - Verkaufsgesellschaft m. b. H.	20,000	51 percent Bad. Saphir-Schleifwerke.	(d) ---
128	Erdeborn	Zuckerfabrik Erdeborn G. m. b. H.	600	12.5	(c) O
129	Erfurt	Verkaufsvereinigung deutscher Fluss-patgruben G. m. b. H.	20,000	7.50	(d) ---
130	Essen	Gewerkschaft Morgenglück	298,000	10	(b) ---
131	Essen-Werden	Pyrophor-Metallges. A. G.	240,000	100	(c) ---
132	Essen	Rheinische Stahlwerke	180,000,000	47.31	(c) ---
133	do	Rheinisch-Westfälisches Kohlen-Syndikat.	7,500,000	0.68	(d) ---
134	do	Ruhrgas A. G.	28,000,000	0.54	(c) ---
135	do	Steinkohlen-Elektrizität A. G.	25,000,000	1.05	(c) ---
136	Frankfurt/M Höchst.	Actiengesellschaft zur gemeinnützi-gen Beschaffung von Wohnungen.	3,500,000	100	(e) ---
137	Frankfurt/M	"Agfa"-Photo G. m. b. H.	5,000	100	(d) ---
138	do	Aktivkohle Union Verwaltungs-Ges. m. b. H.	20,000	25	(b) 2
139	do	Alkali G. m. b. H.	20,000	50	(d) ---
140	do	Anorgana G. m. b. H.	20,000	100	(b) 2
141	do	Boden- u. Werkstoff-Forschungs m. b. H. Hessen-Nassau.	100,000	7	(b) ---
142	do	Carbo-Norit-Union-Verwaltungs-Ges. m. b. H. in liquidation.	20,000	12.50	(a) ---
143	do	Chemiewerke Homburg A. G.	1,000,000	52.40	(c) ---
144	do	Chlorzinkprodukte G. m. b. H.	20,000	50	(d) ---
145	do	Citrovin Fabrik G. m. b. H.	20,000	100 Chemiewerk Homburg A. G.	(c) ---
146	do	Deutsche Aktivkohle Ces. m. b. H.	1,800,000	33.33	(c) ---
147	do	Deutsche Gesellschaft für Schädlings-bekämpfung G. m. b. H.	100,000	42.50	(d) ---
148	do	Deutsche Gold- und Silberscheide-Anstalt A.-G.	76,500,000	2.4	(c) V
149	do	Elektrochemische Produkte G. m. b. H.	20,000	25	(d) ---
150	do	Essigsäure-Gesellschaft m. b. H.	60,000	29.50	(d) ---
151	do	Fluor-Produkte G. m. b. H.	50,000	41.60	(d) ---
152	Frankfurt/M Griesheim.	Gemeinnützige Baugesellschaft m. b. H.	200,000	98	(e) ---
153	Frankfurt/M	Gesellschaft für Aufbereitung m. b. H.	100,000	50	(d) ---
154	do	Gesellschaft für Synthese Produkte m. b. H.	20,000	50	(d) ---
155	Frankfurt/M Griesheim.	"Griesogen" Griesheimer Autogen-Verkaufs-Ges. m. b. H.	10,000	100	(d) ---
156	Frankfurt/M	I. G. Farbenindustrie Aktiengesell-schaft.	(?)	---	(c) ---
157	do	Vorzugsakt. B.	40,000,000	95	---
158	do	I. G. Gefolgshaftshilfe G. m. b. H.	20,000	50	(e) ---
159	do	Indanthrenhaus Frankfurt G. m. b. H.	125,000	100	(d) ---
160	do	"Liveg" Lizenzverwertungsges-schaft m. b. H.	20,000	50 I. G.	(b) 2
161	do	Metallgesellschaft A. G.	63,000,000	10.96	(c) ---
161	do	Ballas G. m. b. H. Konzexuvereiche-rung.	12,500,000	100	(b) 2
162	do	"Pyrodur" Vereinigte Härtemaschi-nen-Ges. m. b. H.	20,000	50	(d) ---

* Anteile.

† 1 milliarde and 300 millions.

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
163	Frankfurt/M.....	Schwefelkohlenstoff-Verkaufsges. m. b. H.	20,000	10.....	(d) ---
164	.....do.....	Schwefelnatrium G. m. b. H.	20,000	50.....	(d) ---
165	.....do.....	"Sextra" Schwefel-Extraktions- u. Raffinations G. m. b. H.	21,000	50.....	(b) 2 ---
166	.....do.....	Sulfat-Vereinigung G. m. b. H.	30,000	14.67.....	(d) ---
167	.....do.....	Studiengesellschaft f. Metallgewinnung.	50,000	50.....	(b) 2 ---
168	.....do.....	Verkaufsgesellschaft f. Kunststoff-erzeugnisse G. m. b. H.	20,000	25.....	(d) L ---
169	.....do.....	Verkaufsgesellschaft f. Kunststoff-erzeugnisse G. m. b. H.	20,000	37.5.....	(d) ---
170	.....do.....	Verkaufsstelle f. Oxalsäure u. Ameisensäure G. m. b. H.	12,000	12.50.....	(d) ---
171	Fürstenwalde.....	Chemische Fabrik Marienhütte G. m. b. H.	1,900,000	50.....	(c) ---
172	Geesthacht.....	Bergedorf-Geesthachter Eisenbahn A. G.	17,100,000	Stück 435 Gen-uss-Sch.	(c) ---
173	Gelsenkirchen Schalke.....	Actiengesellschaft f. chem. Industrie..	2 900,000	36.31.....	(c) ---
174	Genthin.....	Kleinbahn Aktiengesellschaft Genthin.	5,803,600	0.56.....	(c) L ---
175	Gerthe.....	Bergbau A. G. Lothringen		RM. 624,000	(c) ---
176	Gnaschwitz.....	Sprengstoff- und Zündschnurwerke Gnaschwitz A. G.	650,000	65.0.....	(c) L ---
177	Goldbach.....	Fassholzfabrik Goldbach G. m. b. H.	300,000	100.....	(c) ---
178	Göttingen.....	Faserholz G. m. b. H.	200,000	100.....	(b) 1 ---
179	Hachenburg.....	Hruby u. Co.	80,000	100.0.....	(c) M ---
180	Hagen.....	Kohlenhandels-gesellschaft "Mark" Siepmann, Schrader u. Co.	3,404,125	0.83.....	(d) ---
181	Halle/Saale.....	Baustoffe u-Kohlen G. m. b. H.	20,000	100.....	(b) 2 ---
182	Halle.....	Deutsche Grube A. G.	4,000,000	100.....	(c) ---
183	Halle/Saale.....	Gefolgshaftshilfe der IG-Bergwerke G. m. b. H.	20,000	50.0.....	(e) O ---
184	.....do.....	Gelseltal Grunderwerbs-G. m. b. H.	18,000	11.60.....	(b) ---
185	.....do.....	Gemeinnütziger Bauverein Gartenstadt e. G. m. b. H.		300.....	(e) O ---
186	.....do.....	Gesellschaft für Landeskultur G. m. b. H.	175,000	100.0.....	(e) V ---
187	Halle.....	Gewerkschaft des konsolidierten Steinkohlenbergwerks "Breitenbach."	4 100		(c) ---
188	.....do.....	Gewerkschaft Clara-Verein	4 1,000	100.....	(b) 1 ---
189	.....do.....	Gewerkschaft Kreuzbruch IV	4 100	100.0.....	(c) O ---
190	.....do.....	Hallescher Verkaufs-Verein für Ziegelfabrikate A. G.	100,000	42.20.....	(d) ---
191	.....do.....	Friedrich Jesan vorm. Wilh. Reupsch G. m. b. H.	50,000	100.0.....	(d) O ---
192	.....do.....	Kleinwohnungsbau Halle A. G.	3,500,000	7.22.....	(c) ---
193	.....do.....	Kleinwohnungsbau A. G.	2,500,000	15.0.....	(e) V ---
194	.....do.....	Eduard Müller G. m. b. H.	100,000	30.0.....	(d) O ---
195	.....do.....	Reibek-Köhle G. m. b. H.	90,000	100.0.....	(d) O ---
196	.....do.....	Reibek'sche Montanwerke A. G.	75,000,000	90.25 Rhein Stahl (Betriebsübernahme u. Dividendengarantievertrag mit I. G.)	(c) ---
197	.....do.....	Siedlung Mäckerling G. m. b. H.	2,000	10.....	(e) ---
198	Hamburg.....	"Aga" Photo G. m. b. H.	5,000	100.....	(d) ---
199	.....do.....	Ertel, Bieber u. Co. G. m. b. H.	1,000,000	25.0.....	(c) T ---
200	Hamburg-Altona.	Essig-, Öl-, Senf-Vertriebs-G. m. b. H.	20,000	100.....	(d) ---
201	Hamburg.....	Guano-Werke A. G.	5,600,000	100.....	(c) ---
202	.....do.....	Indanthrenhaus Hamburg G. m. b. H.	125,000	100.....	(d) ---
203	.....do.....	Kupferhütte Ertel, Bieber u. Co.	500,000	8.0.....	(c) L ---
204	.....do.....	Neue Norddeutsche u. Vereinigte Flussschiffahrts A. G.	4,600,000	0.9.....	(c) V ---
205	.....do.....	Joh. Oswaldowski A. G.	200,000	22.45.....	(c) ---
206	.....do.....	Waren-Commissions - Aktiengesellschaft.	2,000,000	65.0.....	(c) L ---
207	.....do.....	Westf. Kohlenkontor Nachf. Em-schermann u. Co.	3,342,415	0.50.....	(d) ---
208	Hannover.....	"Aga" Photo G. m. b. H.	5,000	100.....	(d) ---
209	.....do.....	Kohlenhandels-gesellschaft "Westfalia" Wiesebrock, Schulte u. Co.	1,985,361	0.94.....	(d) ---

1 Common.
 2 Preferred.
 3 Kuxe.

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
210	Hannover.....	Superphosphatfabriken G. m. b. H.	4,680	4.49	(d)
211	Hasloch.....	Pulverfabrik Hasloch G. m. b. H.	500,000	RM. 325,000	(c)
212	Heidenheim.....	Württembergische Kattunmanufaktur A. G.	4,500,000	RM. 144,000	(c)
213	Heydebreck.....	Verkehrsbetriebe Cosel-Heydebreck G. m. b. H.	300,000	16.67	(e)
214	Hörde i. W.....	Gewerkschaft Admiral	1,000	100 percent	(b)
				Rhein Stahl.	
215	Hüls.....	Chemische Werke Hüls G. m. b. H.	120,000,000	74	(c)
216	Do.....	Gemeinnütziges Wohnungsunternehmen Chemische Werke Hüls G. m. b. H.	600,000	91.67	(e)
					R
217	Do.....	Gewerkschaft Auguste Victoria	100	100	(b) 1
218	Do.....	Gewerkschaft Stein V	649,250	100	(c)
219	Do.....	Gewerkschaft Stein VII	100	100	(b) 1
220	Do.....	Gewerkschaft Stein IX	100	100	(b) 1
221	Do.....	Gewerkschaft Stein X	100	100	(b) 1
222	Idar-Oberstein.....	Deutsche Edelsteingeseilschaft vorm. Hermann Wild A. G.	240,000	90.50	(c)
223	Karlsruhe.....	Deutsche-Koloniale Gerbstoff-G. m. b. H.	50,000	100	(b) 2
224	Kassel.....	Baryt-Kontor G. m. b. H.	20,000	15	(d)
225	Do.....	Kohlenhandelsgeilschaft "Gluckauf" Abt. Beck u. Co.	2,031,987	0.88	(d)
226	Kieselbach.....	Kieselchemie G. m. b. H.	100,000	100 Eisfeld	(c)
227	Knapsack.....	A. G. für Stickstoffdünger	16,000,000	100	(c)
228	Köln.....	Actiengesellschaft für Stickstoffdünger	16,000,000	100	(c)
229	do.....	"Agfa"-Photo G. m. b. H.	5,000	100	(d)
230	do.....	Clarashall G. m. b. H.	200,000	50	(c)
231	Köln-Klettenberg.....	Decker & Cie. G. m. b. H.	12,000	29.17	(d)
232	Köln-Braunsfeld.....	Eckert & Ziegler G. m. b. H.	100,000	100	(c)
					L
233	Köln-Niehl.....	Fordwerke A. G.	32,000,000	5.27	(c)
234	Köln.....	Gefoltschaftshilfe der A. G. für Stickstoffdünger G. m. b. H.	20,000	75	(e)
					S
235	do.....	Geselsbüztige A. G. für Wohnungsbau.		0.48	(e)
					L
236	do.....	G. m. b. H. zum Verwertung chemischer Erzeugnisse.	1,00,000	100 DAG	(c)
237	do.....	Indanthrenhaus Köln	100,000	100	(d)
238	do.....	Kohlenhandelsgeilschaft "Hansa" Kallmeier & Co.	2,993,129	0.63	(d)
239	do.....	Lithopone-Kontor G. m. b. H.	62,200	23.47	(d)
240	do.....	Rheinisches Braunkohlen-Syndikat G. m. b. H.	2,147,000	6.986	(d)
241	do.....	Rheinische Elektrodenfabrik G. m. b. H.	250,000	50	(c)
					S
242	Köln-Braunsfeld.....	Rheinisches Spritzgusswerk G. m. b. H.	100,000	100	(c)
					L
243	Köln.....	Sachtleben A. G. für Bergbau u. chemische Industrie.	22,500,000	5.63	(c)
244	do.....	Union Generatoren G. m. b. H.	500,000	6.60	(d)
245	Königsberg.....	"Agfa"-Photo G. m. b. H.	5,000	100	(d)
246	Krefeld.....	Chemische Fabrik Stockhausen & Cie. K.-G.	1,245,000	33.33	(c)
247	do.....	Gemeinnützige Bauu. Siedlungs-A. G.	1,242,000	1.45	(e)
248	Krefeld-Linn.....	Zünderwerke Ernst Brunn A. G.	300,000	(Mehrheit Wasag über Ges. f. chem. Forschung u. Verwaltung).	(c)
249	Langelsheim.....	Mitteldeutsche Sprengstoffwerke G. m. b. H.	420,000	37.42 Sprengstoff-Verk-Ges.	(c)
					L
250	Lauenburg.....	Gemeinnützige Wohnungsgesellschaft f. den Kreis Herzogtum Lauenburg.		RM. 30,000	(e)
251	Leipzig.....	"Agfa"-Photo G. m. b. H.	5,000	100	(d)
252	do.....	Brikettverkauf G. m. b. H. i. L.		quite small	(a)
253	do.....	Chemische Werke Zscherndorf G. m. b. H.	240,000	100	(b)
254	do.....	Deutsche Riechstoff-G. m. b. H.	300,000	11	(d)
255	do.....	Grudefeuerung G. m. b. H.	30,000	46.66	(c)
256	do.....	Indanthrenhaus Leipzig G. m. b. H.	100,000	99.5	(d)
257	do.....	Metallguss G. m. b. H.	1,000,000	100	(c)
258	do.....	Metallwerk Karl Michlor G. m. b. H.	2,000,000	0.50	(b)

* Kuxe.

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
259	Leipzig	Mitteldeutsches Braunkohlensyndikat G. m. b. H. in liquid. von 1920.	57,000	6.28	(a)
260	do	Mitteldeutsches Braunkohlensyndikat 1932 G. m. b. H. i. L.	90,000	12.55 Riebeck	(a) O
261	do	Mitteldeutsches Braunkohlensyndikat 1932 G. m. b. H. i. L.	90,000	0.55 Deutsche Grube.	(a) N
262	do	Mitteldeutsches Braunkohlensyndikat 1937 G. m. b. H.	90,000	4.89	(d)
263	do	Mitteldeutsches Braunkohlensyndikat 1937 G. m. b. H.	90,000	11.11 Riebeck	(d) O
264	do	Mitteldeutsches Braunkohlensyndikat 1937 G. m. b. H.	90,000	0.55 Deutsche Grube.	(e) N
265	do	Rentengutsgesellschaft Merseburg G. m. b. H.	1,347,000	23.8	(e) V
266	Leuna Werke	Ammoniakwerk Merseburg G. m. b. H.	287,875,000	100	(c)
267	Leuna	Einsatz G. m. b. H.	20,000	75	(c) V
268	do	Gewoge G. m. b. H.	1,380,000	23.9	(e) V
269	do	Leuna Gefolgschaftshilfe	20,000	50	(e) V
270	Leverkusen	Gemeinnützige Eigenheim G. m. b. H.	350,000	96.43	(e)
271	do	Fluorit-Werke G. m. b. H.	20,000	100	(b)
272	do	Gemeinnützige Eigenheim G. m. b. H.	350,000	96.43	(e)
273	do	Titangesellschaft G. m. b. H.	5,500,000	50	(c)
274	do	Versuchswerk für Kautschukverarbeitung G. m. b. H.	50,000	50	(e)
275	Limburgerhof	Obstbaugesellschaft Vorderpfalz	25,000	20	(c)
276	Ludwigshafen	Anorgana Gefolgschaftshilfe G. m. b. H.	20,000	75	(e)
277	do	Anorgana G. m. b. H.	100,000	100	(c)
278	do	Fluss- und Schwerspatwerke Pforzheim Döppenschmidt & Co. G. m. b. H.	250,000	100	(c)
279	do	Gemeinnützige A. G. für Wohnungsbau.	2,000,000	30	(e)
280	do	Luranil-Baugesellschaft G. m. b. H.	100,000	100	(b) 2
281	do	H. & M. Schmitz Stiftung	20,000	50	(e) V
282	Magdeburg	Bergmannswohnstätten-Ges. Offleben G. m. b. H.	5,260	12.16	(e)
283	do	Förderstedter Kalk- und Cementkalkwerke Schenk & Vogel G. m. b. H.	415,000	0.19	(c) N
284	do	Westfälische Kohlen- u. Koks-Verkaufsges. Knauer & Co.	629,629	1.05	(d)
285	Mannheim	Badisch-Pfälzische Flugbetrieb A. G.		RM. 20,000	(b)
286	do	Kohlenkontor Weyhenmeyer & Co.	26,543,879	0.34	(d)
287	Mannheim-Waldhof	Ligrowa G. m. b. H.	1,200,000	33.33	(e)
288	Mannheim	Rheinische Gummi- und Celluloidfabrik.	1,000,000	60	(c) L
289	Mannheim-Neckarau	Schildkröte Rhein. Dauerwäsche u. Kunststoffwarenfabrik G. m. b. H.	810,000	100 Rhein. Gummi- u. Celluloidfabr.	(b)
290	Marburg	Behringwerke A.-G.	600,000	99.9	(b) 1
291	Marl	Gemeinnützige Baugenossenschaft für das Amt Marl G. m. b. H.			(e)
292	do	Westgas G. m. b. H.	20,000	50	(c) R
293	Meissen	Vereinigte Zünder u. Kabelwerke A. G.			
		Vorzugsaktien	8,000		
		Stammaktien	3,487,500	0.09	(c)
294	Merseburg	Merseburger Überlandbahn A.-G.	3,300,000	4.5	(c) L
295	Mülheim/Ruhr	Studien- und Verwertungs-G. m. b. H.	30,000	2	(b) V
296	München	"Agfa"-Photo G. m. b. H.	5,000	100	(d)
297	do	Alzwerke G. m. b. H.	3,000,000	100 Wacker	(c)
298	do	Bayrische Essig-Essenz-Verkaufsstelle Cr. Dederer G. m. b. H.	20,000	29.50	(d)
299	do	Bayerische Stickstoff-Werke A.-G.	25,000,000	100 Merseburg	(c)
300	do	Chem. Forschungs-G. m. b. H.	20,000	100 Wacker	(b)
301	do	Consortium für elektrochemische Industrie G. m. b. H.	30,000	100 Wacker	(b)
302	do	Deutsche Heraklith A. G.	2,400,000	Mehrheit Deutsche Magnesit A. G.	(c)
303	do	Deutsche Hagnesit A. G.	6,000,000	45	(c)
304	do	Elektroschmelzwerk Hempen A. G.	1,200,000	99.65 Wacker	(e)
305	do	Drawin G. m. b. H.	20,000	100 Wacker	(d)
306	do	Indanthren-Haus München G. m. b. H.	100,000	100	(d)
307	do	"Movea" G. m. b. H.	20,000	100	(c)
308	do	Dr. Alexander Wacker G. m. b. H.	40,000,000	50	(e)

Direct and indirect participations of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (RM.)	Participation (percent)	Kind of firm
	1	2	3	4	5
300	Nachrodt.....	Westfälische Leichtmetallwerke G. m. b. H.	30,000,000	50 I. G. 50 Verein. Stahlwerke.	(c) ----
310	Neumark/Oberpfalz.	Deutsche Pyrotechnische Fabriken G. m. b. H.	2,000,000	65.0	(c) L
311	Neustadt/H.	Hoffmann u. Engelmann	1,200,000	57, 65	(e) W
312	Neustadt a. d. W.	Hoffman u. Engelmann Gefolgenschaftshilfe G. m. b. H.	20,000	100 Hoffmann u. Engelmann A. G.	(c) ----
313	do	Heimstätte Westmark G. m. b. H.	2,400,000	0.83	(e) ----
314	Neustadt/W.	Heimstätte Westmark G. m. b. H.		R.M. 250	(e) L
315	Nordhausen	A. Busse G. m. b. H.	40,000	50	(d) O
315a	do	Gewerkschaft Graf Karl Martin	4 100	100	(b)2
316	Nürnberg	Carbidkontor G. m. b. H.	2, 610	100 Wacker	(d) ----
317	Nürnberg-Doos.	Gleisgesellschaft Sodafabrikgelände m. b. H.	25,000	20	(c) Q
318	Nürnberg	Rheinisch-Westfälische Sprengstoff A. G.	100,000	100	(d) L
319	Oberhausen-Holten.	Chemische Fabrik Holten G. m. b. H.	2,000,000	30	(c) ----
320	Oberhausen	Chemische Verwertungsgesellschaft Oberhausen G. m. b. H.	20,000	50	(b) 2 ----
321	Oberhausen-Holten.	Oxo-Gesellschaft m. b. H.	6,000,000	33.33	(c) ----
322	Oberlar	Gemeinnützige Siedlungsbau Gen. e. G. m. b. H.		R.M. 19,200	(e) L
323	Opladen	Gemeinnützige Bau-Verein G. m. b. H.			(e) ----
324	Pöhlitz	Hydrierwerke Pöhlitz	170,000,000	31.25	(c) ----
325	Pömmelte	Preussische Gewerkschaft "Neue Hoffnung" b. Pömmelte.	4 1,000	26.0	(c) O
326	Premnitz	Baugenossenschaft Premnitz G. m. b. H.			(e) ----
327	Rheinfelden	Baugenossenschaft			(e) ----
328	Roltzsch	Zuckerfabrik Roltzsch G. m. b. H.	540,000	1.95	(c) ----
329	Rottenburg	"Karato" G. m. b. H.	20,000	100.0	(c) ----
330	Rottweil	Kreisbaugenossenschaft Rottweil e. G. m. b. H.			(e) ----
331	Saarbrücken	Kohlenhandelsgesellschaft "Westmark" Ellenbeck, May, Müller & Co.	3, 473, 149	0.68	(d) ----
332	Schafstätt	Molkereigenossenschaft Schafstätt e. G. m. H.		R.M. 2.240	(e) P
333	Schkopen	Buna-Werke G. m. b. H.	100,000,000	100.0	(c) V
334	Schönebeck Elbe.	Patronen- Zündhütchen-und Metallwarenfabrik A. G. vorm. Sellier u. Bellot.	1, 200, 000	60.0	(c) L
335	do	Preussische Gewerkschaft Neue Hoffnung.	4 1,000	26.0	(b) ----
336	Schöningen	Bourjau & Co. K. G.	700,000	50.0	(c) ----
337	Schwarzenberg	Wasserstoff-Sauerstoff-Werke G. m. b. H.	750,000	33.0	(c) ----
338	Schweinfurt	Fränkische Weinessig-u. Konservenfabriken G. m. b. H.	1, 800, 000	29.50	(c) ----
339	Sehma/Ersgebirge.	Richard Schubert A. G.	250,000	100.0	(c) ----
340	Silberhütte	I. F. Eisfeld Silberhütte G. m. b. H.	600,000	65.0	(c) L
341	Sömmerda	Selve-Kronbiegel Dornheim A. G.	900,000	72.33	(c) L
342	Stassfurt	Wohnungsbau Stassfurt e. G. m. b. H.	197, 400	15.20	(e) ----
343	Stennewitz	Dampfmolkerei Stennewitz e. G. m. b. H.		quite small	(e) P
344	Stettin	Agfa-Photo G. m. b. H.	20,000	100.0	(d) ----
345	do	Naumann & Riets G. m. b. H.	12,000	29.17	(d) ----
346	do	"Union" Fabrik chemischer Produkte A. G.	6, 150, 000	Majority Wasag.	(c) ----
347	St. Ingbert	Pfälzische Pulverfabriken St. Ingb. G. m. b. H.	800,000	65.00	(c) L
348	Stöbnitz	Zuckerfabrik Stöbnitz R. Bach & Co.	1, 750, 000	1.60	(c) ----
349	Stromberg	Gebr. Wandesleben G. m. b. H.	1,000,000	100.0	(c) S
350	Stromberg-Hunrück.	Gebrüder Wandesleben G. m. b. H.	1, 250, 000	100.0	(c) ----
351	Stuttgart	Agfa-Photo G. m. b. H.	20,000	100.0	(d) ----
352	do	Indanthren	100,000	100	(d) ----
353	Templin	Landwirtschaftlicher Ein-u. Verkaufsverein e. G. m. b. H.		R.M. 200	(e) P
354	do	Molkereigenossenschaft e. G. m. H.		R.M. 300	(e) P
355	Teutschenthal	Deutsche Molybdän-Werke G. m. b. H.	500	100	(b)2 ----

* Kuxe.

Direct and indirect participation of I. G. Farbenindustrie A. G. in Germany—Con.

	Legal domicile	Name of firm	Nominal capital (R.M.)	Participation (percent)	Kind of firm	
	1	2	3	4	5	
356	Troisdorf.....	Dynamit-Aktien-Ges. vorm. Alfred Nobel & Co. (V. A.).	47,000,000	45.40.....	(c)	---
357	do.....	Katholisches Vereinshaus.....	125,000	100.....	(e)	L
358	do.....	Lindener Zündhütchen- u. Patronenfabrik A. G.	120,000	R.M. 440.....	(c)	L
359	do.....	Sprengstoff-Verkaufsges. m. b. H.	100,000	100.....	(d)	---
				65 percent DAG, 25 percent Wasag.		
366	do.....	Venditor Kunststoff-verkaufsgesellschaft m. b. H.	20,000	100.....	(d)	L
361	do.....	Wohnungsbaugenossenschaft e. G. m. b. H.	---	R.M. 71.700.....	(e)	L
362	do.....	Süddeutsche Kalkstickstoff-Werke A.-G.	35,000,000	30.....	(c)	---
363	Walsrode.....	Wolff & Co. K. G. auf Aktien (S. A.).	{ 2,380,000	78.78.....	(c)	---
364	do.....	Ziegelei Graesbeck G. m. b. H.	120,000		(c)	---
365	Wattenscheid b. Gelsenk.	Hermann Schwarz K.-G.	91,770		(c)	---
366	Weissenfels.....	Gemeinnützige Bau- u. Wohnungsg. m. b. H.	300,000	51.....	(e)	V
367	do.....	Milchhof Weissenfels e. G. m. b. H.	250,000	4.0.....	(e)	P
368	Wiesbaden-Biebrich.	Gemeinnützige Siedlungsgesellschaft Kalle G. m. b. H.	50,000	R.M. 270.....	(e)	---
				99.0.....	(e)	---
369	do.....	Kalle & Co. A.-G.	20,000,000	100.....	(c)	---
370	do.....	Kalle & Co., Gefolgschaftshilfe G. m. b. H.	20,000	100.....	(e)	---
371	do.....	Zellglas-Export-syndikat G. m. b. H.	20,000	25 percent Kalle, 25 percent Wolf & Co.	(d)	---
372	Witten/Ruhr.....	Gewerkshaft Bernhardsglück.....	400,000	32.5.....	(c)	---
373	Wesermünde-Wulsdorf.	Donar G. m. b. H. für apparatebau.	50,000	50.0.....	(c)	---
374	Wünschendorf Elster.	Actiengesellschaft f. Lithopone-Fabrikation.	1,290,000	48.43.....	(c)	---
375	Wuppertal-Barmen.	Hölkenseide G. m. b. H. in Liquidation.	3,000,000	50.0.....	(a)	---
376	Wuppertal-Elberfeld.	Klüser & Co. K. G.	200,000	55.0.....	(d)	T
377	Wuppertal-Oberbarmen.	Kupferkunstseide-Syndikat G. m. b. H.	50,000	23.60.....	(d)	---
378	Wuppertal-Elberfeld.	Rehelsenverkaufsges Duisburger Kupferhütte G. m. b. H.	100,000	100.0.....	(d)	T
379	Zwiesel.....	Ostbayerische Schleif- u. Fräswerk G. m. b. H.	20,000	25.0.....	(c)	---

EXHIBIT No. 4

HISTORY OF THE FARBE MERGER 1926. STATEMENT BY PAUL HAEFLIGER,
AUGUST 6, 1945

The subject I am requested to write about, namely, which were the reasons why the merger of the I. G. Farben in 1926 took place, is a highly interesting one. But I feel that it would require by far a more inspired and skilled pen than I dispose of to shape such a subject in the form it deserves. For it would not do, to my mind, just to enumerate some plain reasons and let the reader draw more or less his own conclusions from them. It is necessary for his full understanding to convey to him the whole atmosphere existing at that time around this deal, the battles that were fought behind the scenes, the ambitions of some leading men and their aims, and last but not least the economic aspect of the past and the future as seen by the founders, reasons which all combined led to the event of probably the biggest merger in the history of modern chemical industry.

I personally was no party of all the deliberations going on in the really initiated and intimate circles and my role was only the one of an interested spectator, but I had in my former chief, General-director Plöninger a fatherly friend from whom I learned casually many a side light of what was going on internally, and to this information I can of course add my own observations and experience of my daily work. But nevertheless, I feel that my knowledge is rather rudimentary and I therefore beg to look upon my report more in the light of a contribution to a biography still to be written about this big scheme.

The foundation of the I. G. Farbenindustrie was by no means the product of a spontaneous decision, but represents the final phase of an organic development which had been going on for long years. It is therefore necessary for the better understanding to go back to the antecedents and to follow them up to 1926, the year of the merger.

It is as early as 1904 that the first joining of interests by forming an "Interessengemeinschaft" (community of interests) took place. At that time the *Farbenfabriken vorm. Friedrich Bayer & Co.* concluded a contract for a duration of 50 years with the *Badische Anilin & Sodafabrik* according to which these firms conserving their entire independency, pooled their net profits, each partner having share of 50 percent. Some weeks later the *A. G. für Anilinfabrikation, Berlin*, (Agfa) entered this contract too with a share of 14 percent in the profits, so that the quotas in this so-called "Drei Bund" now read 43:43:14. The reasons for the formation of this group was the rivalry between the *Badische & Leverkusen* which would have led to costly fights and further the intention of the Agfa to build an extension dyestuff and chemical plant in the Mannheim district which would have meant additional competition especially for the *Badische* and which by this agreement could be avoided.

In the same year a second group concluded another "Interessengemeinschaft", the *Farbwerke vorm. Meister Lucius & Brüning, Höchst a. M.*, combining forces with the important dyestuff firm, *Leopold Cassella & Co., Frankfurt a. M.* The reasons for this deal were chiefly that without an agreement which too provided the independency of each partner, both these firms in their expansion would have penetrated more and more in the production field of the other. Moreover, there was the fact which weighed even more with this decision, that the *Farbwerke Höchst* produced a number of raw materials—acids and especially intermediary organic products for dyestuff fabrication—which *Cassella* being exclusively a dyestuff manufacturing concern, did not produce themselves, but used to buy to a big extent from *Höchst*.

Dr. Plieninger told me years later, that at that time the owners of *Cassella, Carl & Arthur von Weinberg*, hesitated a long time to take this step because for them another combination was possible; namely, to go together with the *Chemische Fabrik Griesheim-Elektron, Frankfurt*, who had a first-class anorganic basis and moreover an important and specialised production of intermediary organic products for dyestuff manufacture, without at that time producing any dyestuffs themselves. This would have indeed to my mind far much the better solution for *Cassella*. But there the human element entered into the picture overruling purely economic reasonings. The Weinbergs, especially Carl v. Weinberg, were very keen to play a prominent social role in the Frankfurt high society which was known to be very exclusive and for that *Griesheim-Elektron* was not distinguished enough, being conducted by modest but efficient men, whereas the *Meister, von Brüning, vom Rath* etc. being old Frankfurt families and forming part of the "haute volée" presented quite other chances for them in this social respect. I believe that the Weinberg regretted their decision later on because they were disappointed in this unpronounced aim. They very soon compiled huge personal fortunes and then Carl v. Weinberg became the center of a new class of society in Frankfurt which was looked upon by the exclusive circle as the smart-set. One may smile at this human weakness, but had it been otherwise, it is quite probable that another story could have been written of the I. G. Small causes, big effects, as a German saying goes.

I may add here that Carl von Weinberg was a first-class diplomat and a first-rate businessman and organiser, who with a relatively small dyestuff plant at *Mainkur* near Frankfurt a. M. achieved amazing financial results, having created at home and especially abroad a sales organisation who worked for him enthusiastically, as he looked after his employees in a personal and very liberal way. I always admired Carl v. Weinberg for these qualities. His brother Arthur von Weinberg was quite another type, but in his field just as prominent as Carl. He was a scientist and philosopher of nearly universal knowledge and he could talk on all subjects with deeply founded learning. I was a great admirer of him and I will never forget the many conversations I had with him in which he always was the giver. Besides he stood with both legs in the world and was a prominent breeder of race horses, owning together with his brother the famous stud *Waldfried*.

It was Carl von Weinberg by the way who succeeded in 1926 to have the headquarters of the I. G. located in Frankfurt and the big central I. G. building is his idea and work.

I am afraid I am losing myself in reminiscences and therefore revert to the subject of the formation of the so-called "*Zwei Bund*," *Höchst-Cassella*, which too was based chiefly on the then decisive dyestuff interests. The combination

meant for both of them a strengthening of their position vis-à-vis the competition of the "Drei Bund" and afforded them the possibility of the joint purchase of raw material and coals and moreover a cooperation in all patent and licence questions. And last but not least it had the effect to stop the dropping market prices for dyestuffs.

It is a fact that hardly in any other industrial branch competition can assume as violent forms as in the chemical industry. The reason for this is to be found in the continuous changes which new inventions and progress in technique cause in the production of the products.

Science and technique are permanently working on the simplification of producing methods and processes and to bring down the costs of production with all the consequences in a fighting market. It is a further fact that as the raw-material costs in chemical production all round but especially in the organic chemical field constitute a relatively small factor in the cost of the finished article, and this applies to labour too, the chemical industry as a rule not being an intensive labour industry, as for instance the metallurgical and the engineering branch. Thus a chemical firm always has the tendency to work at full capacity because the excess production attained thereby shows an extremely low cost and will reduce the cost price for the whole production very sensibly. Such a state of affairs is apt to bring about especially in times of depression untenable conditions which only can be mastered by mutual understandings.

There is another additional strong incentive for maintaining chemical plants in operation at all events because most of them when being laid idle will suffer heavily from deterioration by corrosive agents which causes expensive repairs when work is taken up again. As to the sudden changes of processes and technique as a characteristic of chemical industry, this fact, too, makes it imperative for sound economics to write off chemical plants at a much quicker rate than is needed in other industries. A chemical firm will therefore always decide on extraordinary amortisation if ever the profits made will allow for it, after providing for normal amortisation. This means, too, that the margin of profit in a chemical concern must be rather high for special fields, as for instance dyestuffs and pharmaceuticals, because in the heavy chemical domain there always is competition going on which forces prices down on a low level. It must not be overlooked that especially in the anorganic field where good processes are mostly available for everybody as well as the respective raw materials the maintenance of too high a price level would in normal times only create competition by newly erected works, within a short time. The I. G. was often reproached by members of syndicates and conventions for various products to insist on too low a price. It is because the I. G. could take a broad view as regards to avoid this danger of an excessive price policy, whereas other smaller firms wanted to harvest in the hay time and did not care much what would happen later on. I am of opinion that the I. G. in all these contentions acted as a brake for the establishing of exaggerated prices and thereby was instrumental in bringing about in many markets a very desirable stability which otherwise would not have been the case. To round up this subject I may point out yet another reflection. As the I. G. was delivering their numerous products to practically all existing industries in Germany, it would never had done to take undue advantage of their strong position by enforcing too high prices, because this would only have had the consequence of impairing the competitive power of their customers especially in the export business with the effect that their requirements taken from the I. G. would have got smaller in volume and in turn would reduce the production of these products which would have meant for the I. G., as explained above, disproportionally higher production costs and probably less profits in spite of higher selling prices.

After this deviation from the subject may I now revert to the old time of 1904.

Soon after the formation of the Drei und Zwei Bund, these two groups approached each other and the Badische Anilin & Soda-Fabrik concluded on behalf of the Zweibund a contract with the Farbwerke Hoechst on the important synthetic Indigo field for the regulation of this production and the market prices to put a stop to the ruthless price fight going on in the market.

In the foregoing I have described what you may call the first phase of the I. G. Farben which lasted from 1904 to 1915. Although the 2 groups had the leading characteristic of an "Interessengemeinschaft" (community of interests) namely the dividing up of the net profits according to agreed quotas, yet the connections established between the said groups were restricted on certain exposed dyestuff fields and competition in other domains also among the groups themselves, especially within the Zweibund Ludwigshafen/Leverkusen was still going on. There neither was any interference into the technical affairs of each firm who retained too in this respect their entire independency in their decisions.

But this important first phase ploughed and prepared the ground for the future, it being only a question of time that the relations between the two groups would have to be revised and regulated on a broader basis. The world war 1914/18 no doubt accelerated this logical development. However, there is another reason which to my mind is even more important and on which I now have to dwell upon at some length.

It is the rapid expansion of the Badische Anilin & Sodafabrik which had set in several years before 1914 in the new field of *nitrogen* which brought about a new situation.

Formerly the Badische was a very conservative firm, the stiffness and the correctness under the conduction of Geheimrat Hüttenmüller and Dr. Brunck being well known throughout the chemical industry. But with the entrance of *Prof. Carl Bosch* there came a change in all this and he managed to turn up the character of this firm within a few years by forcing it into an entirely new track. For curiosity's sake I may mention here that the Badische Anilin & Sodafabrik bear their name quite wrongly, because they are not situated in Baden, but in Bavaria and neither did they produce anilin nor soda. This new direction was the production of nitrogen on the basis of the Haber/Bosch process which within very few years expanded into important new nitrogen and nitrate of soda plants at Oppau. It is the unperishable merit of Professor Bosch to have found the technical solution of this new process which considering the then existing mark of the metallurgical and engineering industry, presented exorbitant difficulties, a solution which allowed to produce nitrogen cheap enough to compete with nitrogen in all forms from the old natural sources. At that time there existed no alloyed steel hard enough to resist a pressure up to 500 atmospheres under high temperature, the highest hitherto having been if I rightly remember about 50 atmospheres. Bosch was a great practical man who formerly had worked too in metallurgical and engineering firms and although there was a cooperation with Krupp A. G. he practically himself had to invent and to build up the suitable special equipment and apparatuses as well as the right sort of alloyed steel which would stand the heat and pressure of the new process.

This impetuous development of the Badische due to the initiative of Bosch, which gave this firm soon another face, was quite sensational and must have given great concern to the jealous rival firm, the Farbenfabriken vorm. Friedrich Bayer & Co. Leverkusen, headed, too, by a very energetic leader, *Geheimrat Dr. Duisberg*. Although the Farbenfabriken Leverkusen were a member of the "Drei Bund" and therefore closely tied to the Badische, yet they still represented an independent firm with the freedom to take up new branches. Geheimrat Duisberg must have been aware and feared that an "Interessengemeinschaft" cannot be enforced for any length of time in spite of a long termed duration when the premises or conditions on which it was founded do no longer exist. It certainly is very dangerous for the continuation of such an agreement when one partner is no longer in harmony with the aims of the original contract for having taken up important new lines altogether different which means for him a new development in which the other has no active part, with the necessity probably of capital extension and freedom to enter into agreements with the competitors in the new field. Furthermore it is a legal question, whether in view of a fundamental change, the accomplishment of a contract can be exacted of a members from his partner or partners under such circumstances. They would probably think it over twice to go to court with such a dispute and prefer to settle it by friendly arrangement. The frame of an "Interessengemeinschaft" is never as tight as the one of a company with its own legal personality (mit eigener Rechtspersönlichkeit).

Geheimrat Duisberg was not the man to remain idle in front of such a danger. He too had achieved a great job in erecting the Leverkusen works on his own plans which up to this day still can be considered as a model plant for the modern chemical big industry. Duisberg would not tolerate to be surpassed by the Badische and one can be convinced that if the first world war would not have interfered, he would have tackled the nitrogen problem, too, which must have been known to the Badische.

During the war 1914/18 the dyestuff business experienced a great reduction and a general reorganization was going on to provide for the wants of the war, which kept all the firms busy and caused them to forget their old struggles and conflicts for the time. Moreover, the uncertainty of the future of how matters were going to develop after the war, was creating too an atmosphere of truce and an inclination to reduce the risks by standing together. As a further reflection it was clear for all the dyestuff firms that whatever would be the issue of the war, the dyestuff competition from other countries would be much stronger as before

and that the organisation of the export dyestuff business would have to be built up anew under much more difficult conditions.

Thus in the war year 1916 the psychological moment was very favourable for serious negotiations amongst the members of the two groups and the leading men did not miss this perhaps unique chance. And so in the said year 1916 the formation of the "*Interessengemeinschaft der deutschen Teerfarbenindustrie*" (community of interests of the (German tar dyestuff industry) took place consisting of the following seven members:

- (a) of the "Dreibund" viz:
Badische Anilin & Sodafabrik, Ludwigshafen
Farbenfabriken vorm. Friedr. Bayer & Co., Leverkusen
Akt. Ges. für Anilinfabrikation, Berlin
- (b) of the "Zweibund" viz:
Farbenwerke vorm. Meister Lucius & Bruning, Hoechst a. M.
Leopold Casella & Co., Frankfurt a. M.
- (c) two outside firms:
Chemische Fabrik Griesheim-Elektron, Frankfurt a. M.
Chemische Werke vorm. Weiler ter Meer, Uerdingen

Now I must say something about these two last-named firms.

The *Chemische Fabrik Griesheim-Elektron*, in which at that time I held the position of a young procurist, did not play a prominent role in these deliberations. I daresay they were rather the object of internal talks of the others, who all agreed that this firm could not be left aside. Griesheim-Elektron had a very good standing in the anorganic heavy chemical production being too the leading firm in the field of the Chlorine/Alkali electrolysis, an invention of their former chief Prof. Dr. Stroof in the nineties of the past century, a major invention by the way. But what was more important in the eyes of the others was the fact that Griesheim-Elektron were big producers of anilin oil and salt and of quite a number of intermediary organic products suitable too for dyestuff production which they sold for the most part in the market which did not please the big dyestuff firms at all. In order to give this organic chemical production a certain steadiness, Griesheim-Elektron had acquired about 1908 a small but technically well conducted dyestuff firm, the *Farbwerke Oehler, Offenbach a. M.*, and this small firm succeeded in 1911 to find an entirely new and peculiar genuine dyestuff called Naphtol A. S., which when introduced on the market caused quite a sensation in the professional circles. But on the other hand there was a very weak point in their important business in intermediary products in as much as this business in its financial result was dependent on the big orders from Cassella and Hoechst. Griesheim-Elektron at that time could not afford to lose these important customers and it was to be expected that if they had not followed the "invitation" in 1916 to join the new "*Interessengemeinschaft*" Cassella and Hoechst would have barred them in future by erecting intermediary products plants themselves. It was therefore for Griesheim-Elektron a question of either war or peace and the decision finally was in favour of the latter. I still can remember of how depressed my chief, Generaldirector Plieninger was the day he entered the deal. He would have personally preferred by far to remain the first man in the medium sized but progressing firm, Griesheim-Elektron, who was the work of his life and to be independent. He certainly was a very respected member in the "Verwaltungsrat", the supervisory board of the new I. G., being a strong personality, but of course he was just one of many with his hands more or less tied.

A similar fate had the *Chemische Werke vorm. Weiler ter Meer, Uerdingen*, who too were producers of organic intermediaries and aniline and moreover a noteworthy manufacturer of various dyestuffs. But contrary to Griesheim-Elektron, they were small in the anorganic sector. *Geheimrat ter Meer sen.*, the father of Dr. Fritz ter Meer, and owner of Weiler ter Meer, was a man of much energy and purpose of aim, who although his firm was small as compared with the others, they would not care to have as an opponent and it may be that at that time already they saw in his son a very able man who would succeed him and with whom had to be reckoned with. The role which Dr. Fritz ter Meer played years later in the present I. G. is well known.

The new enlarged "*Interessengemeinschaft*" was based as the former *Zwei* and *Dreibund* on the principle that all the members were to be independent but that their profits would have to be divided up according to fixed unalterable quotas. To ascertain these net profits a detailed system of bookkeeping, compulsory for all the members, had to be worked out, so that during the life of this "I. G." each firm had two separate balance sheets, the official balance and the internal I. G. balance. It was the question of agreeing on these quotas which had the most prominent place in the negotiations. It was finally agreed to base

them on the results of a period of three consecutive years, if I correctly remember 1911/13, but the figures thus found were being discussed and modified in several instances in some measure, to adjust them to changes that had taken place meanwhile and also in consideration of apparent future prospects. I can remember that for instance Mr. Plieninger succeeded for Griesheim-Elektron that the good prospects for the new dyestuff Naphtol A. S. which did not have a fair chance to show its true value in the few years preceding 1916, be taken into consideration by fixing the final quota, as well as the fact that right in the basic period of 1911/13 a fierce price fight had to be carried through by his firm in the electrolytical chlorine/alkali field which reflected unfavourably on the net profits of these years. Furthermore he succeeded that the Elektronmetal field as a specialty of Griesheim-Elektron was reserved for them exclusively and outside of the I. G. account, although this special field at that time did not yield profits but was thought to hold promises for the future. But by far the most important exclusive field had to be conceded to the Badische, Professor Bosch refusing to throw in the Nitrogen and nitrate of soda interests. Thus this question was not solved definitely at that time and remained a thorn in the flesh of the new I. G. too.

The quotas finally established and agreed upon were about the following:

	Percent
Badische, Ludwigshafen.....	25.5
Bayer, Leverkusen.....	25.5
Hoechst.....	25.5
Cassella.....	8.6
Agfa.....	8.3
Griesheim-Elektron.....	6.0
Weiler ter Meer.....	1.6
Total.....	101.0

For completeness' sake I may add that *Kalle & Co.*, *Biebrich a. Rh.*, an outside dyestuff firm of medium size, could be induced to join with *Farbwerke Hoechst* by special agreement, the same applying to the small dyestuff firm *Farbwerk Mühlheim, Mühlheim a. M.*, who was taken care of by Cassella.

Subsequently, the "Interessengemeinschaft der deutschen Teerfarben Industrie" became more and more known under the abbreviation "I. G." and this denomination came into general use and years later was reserved by a court verdict exclusively to the I. G. Farben.

The formation of the old I. G. in 1916 marks the entrance of the *second phase* of the development towards the final I. G. merger and was to last until 1926.

It is perhaps useful to define hereafter more closely the character of a pure type of "Interessengemeinschaft" and it may be well to point out here, that this legal form of cooperation was already widely spread in Germany as a form of association among numerous important industrial enterprises and financing institutes, the distinction of the dyestuff I. G. thus not being one of principle but only of size.

An "Interessengemeinschaft" (community of interests) is an association in which the partners without any further intention, are willing and agree to do what the name states: they want to treat their interests on an equal footing and in common. They remain before the law and economically independent of each other, because the most important binding characteristics do not exist; namely, capital and personal union. A committee of an I. G. of this kind is entitled to supervise the common financial field but is not entitled to take care of the internal problems of the partner firms or to intervene in their technical disposition and measures. For this separate agreements would have to be concluded in each case.

There was, however, a clause in the elaborate I. G. agreement of 1916 which I must mention especially because it was one which later on was a stumbling block for the individual development of the I. G. firms. Once the I. G. joint account was established and profits adjusted according to the quotas each firm was at liberty to use its financial share for further extra amortisation, for dividends etc. But each member was not allowed to increase its capital without the consent of the I. G. as a whole.

There are many experts who believe that an association in the form of an "Interessengemeinschaft" has always the character of periodicity and is not of a lasting nature. As long as the results are good it will continue but sooner or later conditions are bound to arise which will strengthen or revive the feeling for independency and then there comes the time of the alternative: either dissolution or merger.

I believe they are right in most cases. Don't let us to be deceived if the old I. G. lasted as long as 10 years. It was due in reality to abnormal conditions existing during the whole what you may call the transitory second phase. The old I. G. during this time until 1924 was not in fact put to a real crucial test. To start with the war years 1916-18 can be barred, because no internal conflicts could arise then. In 1919 and 1920 everybody was lamed by the effects of the lost war and was glad to be insured, so to speak, by the I. G. agreement against the individual risks of shortage of coal, strikes, revolution, mutiny, etc. Then the enormous inflation and depreciation of the currency chiefly due to the military occupation of the Ruhr district by France, gained more and more speed and during 1922 and 1923 the making up of the I. G. adjustment account was quite superfluous, because at the time of it being ready, the equalisation amounts did not matter at all for having meanwhile depreciated to a fraction or almost to nought.

It is the event of the creation of the Rentenmark in summer 1923 by Mr. Schacht which contrary to all expectations remained stable, which soon brought along an altogether different situation for the economic and industrial life. All of a sudden the huge possibilities for easy trade at home but especially in the export markets, which an ever-declining currency had afforded to trade and industry, came to an abrupt end and with it the time of testing the solidity of the old I. G. had at last arrived. Difficulties, deficiencies, and other drawbacks which by the hope of an inflated currency were dormant or underrated or misjudged, now soon became apparent and the real situation thus unveiled was indeed of a nature to give great concern to those responsible and caused them to start at once a thorough survey of all contributing factors.

Until then the character of the old I. G. had been chiefly a commercial and financial one, the cost price of the products during the past eight years mattering very little, because the production price was being paid in continuously inflating currency, whereas, for instance, the important dyestuff export yielded for the most part stable money in good foreign currency which when transferred to Germany represented mark amounts quite out of proportion of production costs, so that on paper big profits could be shown even with a much smaller dyestuff export volume as prewar. But after 1923, the German Rentenmark being at par with the pound and dollar, the dyestuff people realised that in order to cope with the stronger foreign competition from the U. S. A., Switzerland, England, and France they could no longer afford the luxury of having each of them a world-wide sales organisation which, in spite of all regulations and collectual agreements at home, were in fact competing with each other in getting orders. The sales regulations and prescriptions which a dyestuff salesman was supposed to observe, was laid down and compiled in a book, being known as the dyestuff bible. The costs of such a dislocated, multiple-sales organisation were exorbitant and had to be cut down radically in view of the new situation. Although in the meantime the turn-over in the nitrogen field may have surpassed the dyestuff figure, the latter still ranked first as regards revenue and dyestuffs were as hithertofores looked upon as the backbone of the I. G.

As to nitrogen about that time Professor Bosch, for the Badische, decided to give up this reserve and to include it in the I. G. account. The reason was that the continuous extension of the nitrogen works necessitated capital increases for the Badische for which they had to ask the consent of the other members, as mentioned previously. Professor Bosch in taking this step must have known that the golden time for nitrogen would shortly come to an end in view of the great efforts abroad to make themselves independent from German nitrogen imports. To this must be added another important fact: the *hydrogenation of coal* was on its way and Professor Bosch needed huge sums for developing this new fundamental process. He always was for doing research on a vast scale, but in this instance I believe he surpassed himself, because he started to build an experimental hydrogenation plant which I was told later ran into fifty million marks. These risks were too great even for a big firm as the Badische and so he handed these exclusive domains over to the entire I. G. At the same time Griesheim-Elektron relinquished too its exclusivity for Elektronmetall, which had given so far disappointing financial results.

Professor Bosch was to my mind quite beyond so-called capitalism. He used this instrument because it gave him the means to carry through his big technical ideas for which he would have sacrificed everything.

As to commercial questions he had hardly any interest and on more than one occasion he quite openly avowed that he did not understand much of it. He only expected of this commercial people that they should contrive to make as much money as to keep things going in a sound shape and to allow him to draw the necessary amounts for his big experiments. The total amount spent by him

for developing coal hydrogenation, by the way, finally ran into several hundred million stable marks which were never retrieved.

When I told above that up to 1923 it mattered little whether the production costs were high or low, one can easily understand that the works did not turn a coin twice before spending it. Indeed, they were very liberal, to put it mildly, in their expenditures for costly research laboratories and other auxiliary institutions, there being, as afore-mentioned, no interference in the technical field by the supervisory board of the old I. G. But the worst was that each big firm had with the time taken up the production of nearly all I. G. dyestuffs and other organic products, so that when the crisis broke out in 1923 and the volume could no longer be maintained such a decentralised production programme was by far too costly and had to be altered, i. e., to be concentrated in the works best placed for them. But with this necessity an entirely new element entered the picture, which could not be dealt with in the frame of the old I. G. based on the fundamental principle of the conservation of independent firms.

Other necessities, moreover, turned up in this survey which had to be attended to without loss of time.

I may summarise the most important of all these necessities as follows:

I. Commercially

(a) Concentration of the various departments of each firm for the different fields, into centralised departments in new headquarters to be decided upon, the maintenance of 7 different staffs for the same kind of products being far too costly.

(b) Radical concentration of the individual representations of the different dyestuff firms abroad and at home.

(c) Reorganisation and concentration of the purchasing departments of the different firms. Central buying especially for raw materials means cheaper prices. Hitherto all the firms had been purchasing such materials each of them individually with some exceptions where existed separate agreements.

(d) Concentration of the various patent offices on a reduced number and new regulations to enforce economy of avoidable patent expenses which had grown into big figures and furthermore the avoidance of internal duplicities.

II. Technically

(a) Power to enforce a production plan for the old and future products. As a rule the work who develops a new product has the preference for subsequent production unless conditions in another plant are distinctly better, it being further a rule that the more important products should be produced at least by two plants in order to keep the competitive spirit alive.

(b) Revision and reorganisation of research by establishing and carrying through the principle that on the same subject not more than two laboratories should be engaged as a rule, whereas hitherto almost every firm had the ambition to take up costly research work on all developments they heard of from the others, irrespective whether they were suited for the particular case.

(c) Free exchange of all experience and know-how in the different domains for processes and technical questions.

It is obvious that all these important exigencies could not possibly be carried through in a mere "Interessengemeinschaft." They were breaking the frame and the character of such a form of organisation and as a dissolution never entered into question because it would have meant ruinous competition for all, the only solution was the natural and often predicted decision to merge into one concern the seven firms forming the old I. G. Deliberations of this big scheme weighing pro and contra had taken place internally from 1924 onward and in 1926 everything was ready to proceed to the foundation of the *I. G. Farbenindustrie A. G. Frankfurt a. M.* by the six firms being merged in the seventh, the *Badische Anilin & Sodafabrik* which thereupon changed its name to the above-mentioned. The denomination of "I. G." was preserved in it for being known all over the world and the word "Farbenindustrie" once more showed that the dyestuffs were at that time still considered as the most important branch.

But let it be laid down here, that with the foundation of the *I. G. Farben*, the center of gravity which formerly had rested on the commercial side, now definitely shifted over to the technical side, because from then onward in front of the heavy competition going on at home and especially abroad in many domains, the decisive factor for the final financial result was to be found in the low costs of the productions. This technical domination became even more pronounced after the crisis which shock world economies in 1929 and later on. I beg to refer here to my statement dated 17th June 45 in which I gave a number of inside facts as

to the inner construction of the I. G. Farben. Special sacrifices had to be imposed at that time on the technical field which in their opinion gave them also the moral right to claim control for all important commercial and economic questions and decisions.

Retrospectively one may say that the I. G. in their old form never could have survived the crisis 1929/31 and that the revised organisation of the I. G. Farben had just matured until 1929 to a point which allowed them to endure this very dangerous set-back.

It may be worth mentioning finally in order to show the spirit in which technical problems were being dealt with by C. Bosch and Duisberg that in 1926 when decisions regarding the concentration of productions had to be taken, great care was observed in spite of the serious situation to offer the works which suffered by it, a chance to take up new lines, although the temptation was great to close them down for good. Thus for instance Uerdingen whose dyestuff production was absorbed by Leverkusen, was financially helped to find within a relatively short time in the manufacturing of mineral iron red colours, new binding agents for prints and especially later on in synthetic adhesives a more than full compensation. The same applies to Kalle, Biebrich, whose dyestuff production too was stopped and who went in the manufacturing of cellophane on a French license and somewhat later developed the very interesting novel field of Ozalite, a new kind of tracing paper, both new productions allowing them by their result to forget about the loss of their former dyestuff production. Other works whose equipments especially as regards steam, energy, transport means etc. were granted the necessary credits to modernise their plants although at that time, it would have been better from a purely financial point of view to stop them.

FRANKFURT A. M., 6th August, 1946.

(Signed) P. HAEFLIGER.

EXHIBIT No. 5

AUGUST 20, 1945.

STATEMENT BY DR. VON SCHNITZLER ON FARBEN'S WARTIME EXPANSION AND INDUSTRIAL SIGNIFICANCE

The I. G. is what is called in German language a "concern." The term "concern" means that an enterprise has taken up an evolution that it comprises not only different domains, but that different firms of a varied character are united under the heading and the guidance of the controlling enterprise. Apart from I. G., the best known old established concerns in Germany are Vereinigte Stahlwerke and Siemens-Schuckert. The development of I. G. from a number of independent firms to a concern was performed in a relatively short time. It is publicly known that I. G. had been constituted in 1925 by a merger of six chemical firms which took over the shares of the seventh one, "Cassella." Even at that time although the bigger ones of the so-called mother houses represented a huge potential of economic power—the term "concern" did not apply to the whole combine. The activities of I. G. could be strictly distributed in the (1) inorganic chemistry (acids, caustic soda, etc.) (2) the aromatic organic field (dyestuffs and pharmaceuticals) and (3) the high pressure industry (nitrogen and methanol). Thus I. G.'s activity was strictly limited to the purely chemical domain and had not yet entered the many new fields which led her on the way of the metallurgical as well as of the oil, and the domain of plastic masses, including rubber. The germs of the new developments were laid, but had not yet come to blossom and nobody could foresee how fantastic the results of the development would be. Retrospectively seen, the growing to a concern was a continuous and uninterrupted one year after year even in the time of the deepest depression. In the years of the world crisis of 1931, the technical progress did not come to a standstill and when the program of autarchy and rearmament came to execution, the speed of the expansion became an overwhelming one. The aliphatic chemical industry which had been developing as a third big part of chemical activity and which apart of the limited quantities of ethylene made by coke gases entirely reposes on carbide reached a volume in weight ten times as big as was represented by the aromatic organic chemistry. This aliphatic chemical industry was only taken up in 1917 and up to that time, the aromatic industry represented practically alone the organic chemical industry.

The main products in this aliphatic domain were Buna and different new plastics, but the progress made was not smaller in the domain of the electrochemical field where Bitterfeld and its affiliations realized an enormous expansion in aluminum and magnesium and exactly the same happened in the cellulose

chemical field where rayon and photographic articles showed a continuously climbing turnover, in the synthetic fabrics altogether where indeed I. G. had a relatively small share (18 percent), but for which I. G. had to supply the bulk of the raw materials—caustic soda and sulphur S.C. 2, a development from nil to nearly 300,000 tons a year was realized. It cannot be the object of this statement to enumerate the different endeavors which succeeded in the bringing up of so vast an expansion. The laboratory work prepared and continued since decades, the property of a huge range of patents and a staff of highly trained and gifted chemists cooperated to constitute the basis for an industrial achievement, which, in this country, had no parallel. The economic result for the company was no less brilliant than the chemical achievement. Up to the end of 1943, not only the turn-over but just as well the profit figures showed an upward trend. In the meantime, following the decree of the first days of the war regarding prices, at least 120,000,000 M. per annum were sacrificed on the original prewar prices and all that was achieved notwithstanding that equipment and material during the war always became more expensive and that the quality of the workmen showed a decrease, instead of the skilled men who more and more got to be mobilized, women and foreign workmen became employed and it was inevitable that they could not realize the same performance as the men whom they had replaced. It had often been complained of in I. G. circles that I. G. practically alone showed in the chemical field an activity in inventing and carrying through technical processes which met the corresponding efforts of the American chemical industry, where at least half a dozen big firms were devoting themselves to new inventions and processes.

The poor endeavors and the feeble results of the other chemical industries (partly due to a lack of enterprise and readiness to take over substantial commercial risks) meant for I. G. a strong obstacle in her relations with them. Notwithstanding that, I. G. always had to protect that industry by the most varied methods in supplying them with raw materials, intermediates, licenses and know-how. The jealousy of this industry was never to be quieted and the unpopularity of I. G. to a large extent was due to that jealousy which never or seldom openly came to expression but was always like a gleaming fire under the surface. However it was, I. G. could not bring science to a standstill because the smaller chemical industrialists would have liked her to do so and the progress of science brought up another development in an additional field. In former times, I. G. always had taken the standpoint that it should limit its activities on the proper domain of chemistry and not interfere with their customer's business. Thus I. G. never took an interest in textile factories or in dyer's trade and even refused every participation in the lacquer and varnish industry, although some of the pigment dyes were made simultaneously by those producers and by I. G. itself. The newly developed products in the field of aliphatic chemistry as well as in the light metal field demanded a change of this policy. In order to teach the consumers industry the employment of these new products, I. G. had to erect or to buy entire plants in which these products were transformed into the finished articles, the fabrication of which normally would have been the task of the consumers. As to an example, I may only refer to the tire factory in LEV, which had to play a pioneer's role in the employment of Buna, and in the great laboratories of Bittenfeld as well as in the Dynamit A. G. works in Troisdorf, a substantial manufacturing of finished articles in all kinds of plastics, tubes, wires, entire parts of machinery, etc., was done. In the light metal field, a great firm Megu in Leipsig was acquired which was in the first line a foundry in order to give practical application for magnesium alloys and even a rolling work in Lethmathe was taken over jointly with Vereinigte Stahlwerke for rolling tentatives of such alloys. I. G. had to engage specialists for these different tasks, men who were not acquainted with I. G.'s main activities and only could have a loose connection with the chemical field in general.

The more I. G. became a concern in the aforementioned way, the less efficient became the power and survey of the central administration. Bookkeeping and financial control more and more replaced the immediate knowledge of the technical and commercial methods in which one was engaged and the central committees developed to registry offices where scientific reports were given and where one took notice of figures. The management of I. G. was in no way satisfied with that development and for years the question was discussed if by splitting up I. G. and creating new independent companies one could not achieve the following three aims: (1) to withdraw from I. G. the reproach to be a "state within the state," (2) to separate the original old business of dyestuffs, pharmaceuticals, and chemicals from the newly developed great commodities like nitrogen, Buna, and oil over which perpetually the danger of nationalization was pend-

ing, (3) to have the newly put factories of Auschwitz and Heydebrek with the coal mines united in Ost-Chemie A. G. None of these aims ever materialized and even from the Nazi government, also being strongly opposed to I. G. as an institution, never came any suggestions as to what in their opinion I. G. should do. The difficulty of splitting up augmented from year to year as the inter-connection of the factories became more and more complex. Heydebrek, for instance, is practically a repetition of Oppau, the whole scientific work being done in Oppau, and even for Leuna up to now Oppau is to a large extent the scientific brain center. Generally speaking, the historical evolution from the Rhine to middle Germany and Upper Silesia materialized in such a way that a new works always were a kind of colonies of the old ones and a great responsibility would have to be taken over when one would have tried to separate the young works from the old ones. Also from the aspect of the shareholder it was extremely difficult to find an equitable solution. In offering him, for instance, shares of a newly built Ost-Chemie, A. G., had I. G. not to take a guarantee for the dividends and would such guarantee not make any illusion the whole construction of the new so-called independent company?

Thus everything as far as the general structure of I. G. was concerned remained unchanged and every month added something new to the existing potential. The industrial position of I. G. in Germany had no parallel with any other enterprise. Vereinigte Stahlwerke employed more people and the state-owned Hermann Goering Works had collected so many different enterprises that their capital and their turn-over might even have been higher than that of I. G., but both their domains of activity, their earning capacity and scientific performance, was incomparably smaller than what I. G. could show in these domains. Compared with the great companies abroad, even in United States, no single individual company had so large a field of progressive scientific enterprise as I. G. Dupont, next to I. G., the greatest chemical combine in the world, has the great merit to have brought out the first marketable synthetic rubber, neoprene, and was just as active in the whole chemistry of polymerization as I. G. Apart from that, Dupont invented the nylon fiber and realized substantial progress in the field of vat dyestuffs in bringing them into new and efficient forms. Also in the general chemical field, Dupont was highly progressive; the same applies to the Union Carbide, the American Celanese, as well as to Eastman Kodak, but all these enterprises were much more specialized than I. G. and did not cover so large a field as I. G.'s research work did. Of course one must not forget the entirely different structure of the American and of the German economy. Germany was a small country, was of relatively poor soil having only a strong coal basis and relatively strong basis in water power. Transportation was well developed and the distances short. Thus the inducement to produce commodities, which in countries being larger and richer than Germany were available by the gift of nature, was far bigger in this country and it is not a pure hazard that nitrogen as well as buna has come from Germany, the traditional country of the synthesis. The predominant role which I. G. had to play in this development was indicated by the fact that I. G. represented the combined force of the firms which even before the merger were the strongest and the most active ones in the chemistry of all Europe, if not of the world. It is the Badische Anilin and Soda-Fabr. and Farbenfabriken in Leverkusen, the laboratories of which constituted the cells from which the whole technical expansion originated.

G. VON SCHNITZLER.

EXHIBIT No. 12

AUGUST 21, 1945.

STATEMENT BY DR. VON SCHNITZLER ON FARBEN'S WARTIME EXPANSION AND INDUSTRIAL SIGNIFICANCE

When one tries to compare the I. G. with the rest of the chemical industries of Germany, one should never forget that the mother houses of I. G. which constituted the merger in 1925 themselves were by far the biggest enterprises in the chemical domain in Germany. After the revaluation of the mark in 1923 and 1924, the three greatest of the I. G. firms, Badische, Bayer, Hoechst each had a share capital of 160,000,000 marks and by capital turn-over, earning capacity, or by whatever aspect is being taken were each at least three to four times bigger in size than anyone of the other chemical firms. It has always been characteristic for the German chemical industry that there was on one side this huge agglomeration of industrial power called I. G. and on the other hand an extremely great number of small enterprises split over the whole country. Wigru-Chemie

gathered four thousand firms and very few of them had a turn-over of more than RM. 1,000,000. I. G., at the top of her activity, showed a turn-over of three billion marks and their subsidiaries including Dynamit A. G. had a turn-over of another billion marks. Of this latter billion marks, of course half at least can be considered as typical ammunition business without importance for peacetime. Compared with this, three and one-half or four billion marks, the next one on the list, the so-called Henckel concern of Dusseldorf, manufacturers of soap and other washing products, figures only with a turn-over of somewhat two hundred million marks and this gives a true picture of how outstanding I. G.'s position was. As a third firm, the Deutsch Solvay Werke and Schering A. G. of Berlin in fourth place has a turn-over of between one hundred and two hundred million marks and that probably closes the list of the combines with over one hundred million marks of yearly turn-over. Altogether the German chemical industry in the top year of 1943 including Austria and Sudetenland might have had a turnover of approximately ten billion marks. But if one only compares the six and the four billion, one is far from a true picture of what the real potential of I. G. in relation to the combined total of the other German firms represented. Not only that new inventions of outstanding importance practically were alone made by I. G. and that research work on a large scale was exclusively done by I. G., the real importance of I. G. in her qualities as a supplier of all basic products to the other chemical industries was even much higher.

Entire groups of chemistry like the varnish and the lacquer industry in dyestuffs and solvents were entirely dependent on I. G. and in the pharmaceutical domain even firms like Schering and Merck also possessing a big share in the pharmaceutical business of finished products depended on I. G. in her basic organic products like aniline and the different derivatives of acetic acid. It has once been made an analysis which part I. G. had in the pharmaceutical business and as a test case one has analyzed the turn-over of two Krankenkassen in different parts of Germany. The analysis only showed a share of I. G. of somewhat as 20 percent, but on the one hand the Kassen did not take articles with a standard name like Aspirin, buying as little as possible and trying to place their orders in the market of the products without the special brand of a firm so that practically I. G.'s share will have to be much bigger (but it must not be forgotten that practically all pharmaceutical products as before said are based on raw materials and intermediates bought from I. G.). It is not exaggerated to make this statement that the entire pharmaceutical industry literally would come to a standstill if I. G. would stop production. The same applies to the entire textile industry which reposes on I. G. for dyestuffs and all kinds of auxiliary products including the cleansing and wetting process. There is only the soap industry, properly speaking, which to a large extent is self-supporting on their own basis and then of course Solvay and the other less important producers of carbonate of soda and chlorine and caustic soda.

To summarize I may give some samples of I. G.'s relative share in the different key domains of chemistry: Dyestuffs, 100 percent; auxiliary products at least 50 percent, probably in pharmaceuticals at least one-third, the other two-thirds all depend on the supply of basic organic products through I. G.; nitrogen, before the war, 70 percent; general chemicals apart from I. G.'s own consumption between 20 and 80 percent; photographic articles, 80 percent; carbides at least 80 percent; buna, 100 percent; plastics, etc., modern thermoplastics made by polymerization, 100 percent; the old products, phenoplast, 30-50 percent; light metals, magnesium at least 90 percent; only one small producer apart from I. G., Wintershall, aluminum only, a modest participation. Thus from whatever angle one takes up the problem, I. G. has the key position as producer in the whole range in inorganic and aromatic organic products and a walkover position in the aliphatic field. This taken together with the overwhelming position I. G. has in the field of photographic products and the strong majority in nitrogen, one has to make the statement that chemistry in Germany and I. G. is to a great extent synonymous. But it does not cover the entire position of I. G. in the chemical field, if one does not analyze the interconnection between the German chemistry and that of the neighboring countries. None of these countries including France is self-supporting in such a sense that they under normal economic circumstances can get rid of I. G.'s supplies and the intercourse with her. Not only the textile industry of Scandinavia, Holland, France, Czechoslovakia can be separated from the supply of dyestuffs, auxiliaries, etc., from I. G., but also the chemical industry of these countries is closely related to her and it is fairly unimaginable that for instance Holland, Belgium, and Scandinavia will renounce to any intercourse with the I. G.'s chemical works located on the borders of the Rhine River. Also the pharma-

ceutical products of "Bayer" cannot be thought of away from a Belgian or Dutch or Swedish dispensary. Even in France where a much stronger chemical industry exists than in the afore-mentioned other countries, I. G.'s products as well as I. G.'s licenses will be needed in many important domains and as well the Kuhlmann group as Rhone Poulenc will be only too glad to reassume those relations.

I cannot imagine that England or United States can entirely replace this position which had been held for such a long time and which is based upon scientific and business relations as well as the reciprocal knowledge of the language. After World War I, relations with Holland were being resumed at once, with Belgium after a very short interval, and with France in a slowly climbing tendency up to 1927 when Germany became the first industrial supplier of France and this without competing against the domestic industry in France. The business done in those countries by I. G. was not directed against the English and American importation, which only partly materialized in the same fields and which as far as the English were concerned were mostly protected by cartel agreements. Speaking generally of exports, I. G.'s share in the export of German chemical industries can be considered as being the half of the total export. Exact figures were never available because the official figures did not always coincide with the figures made up by the individual firms and as the handling of turn-over figures of subsidiaries of I. G. was not identical in the official way compared with the handling inside of I. G.

G. VON SCHNITZLER.

EXHIBIT No. 13

I. G. production, 1943, compared with total German production (boundaries as of 1937)

Product	I. G. production 1943 including participation 50 per cent and more	Percentage of total German production	Total German production, estimated
In 1,000 tons			
1. Nitrogen.....	600	75	800
2. Sulfuric acid.....	707	35	2,000
3. Chlorine.....	290	46	620
4. Caustic soda and potash.....	345	33	1,026
5. Calcium carbide.....	830	61	1,370
6. Aluminium.....	24	8	300
7. Magnesium.....	27.4	88	30.9
In tons			
8. Nickel.....	2,000	95	2,100
9. Carbonyl iron powder.....	2,100	100	2,100
In million cubic meters			
10. Compressed gases.....	45	45	100
In 1,000 cubic meters			
11. Rare gases.....	27.5	55	50
In tons			
12. Organic intermediates.....	1,489,000	90	1,650,000
13. Solvents (the 6 largest products).....	88,200	75	117,200
14. Methanol.....	251,000	100	251,000
15. Buna, including total production of Huls.....	118,600	100	118,600
16. Plastics.....	57,100	90	63,900
17. Plasticizers.....	27,900	92	30,400

I. G. production, 1943, compared with total German production (boundaries as of 1937)—Continued

Product	I. G. production 1943 including participation 50 per cent and more	Percentage of total German production	Total German production, estimated
In tons			
18. Synthetic resins.....	29,900	53	55,900
19. Synthetic tannings.....	30,100	94	32,000
20. Dyestuffs.....	31,670	98	32,520
21. Dyeing and printing auxiliaries.....	26,350	54	49,000
22. Detergent raw materials.....	79,300	100	79,300
23. I. G. waxes.....	3,980	100	3,980
24. Pharmaceuticals.....	4,430	55	8,000
25. Sera.....		100	
26. Insecticides and fungicides.....	24,600	55	45,000
In 1,000 tons			
27. Natural gasoline.....			700
28. Benzine.....			400
29. Synthetic gasoline.....	850	33	2,600
27-29.....	850	23	3,700
30. Out of this production:			
30. High-octane gasoline.....	650	46	1,400
31. Lubricating oil (synth.).....	60	100	60
32. Explosives and gun powder.....			
32a. Explosives.....	221	84	263
32b. Gun powder.....	210	70	300
33. Poisonous gases.....		95	
34. Artificial silk (1938).....	17	24	72
35. Spun rayon (1938).....	53	28	189
36. Cellophane.....		100	
37. Photographics:			
(a) Movie film.....		60-70	
(b) X-ray film.....		50-60	
(c) Film for amateur cameras.....		75-80	
(d) Color film.....		80-85	
(e) Photographic plates.....		50-60	
(f) Photographic papers.....		50	
(g) Cameras.....		5-10	

FRANKFORT A. M., August 13, 1945.

No. 32, improved by new figures, August 19, 1945.

EXHIBIT No. 14

I. G. PRODUCTION 1937 AND DEPENDENCY OF OTHER GERMAN INDUSTRIES ON I. G. FARBENINDUSTRIE

Enclosed please find a summary of I. G. productions for 1937 which is made up in a similar way as the list of August 13, 1945. Compared with that list major changes appear with the following items:

	Percentage of I. G.	
	1943	1937
No. 5. Calcium carbide.....	61	52
No. 11. Rare gases.....	55	33
No. 22. Detergent raw materials.....	100	
No. 26. Insecticides and fungicides.....	55	40
No. 29. Synthetic gasoline.....	33	50
No. 30. High-octane gasoline.....	46	
No. 31. Synthetic lubricating oil.....	100	

The productions of detergent raw materials, high-octane gasoline, and synthetic lubricating oil did not exist in 1937.

As regards the additional dependencies of other German industries on I. G. shown in the statement of August 31, 1945, the following is to be said:

No. 24. Pharmaceuticals.—The dependency of other pharmaceutical products on intermediate supplies of I. G. was in 1937 somewhat less than in 1943 as they could to a certain extent procure intermediates abroad. The decline of total dependency from 60 to 55 percent is mainly due to the fact that the production of new chemotherapeutics such as sulfa drugs was not yet fully developed.

No. 26. Insecticides and fungicides.—In 1937 copper and other metal salts were sufficiently available to that a number of independent producers were in the market; owing to lack of suitable raw materials their customers were partly supplied with I. G.'s substitute materials during wartime. Including Intermediate supplies of I. G. to other firms, I. G.'s share was 45–50 percent in 1937.

No. 42. Paint and varnish industry.—Owing to the fact that in 1937 a number of natural products such as drying oils, natural resins, turpentine oil were available to the paint and varnish industry, the dependency on I. G. was far less than in 1943: at most 35 percent.

No. 43. Soap industry.—No dependency on I. G. with respect to raw materials existed in 1937.

No. 44. Tanneries.—In 1937 the synthetic tanning agents were almost entirely confined to auxiliary tanning agents particularly for cutting down tanning time and giving the leather a particular tanning effect. These auxiliaries may amount to about 10 percent of the total requirements of tanning agents. As far as chrome leather is concerned, the dependency was 100 percent owing to the fact that I. G. was the sole producer of chrome salts in Germany.

No. 45. Glues and adhesives.—The importance of the synthetic adhesives was much less in 1937; these may have in 1937 been a dependency on I. G.'s supplies to the amount of 10 to 15 percent.

No. 46. Rubber industry.—In 1937 synthetic rubber production amounted to about 5 percent of the German rubber consumption. The dependency on I. G. in supplies of accelerators and other auxiliaries was 95 percent. In all other materials necessary for processing rubber no dependency on I. G. existed in 1937.

For items not mentioned above the remarks of August 31, 1945, hold good also for 1937.

OSKAR LOEHR.

FRANKFURT A/M., September 8, 1945.

I. G. production, 1937, compared with total German production

Product	I. G. production 1937, including participation 50 percent and more	Percentage of total German production	Total German production, estimated
In 1,000 metric tons			
1. Nitrogen.....	580	70	835
2. Sulfuric acid.....	593	35	1,700
3. Chlorine.....	149	40	370
4. Caustic soda and potash.....	199	30	660
5. Calcium carbide.....	515	52	950
6. Aluminum.....	10	7	132
7. Magnesium.....	12	100	12
In metric tons			
8. Nickel.....	3,112	100	3,112
9. Carbonyl iron.....	600	100	600
In million cubic meters			
10. Compressed gases.....	22	45	49

I. G. production, 1937, compared with total German production—Continued

Product	I. G. production 1937, including participation 50 percent and more	Percentage of total German production	Total German production, estimated
In 1,000 cubic meters			
11. Rare gases.....	6.4	33	16.6
In metric tons			
12. Organic intermediates.....	496,000	90	550,000
13. Solvents.....	97,800	75	130,000
14. Methanol.....	104,500	100	104,500
15. Synthetic rubber.....	3,473	100	3,473
16. Plastics.....	2,161	90	3,500
17. Plasticizers.....	5,578	90	6,200
18. Synthetic resins.....	12,370	50	24,700
19. Synthetic tanning agents.....	12,245	100	12,245
20. Dyestuffs.....	68,470	98	69,900
21. Dyeing and printing auxiliaries.....	23,890	50	48,000
22. Detergent raw materials.....	None		
23. I. G. waxes.....	2,975	100	2,975
24. Pharmaceuticals.....	2,676	50	5,350
25. Sera.....		100	
26. Insecticides and fungicides.....	5,058	40	12,850
In 1,000 metric tons			
27. Natural gasoline.....			300
28. Benzene.....			300
29. Synthetic gasoline.....	300	50	600
27-29.....	300	25	1,200
Out of this production:			
30. High-octane gasoline.....	None		
31. Lubricating oil (synth.).....	None		
32. Explosives and gun powder.....	(1)	(1)	(1)
32a. Explosives.....	(1)	(1)	(1)
32b. Gun powder.....	(1)	(1)	(1)
33. Poisonous gases.....	None		
34. Artificial silk (1938).....	17	24	72
35. Spun rayon (1938).....	53	28	189
36. Cellophane.....		100	
37. Photographics:			
(a) Movie film.....		60-70	
(b) X-ray film.....		50-60	
(c) Film for amateur cameras.....		75-80	
(d) Color film.....		80-85	
(e) Photographic plates.....		50-60	
(f) Photographic papers.....		50	
(g) Cameras.....		5	

Frankfurt a/M., September 8, 1945.

1 No figures available.

DEPENDENCY OF OTHER GERMAN INDUSTRIES ON I. G. FARBENINDUSTRIE

SUPPLEMENT TO LIST "I. G. PRODUCTION 1943" OF AUGUST 13TH, 1945

In a number of cases the percentage figures given for I. G. share in total German production have to be supplemented by additional data which show how far other German industries are dependent on I. G. for supplies of important raw materials or intermediates.

No. 6. Aluminum.—I. G. is producer of synthetic Kryolith and probably produces far more than half of this product, needed in considerable quantities for the electrolytical production of aluminum.

No. 16. Plastics.—Exceeding the 90 percent of the I. G. share, I. G. supplies the firm Röhm & Haas, Darmstadt, with intermediates. Thus the share of I. G. in the field of plastics comes up to 93-95 percent.

No. 20. Dyestuffs.—By supplying the firm Geigy, Grenzach, with intermediates it can be assumed that I. G.'s share in the German dyestuffs industry is increased from 98 to 99 percent. On the other hand it must be stated, that in peacetimes foreign firms participated with about 10 percent in the sale of dyestuffs used in Germany.

No. 24. Pharmaceuticals.—The share of 55 percent given in the list is somewhat amply calculated, because the higher value of I. G. products compared with those of firms of medium and smaller size especially has been taken into calculation.

Important intermediates such as phenol, salicylic acid and aniline could be purchased on the open market in quantities sufficient for the production of large products such as aspirine and pyramidone by firms outside I. G. Furthermore, the German pharmaceutical industry is almost entirely independent of I. G. as far as products made from natural drugs or animal glands are concerned (Morphiates, insuline and other hormones). Nevertheless there is an additional dependency on I. G. with respect to important synthetic pharmaceuticals, insofar the other German products rely on the supply of essential intermediates. Examples for this dependency are:

Firm	Name of product	Name of intermediate
C. H. Boehringer Sohn, Ingelheim....	Sympatol (curative for cardiac trouble).....	Methylamine.
E. Merck Darmstadt.....	Ephedrine (curative for diseases of circulatory system).	Benzylchloride.
Goedecke & Co., Magdeburg.....	Gelonida antineuralgica (antirheumatic).....	Phenacetine.
Schering A. G., Berlin.....	Antipyrine (antipyretic).....	Dimethylsulphate.
Do.....	Globucid albucid (chemotherapeutics; sulfa drugs).	Sulphanilic acid.

Taking all circumstances into consideration, the dependency of the remaining pharmaceutical industry on the supply of intermediates by I. G. will probably amount to another 5 percent at most and thus I. G.'s share will be increased from 55 to 60 percent at most.

No. 26. Insecticides.—I. G.'s share of 55 percent will be increased by 5–10 to 60–65 percent by the supplies of intermediates to medium-sized and smaller firms, which work in this field.

FIELDS OF PRODUCTIONS NOT MENTIONED IN THE LIST

No. 37 (h). Photochemical products.—By its organic intermediates I. G. was leading in this field. Its share can be estimated at 70–80 percent.

No. 38. Bichromate.—In the field of chrome salts I. G. was controlling 100 percent of the German manufacture. However, the figures of production declined in recent years owing to lack of chrome ore.

In normal times the outlets of the production were as follows:

	Percent
Export (mostly consumed in leather industries).....	51
Germany:	
(a) Leather industry.....	21.0
(b) Textile industry.....	6.0
(c) Mineral colors.....	6.0
(d) Preserving mixtures for timber in mines.....	5.0
(e) Catalysts for chemical syntheses, particularly gasoline.....	4.5
(f) Metal industry (Chrome plating).....	1.5
(g) Various industries.....	5.0

49

In the leather industry chrome salts are used for manufacturing chrome-tanned leather, in the mineral color industry for producing chrome yellow and other chrome colors, in the textile industry particularly in the dyeing of woollen goods. In preserving timber chrome salts can be replaced by other chemicals to a certain

extent, but they are indispensable for catalysts particularly in the production of synthetic gasoline.

No. 39. Phosphoric acid.—I. G. did not produce crude phosphoric acid, but it was the only producer of pure phosphoric acid (by combustion of phosphorus) at Piesteritz. A large part of this production was consumed by I. G. works making mixed nitrogen fertilizers. The remainder was consumed by the soap and detergent industries, by manufacturers of foodstuffs and baking powders, for treatment of hard water and for de-rusting purposes.

No. 40. Hydrocyanic acid and cyanides.—I. G. is the largest producer of hydrocyanic acid and cyanides. Part of its production is for own consumption to produce intermediates for plastics and synthetic rubber. I. G.'s share of the market is estimated to be 40 to 50 percent. Sodium cyanide is mainly used in mining, particularly for flotation of ore and for tempering or hardening steel. Hydrocyanic acid and some cyanides are used for fumigation purposes, pest control, etc.

No. 41 Mineral colors.—(a) Titanium dioxide: The Titangesellschaft m. b. H., Leverkusen (50 percent owned by I. G., 50 percent by National Lead) is the only producer of titanium dioxide in Germany.

(b) Lithopone: The production of Leverkusen including its participations is about 38 percent of the German production.

(c) Remaining white colors (white lead and zinc white): In this field I. G. did not participate.

(d) Iron oxides: By its extensive production in Uerdingen I. G. was leading in this field. Share probably by 90 percent.

(e) Remaining fancy colors: Participation of I. G. quite insignificant, but a certain dependency of other producers from I. G. exists with respect to chrome salts. (See No. 38 above.)

No. 42. Paint and varnish industry.—This industry needs the following products:

18. Synthetic resins, on the average about 35 percent of the total quantity.

13. Solvents, on the average about 62 percent of the total quantity.

17. Plasticizers, on the average about 3 percent of the total quantity. Total 100 percent.

The domination in percentage of the German market by I. G. in the 3 groups, results in a dependency of about 65 percent of the paint and varnish industry.

No. 43. Soap industry.—In the last period of the war the soap industry by way of the group 22, "Detergent raw materials" nearly entirely depended on the I. G.

No. 44. Tanneries.—By the synthetic tanning materials of group 19, a strong dependency on I. G. of the tanneries has developed—at most 50 percent. As far as chrome leather is concerned, the dependency is 100 percent. (See No. 38 above.)

No. 45. Glues and adhesives.—The old glues such as rye products, casein glue, and animal glues were to a considerable extent replaced by synthetic glues, for example: Kaurit, a urea formaldehyde condensation product marketed by I. G.; a phenol formaldehyde condensation product marketed by Dynamit A. G., Troisdorf; Tegoleim, a phenol formaldehyde condensation product marketed by Theodor Goldschmidt A. G., Essen.

The share of I. G. and DAG together in the market amounts to about 50 percent.

No. 46. Rubber industry.—(a) Concerning the main product caoutchouc the industry manufacturing rubber articles depended nearly entirely on the I. G. in the last period of the war.

(b) Accelerators, antioxidants, plasticizers and similar auxiliaries: This field was controlled by I. G. to about 95 percent.

(c) Carbon black: In this field I. G.'s own production was quite insignificant, but by adding the productions of Chemische Werke Hüls and Bayerische Stickstoffwerke, Piesteritz, I. G.'s share will come up to 20–25 percent of the German production.

(d) Sulphur: The greater part of sulphur was imported from abroad.

(e) Other materials for the rubber industry: In this field was no substantial dependency on I. G.

O. LOEHR.

FRANKFURT-a.-M., 31st August, 1945.

EXHIBIT No. 16

Total turn-over of I. G. in 1937, subdivided according to home market and foreign countries

	Home market		Foreign market		Total	
	Mill. R.M.	Percent	Mill. R.M.	Percent	Mill. R.M.	Percent
Group 1 ("Sparte"):						
Nitrogen.....	181,9	78	50,0	22	231,9	100
Gasoline, hydro products, etc.....	118,8	100			118,8	100
Total.....	300,7	86	50,0	14	350,7	100
Group 2:						
Dyestuffs.....	114,9	35	212,5	65	327,4	100
Auxiliaries.....	27,7	48	30,6	52	58,3	100
Chemicals.....	342,0	82	75,9	18	417,9	100
Pharmaceutical products and insecticides.....	36,2	30	83,7	70	119,9	100
Smelling products.....	1,3	43	1,7	57	3,0	100
Total.....	522,1	56	404,4	44	926,5	100
Group 3:						
Photo.....	59,1	60	40,2	40	99,3	100
Artificial silk and spun rayon.....	136,2	98	2,7	2	138,9	100
Total.....	195,3	82	42,9	18	238,2	100
Grand total.....	1,018,1	67	497,3	33	1,515,4	100

FRANKFURT-a.-M., July 4, 1945.

Total turn-over of I. G. in 1939, subdivided according to home market and foreign countries

	Home market		Foreign market		Total	
	Mill. R.M.	Percent	Mill. R.M.	Percent	Mill. R.M.	Percent
Group 1 ("Sparte"):						
Nitrogen.....	279,1	90	32,0	10	311,1	100
Gasoline, hydro products, etc.....	162,4	100			162,4	100
Total.....	441,5	93	32,0	7	473,5	100
Group 2:						
Dyestuffs.....	146,3	45	178,0	55	324,3	100
Auxiliaries.....	43,0	58	30,9	42	73,9	100
Inorganic chemicals.....	151,9	83	29,4	17	181,3	100
Metals.....	143,8	94	8,7	6	152,5	100
Organic chemicals and solvents.....	209,4	84	40,9	16	250,3	100
Buna.....	60,4	97	1,9	3	62,3	100
Plastics.....	15,4	96	0,6	4	16,0	100
Chemicals.....	580,9	88	81,5	12	662,4	100
Pharmaceutical products and insecticides.....	61,8	40	90,2	60	152,0	100
Smelling products.....	2,3	61	1,5	39	3,8	100
Total.....	834,3	69	382,1	31	1,216,4	100
Group 3:						
Photo.....	97,6	71	39,7	29	137,3	100
Artificial silk and spinn rayon.....	156,9	96	6,2	4	163,1	100
Total.....	254,5	85	45,9	15	300,4	100
Grand total.....	1,530,3	77	460,0	23	1,990,3	100

FRANKFORT-a.-M., July 4, 1945.

Total turn-over of I. G. in 1943 subdivided according to home-market and foreign countries

	Home market		Foreign market		Total	
	Mill. R.M.	Percent	Mill. R.M.	Percent	Mill. R.M.	Percent
Group 1 ("Sparte"):						
Nitrogen.....	248, 7	100			248, 7	100
Gasoline, hydr. products, etc.....	351, 5	100			351, 5	100
Total.....	600, 2	100			600, 2	100
Group 2:						
Dyestuff.....	114, 7	49	119, 2	51	233, 9	100
Auxiliaries.....	56, 4	60	37, 6	40	94, 0	100
Waro.....	36, 8	89	4, 8	11	41, 6	100
Inorgan. Chemicals.....	223, 1	89	27, 4	11	250, 5	100
Metals.....	222, 8	92	18, 1	8	240, 9	100
Organ. Chemicals and solvents.....	462, 5	87	67, 2	13	529, 7	100
Buna.....	215, 3	76	68, 5	24	283, 8	100
Plastics.....	115, 1	94	7, 6	6	122, 7	100
Chemicals.....	1, 238, 8	87	188, 8	13	1, 427, 6	100
Pharmaceutical products and insecticides.....	139, 4	47	154, 7	53	294, 1	100
Smelling products.....	3, 6	58	2, 6	42	6, 2	100
Total.....	1, 589, 7	76	507, 7	24	2, 097, 4	100
Group 3:						
Photo.....	120, 1	60	79, 4	40	199, 5	100
Artificial silk and spinn-rayon.....	191, 1	87	27, 4	13	218, 5	100
Total.....	311, 2	74	106, 8	26	418, 0	100
Grand total.....	2, 501, 1	80	614, 5	20	3, 115, 6	100

FRANKFURT-a.-M., July 7, 1945.

EXHIBIT No. 19

FOREIGN CURRENCY RECEIPTS FROM GERMAN EXPORT TRADE AND OTHER SOURCES

In 1932 and 1938 the accounts receivable of I. G. included I. G. shares in the export of nitrogen amounted to about RM. 460 millions. In assessing the I. G. share in the total German export at 10 percent (fluctuating between 9 and 11 percent) the total German export may be estimated in these years to be about RM. 4.6 billions.

In 1932 the receipts of I. G. in free currency amounted to about RM. 360 millions of which about RM. 240 millions were delivered to the Reichsbank.

In 1938 the corresponding figures were about RM. 165 millions and about RM. 80 millions.

Only with all reservations it is possible to estimate the approximate figures for the total German receipts in foreign currency and the total deliveries of free foreign currency to the Reichsbank. As I. G. did not make any special efforts to increase the exports to countries with free currency, which exceeded the general efforts of the German industry and commerce the receipts in total can be estimated as ten times as high as the receipts of I. G.

The deliveries of I. G. in free foreign currencies to the Reichsbank were made after having satisfied all own requirements of I. G. in free foreign currencies, as it had general or special permits to pay all expenditures in free foreign currency out of its own receipts. This special facility was granted only to large enterprises while all other firms had to deliver all their receipts to the Reichsbank and to ask for allotment in free foreign currencies in case they needed them. Therefore I believe that the total amount of deliveries of the German industry and commerce is to a certain extent higher than ten times the amount of the deliveries of the I. G.

Based on the above-mentioned figures of the I. G. the total amount of receipts in free foreign currency would be to be estimated in 1932 at RM. 3.6 billions and in 1938 at RM. 1.650 billions. The corresponding figures regarding the deliveries to the Reichsbank would be for 1932 RM. 2.4 billions and for 1938 RM. 800 millions, which figures might be to my opinion to a certain extent lower than the real deliveries.

The reduction of the receipts in free foreign currency from 1932 to 1938 from R.M. 3,6 billions to R.M. 1,650 billions at unchanged export turn-over shows the development in the official German economical politics to the clearing agreements.

Besides I. G. export firms of larger importance were the Rheinisch-Westphälisches Kohlensyndikat (syndicate of Rhinish-Westphalian coal mines), the Kalisyndikat (potash syndicate), the large enterprises of the electric industry as Siemens and A. E. G.—the export turn-over of which was naturally fluctuating as they mainly exported complete electrical equipment, the Vereinigte Stahlwerke A. G. (United Steelworks), and the larger firms of the chemical industry among which especially the firms of the pharmaceutical industry had always good export results.

I remember that in 1941 Dr. Reithinger reported I. G.'s share of the total German export trade to be nearly 11 percent. He furthermore gave the following estimations: The export of 8 (or 12 ?) large enterprises amounts as much as about 33 percent of the total German export, 50 percent of the German export are covered by the exports of only about 80 firms, while the exports of about 3,600 German firms together make out the remaining 50 percent of the total German export.

Frankfurt 21st VIII 45.

[S] GIERLICHs.

EXHIBIT No. 20

Analysis of Farben's Yearly Profits from 1930 to 1945

[In Reichsmarks]

	1943	1942	1941
Profit in the prebalance sheet.....	821.626.559	785.629.219	669.651.031
Expenditures booked afterwards.....	115.026.921	138.743.923	97.588.309
Profit previous to tax deduction.....	706.599.638	646.885.296	572.062.722
Income tax.....	268.695.951	277.994.182	237.573.753
Profit discharge.....	65.000.000	30.000.000	36.000.000
Tax for increased dividend.....			7.332.000
Together.....	333.695.951	307.994.182	280.905.753
Profit after tax deduction.....	372.903.687	338.891.114	291.156.969
Placed into reserves.....	291.203.687	261.627.364	220.076.969
Net profit in the published balance sheet.....	81.700.000	77.263.750	71.080.000

27/8/1945.

PAUL DENCKER.

Entries in the books after the prebalance sheet of I. G. Farbenindustrie Aktienges

[In Reichsmarks]

	1943	1942	1941
Expenditures:			
Support of pension funds and I. G. Gefolgschaftshilfe.....	57.335.164	54.878.349	38.836.972
Debit for profit discharge.....	65.000.000	30.000.000	36.000.000
Debit for trade tax rest.....	3.000.000	25.000.000	
Special tax for increased dividend.....			7.332.000
Redemption of excise of the Reich (Reichsabgabe).....		5.647.500	
Fee of supervisory board.....	579.150	733.200	887.250
Exchange loan.....			5.314.088
Export bonus assessment.....		10.444.275	295.382
Taking over loss Zgierz.....			765.028
Buna surplus return.....	23.987.393		
Precasts Buna Breslau.....		3.608.777	352.398
Loss of merger Rheinfluss.....			2.208.531
Depreciation, New building, Berlin NW 7.....		2.529.123	
Depreciation, Bayer loan.....	600.000		855.000
Depreciation, Nordisk Lettmetall.....	17.500.000		
Depreciation, Buna Ludwigshafen.....		4.008.803	
Profit on sold participations.....			707.400
Profit transfer to Merseburg.....	60.000.000	60.000.000	60.000.000
Total.....	180.026.921	168.743.923	140.920.309
Without profit discharge and tax for increased dividend.....	115.026.921	138.743.983	97.588.309

Entries in the books after the prebalance sheet of I. G. Farbenindustrie Aktiengesellschaft—
Continued

[In Reichsmarks]

	1943	1942	1941
Reserves:			
Differences in depreciation.....	14,496,104	16,114,131	-----
Incidental investment charges, East works.....	30,012,382	30,622,259	-----
Item others.....	6,976,552	6,016,749	34,905,853
Rent tax settlement.....	1,064,614	10,405,425	-----
Revaluation of plants.....	-----	16,420,825	-----
Extraordinary depreciation of stocks.....	18,914,913	3,983,442	38,570,608
Extraordinary depreciation of costs for opening lignite mines.....	10,775,126	2,053,430	1,750,508
Extraordinary depreciation of barracks.....	16,582,347	29,621,869	-----
Extraordinary depreciation of East works.....	118,645,827	82,630,884	131,850,000
Extraordinary depreciation of other works.....	114,810,362	93,600,000	
Special fund for pensions.....	4,000,000	3,000,000	3,000,000
Free reserves.....	-----	-----	10,000,000
Total.....	291,203,687	261,627,364	220,076,969
Expenditures.....	180,026,921	168,743,923	140,920,309
Reserves.....	291,203,687	261,627,364	220,076,969
Total.....	471,230,608	430,371,287	360,997,278

26/8/1945.

PAUL DENCKER.

Net profit of I. G. Farbenindustrie Aktiengesellschaft in Reichsmarks in the years—						
	1930	1931	1932	1933	1934	1935
Net profit in the published balance sheet.....	89,217,988	44,515,020	47,013,427	49,143,347	50,981,071	51,439,841
Less fees of supervisory board.....	2,569,381	1,027,500	680,000	679,993	679,993	679,993
Hereto placed in reserves.....	86,648,607	43,487,520	46,333,427	48,463,354	50,301,078	50,759,848
Extraordinary depreciation for—						
Stocks.....	4,648,412	7,063,551	-----	3,258,316	12,526,429	10,000,000
Plants.....	-----	-----	-----	1,000,000	-----	12,281,170
Claims.....	-----	-----	-----	-----	3,000,000	4,000,000
Special fund for pensions.....	-----	-----	-----	-----	3,000,000	2,000,000
Profit after tax deduction.....	82,000,195	36,423,969	46,333,427	52,721,670	68,827,507	79,041,018
Income tax of I. G.....	18,038,844	5,552,420	1,625,570	6,195,604	13,232,803	18,286,424
Profit before tax deduction.....	100,039,039	41,976,389	47,958,997	58,917,274	82,060,310	97,327,442
	1936	1937	1938	1939	1940	
Net profit in the published balance sheet.....	55,434,374	48,053,329	55,180,000	56,071,000	58,756,000	
Less fees of supervisory board.....	679,993	453,329	681,000	691,000	-----	
Hereto placed in reserves.....	54,754,381	47,600,000	54,500,000	55,380,000	58,756,000	
Extraordinary depreciation of plants.....	44,058,424	50,300,100	65,270,196	74,946,073	89,413,859	
Costs for opening lignite mines.....	-----	8,262,061	1,804,625	469,777	570,914	
Stocks.....	29,660,000	32,840,000	22,354,905	15,981,756	39,771,461	
Claims.....	7,000,000	20,000,000	-----	77,000,000	48,000,000	
Participations.....	-----	12,130,195	-----	3,000,000	-----	
Pension fund and other reserves.....	2,000,000	2,000,000	2,000,000	3,000,000	13,000,000	
Reserve for losses in Spain.....	9,912,107	1,664,999	-----	-----	-----	
Free reserves.....	-----	10,000,000	-----	6,997,186	10,000,000	
Profit after tax deduction.....	147,384,912	181,467,357	145,929,726	236,774,792	259,512,234	
Income tax of I. G.....	29,490,527	49,539,687	91,300,529	126,264,205	156,751,823	
Profit before tax deduction.....	176,875,439	231,007,044	237,230,255	363,038,997	416,264,057	

AUGUST 30, 1945.

PAUL DENCKER

EXHIBIT No. 22

Statistics on Farben's Labor Force

	Male	Percent	Feminine	Percent
A. Labourers:				
German original staff.....	62,402	45.7	24,300	54.8
German loan-labourers.....	358	3		
Officially engaged people.....	7,892	5.6	2,967	6.7
Foreigners.....	45,649	33.3	17,092	38.5
Foreign loan-labourers.....	3,638	2.6		
Prisoners of war, forced labourers, etc.....	17,145	12.5		
Active labourers in our works.....	136,884	100.0	44,359	100.0
	181,243 Those are 75.5% men 24.5% women			
Of the 44,359 workwomen 6,466=14.6% are engaged half a days.				
B. Employees:				
German original staff.....	22,791	94.9	9,753	94.2
Officially engaged people.....	374	1.6	447	4.3
Foreigners.....	849	3.5	156	1.5
Active employees in our works.....	24,014	100.0	10,356	100.0
	34,370 Those are 69.9% men 30.1% women			
Of the 10,356 feminine employees 719=6.9% are engaged half a days.				

January 8, 1945. Office Dr. Bertrams.

[Translation: Creutz/Altmann]

SECRET

State of the figures of the staff on December 1, 1944

Labourers:				
Male.....	150,789			
Feminine.....	44,359	195,148		
Of the 44,359 workwomen are engaged half a days 6,466 (enclosure 1 a).				
Employees:				
Male.....	32,890			
Feminine.....	10,356	43,256		
Of the 10,356 feminine employees are engaged half a days 719 (enclosure 1 a).				
Total.....	238,394			
Hereof are called in—				
Labourers.....	35,046			
Employees.....	8,876	43,922		
Foreigners (contained in the above figures):				
Labourers:				
Male.....	45,649			
Feminine.....	17,092	62,741		
Employees:				
Male.....	849			
Feminine.....	156	1,005		
		63,746		

Enclosure 1.

Enclosure 2.

State of the figures of the staff on December 1, 1944—Continued

Official engaged people (to our works) (contained in the above figures):

Labourers:				
Male.....	7, 692			
Feminine.....	2, 967			
		10, 659		
Employees:				
Male.....	374			
Feminine.....	447			
		821		
		11, 480		

Enclosure
3.

In the above figures are *not* contained:

German loan-labourers.....	358	Enclosure 1.
Foreign loan-labourers.....	3, 638	
Prisoners of war.....	9, 483	
Forced labourers.....	372	Enclosure 4.
Prisoners of concentration-camps.....	6, 944	
Armed forces convicts serving their time.....	346	

Until December 1, 1944, have been announced as
killed in war:

Labourers.....	5, 454			
Employees.....	875			
		6, 329		
As <i>missing</i> :				
Labourers.....	1, 439			
Employees.....	337			
		1, 776		

Enclosure
5.

January 8, 1945. Office Dr. Bertrams.

ANNEX 2

[Translation: Seybold/Werner]

SECRET

- (1) This is a state secret according to paragraph 88 of penal code.
- (2) It may be transmitted under closed cover only and in case of forwarding by mail it must be posted as "registered letter."
- (3) To be kept, under responsibility of the addressee, under lock and key.

Notification of aliens as per December 1, 1944 (included in the figures of staff)

Works	Workmen		Employees	
	Male	Female	Male	Female
Ludwigshafen/Oppau.....	5, 574	2, 122	69	9
Zweckel.....	57			
Embsen.....	61	5	2	
Frose.....	273	5		
Leuna.....	5, 836	1, 046	152	26
Niedersachswerfen.....	302	9	1	
Schkopau.....	3, 349	572	60	5
Höchst.....	1, 602	699	31	8
Gersthofen.....	154	5		
Mainkur.....	38	23		
Griesheim chem.....	264	25	3	
Griesheim Autog.....	192	56	2	
Griesheim Aussenw.....	121	1		
Marburg.....	114	78	1	1
Offenbach.....	71	76		
Leverkusen.....	2, 768	1, 524	28	7
Elberfeld.....	116	53		

Notification of aliens as per December 1, 1944 (included in the figures of staff)—Con.

Works	Workmen		Employees	
	Male	Female	Male	Female
Dormagen	723	947	8	1
Uerdingen	441	444	7	2
Döberitz	473	17	2	
Rheinfelden	103	16	3	1
Aken	586	144	4	1
Teutschenthal	87			
Stassfurt	651	29	3	1
Scharzfeld	27			
Bitterfeld	3,552	893	81	13
Wolffen-Farben	1,783	154	19	6
Wolffen-Film	2,070	2,328	55	17
Berlin-Treptow			1	1
Lichtenberg	197	242	2	1
Prennitz	884	1,065	10	
Bobingen	187	302	1	
Rottweil	769	379	2	
München	221	135	1	
Landsberg	618	352	3	3
Biebrich	342	296	7	3
Knapsack	422	88	1	
Grüneburgplatz	22	31	10	2
Heydebreck	3,642	529	63	15
Langelsheim	61	1		
Waldenburg	256		5	1
Auschwitz	6,640	2,401	212	32
Total	45,649	17,092	849	156

Total:

Male 46,498

Female 17,248

January 8th, 1945. Office Dr. Bertrams.

ANNEX 3

Persons officially bound to be engaged in our works (included in the figures of staff as per Dec. 1st, 1944)

[Translation: Seybold/Werner]

Works	Workmen		Employees	
	Male	Female	Male	Female
Ludwigshafen/Oppau	500	307	85	5
Embsen	18	16	1	
Prose	24	3		
Heydebreck	997	132	33	24
Langelsheim	57	1		
Waldenburg	227		1	2
Auschwitz	910	44	49	70
Leuna	2,000	262	73	119
Niedersachswerfen	8		1	
Schkopau	1,434	494	56	51
Höchst	107	196	4	26
Gersthofen	22	14	1	2
Mainkur	50	113	2	5
Griesheim chem.	11	8	1	1
Griesheim Autogen	21	63		
Marburg	5	41		
Offenbach		9		
Leverkusen	60	7		
Elberfeld	3	2		
Knapsack	0			
Döberitz	120	1		2
Rheinfelden	0		1	
Aken	25	3		
Tentschenthal	7	1		
Stassfurt	53	6	1	
Scharzfeld	10			
Bittefeld	260	97	21	2
Wolffen-Farben	124			1
Wolffen-Film	11	77	17	1
Berlin-Treptow				25

Persons officially bound to be engaged in our works (included in the figures of staff as per Dec. 1st, 1944)—Continued

Works	Workmen		Employees	
	Male	Female	Male	Female
Lichtenberg.....	63	41	1	7
Premnitz.....	8	51	1	8
Bobingen.....	19	83	-----	2
Rottweil.....	20	23	1	-----
Landsberg.....	195	94	2	5
München.....	287	719	5	44
Berlin N W 7.....	-----	-----	2	1
Grüneburgplatz.....	11	2	14	44
Biebrich.....	23	57	1	-----
I. G. insgesamt.....	7,692	2,967	374	447

Büro Dr. Bertrams, January 8, 1945.

ANNEX 4

[Translation: Seybold/Werner]

Not included in the staff figures as per December 1, 1944

FOREIGN WORKMEN ON HIRE

	Number	Nationality
Lu./Oppau.....	596	Frenchmen, Belgians.
Waldenburg.....	20	Dutchmen.
Leuna.....	682	Frenchmen.
Höchst.....	667	Frenchmen, Belgians.
Mainkur.....	65	Belgians, Dutchmen.
Griesheim.....	88	Frenchmen, Belgians.
Griesheim Autogen.....	52	Belgians.
Offenbach.....	2	Do.
Biebrich.....	9	Frenchmen.
Leverkusen.....	131	Frenchmen, Belgians.
Dormagen.....	36	Frenchmen.
Knapsack.....	21	Dutchmen.
Rheinfelden.....	98	Belgians.
Aken.....	11	Frenchmen, Russians.
Bitterfeld.....	719	Frenchmen.
Wo-Fa.....	48	Do.
Wo-Film.....	161	Frenchmen, Dutchmen, Russians.
Lichtenberg.....	16	Danes.
Premnitz.....	1	Frenchman.
Bobingen.....	24	Do.
Rottweil.....	31	Do.
Landsberg.....	160	Do.
Total.....	3,638	

COMPULSORY LABOURERS

München.....	372	Poles.
--------------	-----	--------

PRISONERS OF WAR

Lu./Oppau.....	3,381	Frenchmen, Poles, Russians, Italians.
Heydebreck.....	1,070	Englishmen, Russian, Frenchmen.
Auschwitz.....	488	Englishmen.
Leuna.....	1,289	Frenchmen.
Schkopau.....	410	Frenchmen, Russians.
Höchst.....	212	Legionaries, Frenchmen.
Gersthofen.....	57	Russians.
Griesheim.....	16	Do.
Griesh./Aut.....	80	Frenchmen, Dutchmen.
Offenbach.....	3	Frenchmen.
Marburg.....	134	Frenchmen, Russians, Belgians.

Not included in the staff figures as per December 1, 1944—Continued

PRISONERS OF WAR—Continued

	Number	Nationality
Biebrich.....	15	Frenchmen.
Leverkusen.....	328	Do.
Elberfeld.....	2	Do.
Knapsack.....	500	Russians.
Aken.....	119	Frenchmen, Russians.
Stabfurt.....	166	Russians.
Scharzfeld.....	129	Frenchmen, Russians.
Bitterfeld.....	725	Do.
Wolfen-Farb.....	97	Do.
Wolfen-Film.....	33	Indians.
München.....	50	Russians.
Premnitz.....	43	Serbs.
Rottwell.....	108	Italians.
Landsberg.....	28	Frenchmen, Italians, Serbs.
Total.....	9,483	

PRISONERS OF CONCENTRATION CAMPS AND CAMPS OF CORRECTION, AS WELL AS OF PENITENTIARIES

Auschwitz.....	3,897
Leuna.....	2,070
Wolfen-Film.....	425
München.....	552
Total.....	6,944

PRISONERS BELONGING TO THE GERMAN ARMY

Ludwigshafen/Oppau.....	200
Höchst.....	146
Total.....	346

Büro Dr. Bertrams, January 8, 1945.

Workmen and employees to July 1, 1941

Plants	Workmen	Employees
I. AMERICAN ZONE		
Höchst.....	8,540	2,500
Griesheim.....	815	185
Griesheim-Autogen.....	865	235
Mainkur.....	910	290
Offenbach.....	360	140
Marburg.....	565	135
Bobingen.....	1,340	110
Gersthofen.....	500	100
München.....	3,250	300
Oxygen-works:		
Heilbron.....	9	1
Karlsruhe.....	18	2
Stuttgart.....	27	3
Kassel-Bettenhausen.....	27	3
Bremen.....	18	2
Total.....	17,244	4,066
Biebrich, Kalle & Co. A. G.....	3,170	480
Goldbach, Fassholzfabrik Goldbach G. m. b. H.....	210	10
Karlsruhe, Deutsche Koloniale Gerb- und Farbstoff G. m. b. H.....	120	30
Steeden, Steedener Kalkwerk Fink & Co. G. m. b. H., Limburg/Lahn.....	(1)	(1)
Messel, Gewerkschaft Messel Grube Messel bei Darmstadt.....	560	40
Biebrich (management and sale).....		500
Frankfurt (management and sale).....		3,050
Gendorf, Anorgana G. m. b. H.....	(1)	(1)
Burghausen, Dr. Alexander Wacker Gesellschaft für elektro-chemische Industrie, München Werk Burghausen.....	2,181	381

..1 Figures not available.

Workmen and employees to July 1, 1941—Continued

Plants	Workmen	Employees
I. AMERICAN ZONE—continued		
Roethenbach, Dr. Alexander Wacker Werk Roethenbach.....	10	3
Kempton, Dr. Alexander Wacker Werk Kempton.....	(1)	(1)
Stetten, Dr. Alexander Wacker Werk Stetten.....	42	5
Mannheim-Neckarau, Rheinische Gummi- und Celluloid-Fabrik.....	2,150	410
II. FRENCH ZONE		
Ludwigshafen.....	15,000	4,250
Oppau.....	11,850	3,150
Rheinfelden.....	470	80
Rottweil.....	1,975	175
Total.....	29,295	7,655
III. ENGLISH ZONE		
Leverkusen.....	11,900	3,350
Elberfeld.....	1,060	290
Dormagen.....	3,835	365
Uerdingen.....	2,420	570
Zweckel.....	85	15
Embsen.....	130	20
Langelsheim.....	175	25
Total.....	19,665	4,635
Hüls, Chemische Werke Hüls G. m. b. H.....	8,000	2,000
Knapsack, Aktiengesellschaft für Stickstoffdünger.....	2,300	300
Duisburg, Duisburger Kupferhütte.....	1,700	300
Hüls, Gewerkschaft Auguste Viktoria.....	4,600	400
Freehen, Rheinische Braunkohlengruben, Grube Wachtberg.....	910	90
Leverkusen (sale).....		150
Uerdingen (sale).....		150
IV. RUSSIAN ZONE		
Leuna.....	25,000	4,000
Niedersachswerfen.....	410	40
Schköpan.....	6,650	1,350
Döberitz.....	420	30
Aken.....	1,500	200
Teutschenthal.....	265	35
Stassfurt.....	1,075	75
Bitterfeld.....	9,000	1,650
Wolfen-Farben.....	3,900	900
Wolfen-Film.....	10,000	1,750
Berlin-Treptow.....	350	250
Berlin-Lichtenberg.....	1,235	165
Premnitz.....	3,920	330
Froese.....	225	25
Total.....	63,950	10,800
I. G. Gruben.....	13,800	1,800
A. Riebeck'sche Montanwerke A.G. Halle a. d. Saale.....	10,250	1,150
Berlin (management and sale).....		1,950

¹ Figures not available.*Workmen of various large works as per July 1, 1941*

	Learned	Assist- and workers	Craft- men	Stockers engine- men	Female workers	Appren- tices	Total
Höchst.....	4,475	80	2,170	325	1,320	170	8,540
Leverkusen.....	6,155	145	2,500	250	2,500	350	11,900
Ludwigshafen.....	7,200	900	4,450	300	1,800	350	15,000
Oppau.....	6,820	330	3,200	380	1,060	60	11,850
Leuna.....	9,650	3,750	8,700	900	1,380	620	25,000
Bitterfeld.....	4,900	360	2,200	650	880	10	9,000
Wolfen-Film.....	4,320	160	1,360	210	3,840	110	10,000
Schköpan.....	3,100	750	2,000	140	460	200	6,650

FRANKFURT-a.-M., July 6, 1945.

Workers and office workers of I. G., October 1, 1944

	Workers	Office workers	Total
I. G. plants.....	180,800	36,200	217,000
On the army.....	38,400	8,200	46,600
Total.....	219,200	44,400	263,600
I. G. mines and Riebeck.....	19,300	2,200	21,500
On the army.....	4,200	500	4,700
Total.....	23,500	2,700	26,200
I. G. plants and mines.....	242,700	47,100	289,800
The figures contain all I. G. plants and offices except Moos- bteraum (ch. 2,000).			
Besides are included:			
Biebrich.....	3,899	1,006	4,905
Knapsack.....	2,697	335	3,032
Total.....	6,596	1,341	7,937

FRANKFORT-a.-M., August 21, 1945.

EXHIBIT No. 24

Expenditure on research, by years

Year	Group I, mill. RM.	Group II, mill. RM.	Group III, mill. RM.	Total I. G., mill. RM.	Engaged in research work ap- proximate
1927.....	106.2	40.6	7.2	154.0	1,000
1928.....	91.9	40.4	8.0	140.3	1,050
1929.....	82.5	47.9	6.8	137.2	1,100
1930.....	56.6	38.0	5.3	99.9	1,100
1931.....	33.1	32.5	4.4	70.0	1,050
1932.....	10.0	26.8	3.7	40.5	1,000
1933.....	13.6	25.4	3.8	42.8	1,000
1934.....	17.0	22.1	4.7	43.8	1,020
1935.....	17.9	33.6	5.6	57.1	1,060
1936.....	23.6	37.6	6.8	68.0	1,100
1937.....	25.9	46.2	10.1	82.2	1,150
1938.....	32.1	53.9	7.3	93.3	1,200
1939.....	37.7	54.9	7.9	100.3	1,250
1940.....	39.9	57.5	8.5	105.9	1,290
1941.....	35.5	65.8	7.9	109.2	1,250
1942.....	31.2	65.4	8.7	105.3	1,250
1943.....	31.37	70.0	6.3	107.6	1,100
Half 1944.....	33.7	62.0	6.6	102.3	1,000

FRANKFURT-a.-M., July 9, 1945.

EXHIBIT No. 25

Expenditure on research, by items

[Mill. RM.]

	1936	1940	1942	1943	Half year 1944, x 2
Laboratory expenses.....	30	46	46	45	43
Special test cases.....	16	32	36	39	36
Dyeing expenses, cooperators, patents, li- cences.....	9	12	14	15	15
New lines.....	14	16	9	9	8
Total.....	69	106	105	108	102

Expenditures on research—Continued

[Mill. R.M.]

	1936	1940	1942	1943	Half year 1944, x 2
Total number of chemists and physicists . . .	2, 223	2, 911	3, 008	3, 043	3, 050
In the army	-----	300	240	310	321
Working	2, 223	2, 611	2, 762	2, 733	2, 729
Engaged in research work, approximate . . .	1, 100	1, 290	1, 250	1, 100	1, 000
Engineers and other scientists	739	1, 162	1, 304	1, 289	1, 313
In the army	-----	90	74	77	85
Working	739	1, 072	1, 230	1, 212	1, 228

FRANKFURT-a.-M., July 7, 1945.

EXHIBIT No. 26

Expenditure on research—Synthetic rubber (Buna)

	Mill. R.M.		Mill. R.M.
1927	0, 1	Four-year plan, Oct. 20, 1936:	
1928	2, 7	1936	3, 1
1929	3, 3	1937	6, 8
1930	2, 4	1938	8, 7
1931	0, 7	1939	6, 8
1932	0, 3	1940	6, 9
1933	0, 4	1941	7, 8
1934	0, 9	1942	8, 8
1935	2, 0	1943	8, 7
		1944	8, 0

Frankfurt-a.-M., July 9, 1945.

EXHIBIT No. 30

AN ANALYSIS OF FARBEN'S OVER-ALL ORGANIZATION

The present exposé (annex 1-3) deals with the manufacturing plants of I. G. situated in the American and British areas of occupation. The details are limited to the main manufacturing plants on the upper and lower Rhine (Ludwigshafen Oppau) and to the works of the Main area. It comprises only such works which are actual property of I. G. working under the name of the I. G., i. e. the works of the concern companies are not included, even if the interest amounts to 100 percent. A subsequent exposé will also include the minor I. G. works and concern companies situated in the American and British areas of occupation. Finally, a further exposé will deal with I. G. works and works of concern companies situated in the Russian area of occupation.

To facilitate an understanding of these and subsequent exposés and tables attached, it appears to be advisable to give a short résumé of the general construction of I. G. as regards its organisation, technical and commercial structure.

The legal domicile of the firm is Frankfurt. However, that does not imply that the firm is centrally guided from Frankfurt. In Frankfurt, central functions were only exercised by the following departments which, together with the dyestuffs and chemical departments, were domiciled in the "Hochhaus am Grüneburgplatz":

Central bookkeeping department

Central taxation department

Central insurance department

Office of the central committee (dealing especially with questions of the leading staff)

Office of the technical committee (Tea-Büro). The Tea-Büro is the technical secretariate of the technical committee. The Tea-Büro is preparing the committee meetings; the works continuously submit to them figures of

production, number of hands employed, calculations, registration of new manufacturings together with estimates, etc.

Various other departments exercising central functions on behalf of I. G. are domiciled in Berlin. This applies particularly to the central finance administration and the central purchasing department. The "Central Department for Contracts and Agreements" is domiciled at Ludwigshafen. All contemplated contracts and agreements were submitted to this office in order to avoid any overlapping with regard to previous engagements.

The principle of the organisation of the firm may be described as follows. The *decentralising* of the commercial and technical management according to regional or material aspects, *concentration* of responsibility and safeguarding of a uniform policy of business on a personal basis, i. e., in the board or committees appointed by the latter. The following explanation, may serve a useful purpose in this connection.

A. *Technic and production*

(1) *Technical management and organisation of the works.*—The works and lines of manufacture of I. G. are divided in two directions as to the organic structure of the firm.

(a) General policy of production, projected manufacture, and research work: Regarding the treatment of all principal matters concerning production, projected manufactures, and research work, the manufacturing fields of I. G. and its concern companies were divided into 3 groups ("Sparten").

Sparte I comprising nitrogen, gasoline, mineral oils, and coal mines (leader: Dr. Schneider).

Sparte II comprising dyestuffs, anorganic and organic chemicals, metals, pharmaceutica (leader: Dr. ter Meer).

Sparte III comprising photographica and artificial fibres (leader: Dr. Gajewski).

In case the respective leaders could not make independent decisions on questions concerning their group, the technical committee was competent. Under the leadership of Dr. ter Meer, the latter consisted of the other two Sparten-leaders and a number of works managers and leading technicians. The technical committee was responsible to the board of I. G.

(b) Regional formation: All works of I. G. in Germany are regionally divided into works combines ("Betriebsgemeinschaften"). There is a total of 4 works combines, i. e.—

Betriebsgemeinschaft Niederrhein:

Leverkusen
Uerdingen
Elberfeld
Dormagen
Farchwitz

Betriebsgemeinschaft Oberrhein:

Ludwigshafen/Oppau
Schkopau
Zweckel
Waldenburg
Heydebreck
Frose
Steeden
Karlsruhe

Betriebsgemeinschaft Maingau:

Höchst
Griesheim (with numerous works scattered over the Reich producing liquid oxygen)
Mainkur
Offenbach
Gersthofen
Marburg
Eystrup
Neuhausen
Knapsack

Betriebsgemeinschaft Mitteldeutschland:

Merseburg/Leuna
Niedersachswerfen
Schkopau (Buna)
Bitterfeld
Wolfen/Farben
Doberitz
Rheinfelden
Aken
Stassfurt
Teutschental
Scharzfeld
Leipzig
Wolfen/Film
Prennitz
Eilenburg
Bobingen
München
Rottweil
Landsberg
Lichtenberg
Eiebrich

In addition: Administration of coal mines acting on behalf of Central German lignite mines, lignite mines of the Rhine district, Augusta Victoria mine (Ruhr-district).

The above compilation in respect of Reich territory as from the end of 1937 includes only such works which are entirely owned by I. G. and works of the so-called "Organ-Gesellschaften" (a term of taxation regulations). Moreover, the works of concern companies and investments are also belonging, according to domicile, to the respective works combines, but are not included in this compilation. The Organ-Gesellschaften represent a special legal form of sister companies according to an agreement which is recognized by the taxation authorities according to which any profits and losses are taken over by I. G. and appear in their balance sheet.

The main purpose of forming such working combines was to assure uniformity in the management of the works which are situated in the same territory as regards administration, in question of social policy, power supply, etc. In some individual cases there were deviations in attaching certain works to a works combine according to purely regional aspects. For instance, the works of Rheinfelden, situated on the upper Rhine near the Swiss frontier, was attached to the working combine of Central Germany. Such deviations can only be understood in consideration of the historic structure of the firm.

The Tea-Büro of Frankfurt was in possession of a comprehensive survey regarding the various manufacturing plants, their products and cost-prices.

(2) *Distribution of the various lines of manufacture to the respective works.*—When considering the present distribution of lines of manufacture of the whole I. G. to the individual works and the fields of activity of the individual works with their generally prevailing manifold of production, it is essential to consider three main factors, i. e.:

(a) First of all, it has to be considered that it concerns the works, the origin of which dates back to about 1860 and that these old works were working independently in a wide sense for many years precedent of the fusion of 1925/26, irrespective of the obligation laid down in the agreement of community of interests (Interessengemeinschaft) of 1904 and the agreement of 1916 concerning the 11 previous I. G. firms. They were also acting independently regarding taking up of new lines of manufacture. This applies particularly to the works in Western Germany. The present distribution of manufacture may, to a certain extent, be understood by the historic structure of the firm.

(b) After the fusion in 1925/26, i. e. after melting the 11 previous I. G. firms into the pool of I. G. Farbenindustrie Aktiengesellschaft comprehensive measures to rationalize production were effected. These measures included particularly an adjustment of capacity to declined sales possibilities which were in many respects due to the conditions prevailing after the first Great War, in joining manufacturing plants of various works producing the same products and, quite generally, in adopting measures to improve production and reduce the respective cost prices. Special initiative to apply the latter measures presented itself in the crisis of world trade prevailing in the following years.

(c) In the formation of new works after the fusion the emplacement of these works and their line of manufacture was guided by technical and economical circumstances.

The manifold of the various lines of manufacture of the respective works is closely connected to the cooperation of these factors. This applies in particular to the fact of extensive technical and economical engagement of the works between themselves and their dependency on each other. The following examples may illustrate this in detail:

(a) The works of Leverkusen produce in the line of Sparte II: Dyestuffs, chemicals, pharmaceutica in the line of Sparte III: Photo papers.

(b) The works of Höchst produce in the line of Sparte I: Artificial fertilizers, lubricating mineral oils; in the line of Sparte II: Dyestuffs, chemicals, pharmaceutica.

(c) The dyestuffs plants of Höchst, Mainkur and Offenbach are only to a small extent producing their own organic intermediates required for the manufacture of dyestuffs. The same applies to organic intermediates which are required by the pharma plant of Höchst. This is based on the fact that the manufacture of organic intermediates was, to a large extent, concentrated in Leverkusen as a result of measures of rationalism effected after the fusion. Leverkusen now supply the other works with the respective intermediates.

(d) Whilst before the fusion certain dyestuffs were produced by two or more plants (each of the 11 legal predecessors of I. G. had their own manufacturing plant) the total production of dyestuffs was, after the fusion organised in such a way that each dyestuff was produced in principle by one plant only. Only when disposing of the total production of dyestuffs of the various I. G. works, the present

comprehensive I. G. assortment of dyestuffs is being attained. The selection of the respective emplacements of manufacture of the various dyestuffs was effected according to aspects of technical and economical importance. The total assortment of I. G. dyestuffs comprising in pre-war times approximately 2,500 independent chemical individuals, on the basis of approximately 4,000 intermediates, and approximately 12,000 commercial types, is being distributed in general lines as follows:

Leverkusen.—Azo-dyestuffs, Triphenylmethan-dyestuffs, Alizarin-dyestuffs.

Ludwigshafen.—Vat dyestuffs, Indigo, lacquered dyestuffs.

Höchst.—Azo dyestuffs, Triphenylmethan dyestuffs, Alizarine dyestuffs, provided they are not manufactured at Leverkusen.

Mainkur.—Sulphur dyestuffs.

Offenbach.—Naphtol AS products.

The principle of producing certain products or certain groups of products at one plant only according to the best possible conditions of manufacture, was widely applied in the other lines of manufacture of the respective "Sparten," too. This applies in particular to the production of chemicals in the wider sense and in respect of pharmaceuticals. For instance, with the exception of aspirine and acetyl salicylic acid, there is no pharmaceutical product produced at Höchst which is also produced by Leverkusen or Elberfeld, and vice versa. This principle was not applied to heavy chemicals such as sulphuric acid, chlorine, alcaly products, etc., because forwarding expenses were a deciding factor in this respect. The installations of manufacturing plants which were closed down were, same as in case of dyestuffs and other lines of manufacture, either scrapped or used otherwise.

3. *Financial position of the works and accountancy*.—To illustrate the position of the works within the limits of the total organizations of the concern two characteristic features have to be observed, i. e.:

(a) In principle, no works have their own sales organization

(b) No works show up any profits.

Each work is, therefore, in a way, only a manufacturing plant of the whole company and no economic unit, bearing the character of a firm.

On this basis one cannot talk about a special balance of profits and loss of any individual works. All works operate with the plants and installations laid down in the books of the Central Bookkeeping Department of Frankfurt for preparing the annual balances. Each works have their own expenditure for raw materials and other material, power, wages and salaries, local expenditure, etc. However, there is no income, but the total output is being debited at cost price to the competent sales combine (Verkaufsgemeinschaft), (see part B)—provided it concerns the sales of actual merchandise, or by clearing on account of the Central Bookkeeping Department to some works of I. G., in the same extent as these works were supplied with basic materials for processing.

Since there are current expenditures but no income available, the requirement of money by the works must be financed otherwise. Financing is effected by transfers of the Central Finance Administration to the works on account of periodically established financial schemes and their application for monetary requirements. When fixing these monetary requirements, it has to be considered that part of the raw-material requirements is being purchased by the Central Purchasing Department in Berlin, which also pay for these out of means put at their disposal by the Central Financial Department. The works are debited in respect of these raw materials at the purchasing value. In case of the different materials are not being purchased by the Central Purchasing Department, the respective works do not buy independently, but there is a further Central Purchasing Department for each of the 4 working combines. This Central Purchasing Department is competent to cover the requirements of the respective materials for all works belonging to the works combine (Betriebsgemeinschaft); apart from that, the works are only purchasing in narrow limits. The financial means required by the Central Purchasing Departments of the works combines are also put at the disposal by the Central Financial Administration.

The above function of the respective works as mere plants of production may, therefore, be analysed that moneys received directly by the Central Financial Administration, or indirectly in form of purchases of raw materials of Central

Purchasing Department, or indirectly in form of an equivalent for other materials purchased by the Central Purchasing Department of the works combine, or by supplies received from other I. G. works will be converted into merchandise. This merchandise is put without any profit at the disposal of a sales combine (Verkaufsgemeinschaft) or some other works.

B. Sales organisation

It was explained in part A that in principle no I. G. works dispose of an own sales organisation, but the works put their total production, immaterial of the line of manufacture, at cost price at the disposal of the sales combine. These sales combines are thus distributors of the works showing the characterising feature that any profits, i. e., the difference between the cost price of the works and the proceeds, will be shown up by the sales combine: the proceeds are arrived at after deduction of expenses incurred to the respective sales combines. This profit will subsequently be transferred from the books of the sales combine to the books of the Central Bookkeeping Department. The liquid means were so far transferred to the Central Financial Administration in Berlin, which acted as trustee of the total concern in respect of these means.

There are the following sales combines:

(1) Verkaufsgemeinschaft Chemicals dealing with the sale of I. G. production of an organic and organic chemical products, solving agents, plastics, buna, metals, tanning agents. (Leader: Dr. von Schnitzler. Domicile of the Verkaufsgemeinschaft is Frankfurt.)

(2) Verkaufsgemeinschaft Dyestuffs, Auxiliaries, Textile Finishing agents and raw Materials for Detergent purposes. (Leader: Dr. von Schnitzler. Domicile of the Verkaufsgemeinschaft is Frankfurt.)

(3) Verkaufsgemeinschaft Pharmaceutica and Insecticides. (Leader: W. R. Mann. Domicile: Verkaufsgemeinschaft at Leverkusen, at present Dillingen, Oberstdorf and Homberg.)

(4) Verkaufsgemeinschaft Photographica, Smelling Products and Artificial Fibres. (Leader: W. Otto. Domicile: Verkaufsgemeinschaft in Berlin, at present Dillingen/Donauwörth.)

(5) A special arrangement was made in respect of the sales of the products under Sparte I to the effect that—

Gasoline and mineral oils were sold by the department "*Mineral Oil*," Berlin, which in this sense also represents a sales combine.

Nitrogen products for fertilizing and technical purposes by the *Stickstoff-Syndikat G.m.b.H., Berlin*, in which I. G. is participating to a major extent.

Raw material for detergent purposes by the *dyestuff sales combine* of Frankfurt.

Other chemical products according to Sparte I by the *Chemical Sales combine* of Frankfurt.

This statement on the sales combines shows that the working field of the sales combine is not the same as the respective working fields of the 3 technical groups (Sparten). As mentioned above, the production of each work comprises products of various technical groups. On the other hand, it will be seen from the example of dyestuffs that no work comprises all products of the same technical group. For this reason, the necessity was prevailing to have some uniform channel by which the goods may be distributed to the customer and consumer. When selecting the products allotted to the respective sales combines, this was mainly effected from the aspect of concentrating products of even chemical character and even lines of application, as it will be seen from the above mentioned cases of dyestuffs and pharmaceutics. When establishing the lines of the respective sales combines, there were, in addition, certain facts taken into consideration resulting from the necessity of rendering expert advice to consumers in the application of the various products or in the endeavour to deal with the same clientele, if possible, from one place only. In certain cases, e. g. when combining photographs with artificial fibres, fecto of personal kind or which were based in the historic development of the firm were of some importance.

Only for completeness' sake, it may be mentioned that in certain case I. G. products are not directly sold by the competent sales combine to the customer, but separate firms engaged in sales were acting as mediators; third firms of pro-

ducers were also participating in such firms similar to the case of Nitrogen-Syndicate. In this connexion the following examples may be mentioned:

Of the I. G. works in Western Germany, only the following 8 works are being considered at present:

	Number of hands em- ployed July 1941	Daily con- sumption of coal in tons (1939)	Saldo des Vermögens in mfl. RM. ¹
1. Leverkusen.....	16,000	700	178
2. Uerdingen.....	4,000	140	46
3. Elberfeld.....	1,300	45	17
4. Höchst.....	12,000	455	145
5. Gräshelm.....	1,000	100	16
6. Mainkur.....	1,200	60	11
7. Offenbach.....	660	35	14
8. Ludwigshafen/Oppau.....	35,600	2,400	532
Total.....	71,760	3,935	989

¹ As shown up in the Central Bookkeeping Department. As mentioned on page 12 in respect of annex 1, all installations are valued at the booking value.

The extent of new investments during the last years was different in respect of the various works. This circumstance and the fact that older installations have widely been depreciated accounts for it that it is not quite possible to derive at the inner value of the works installations from the above-mentioned balance of capital (Saldo des Vermögens).

² In addition 2,000 daily tons of coke.

Veroxam G. m. b. H., Frankfurt a. M.

Elpro G. m. b. H., Frankfurt a. M.

Deutscher Soda—und Ätznatronverband, Berlin,

Deutsche Gesellschaft für Schädlingsbekämpfung, Frankfurt a. M.

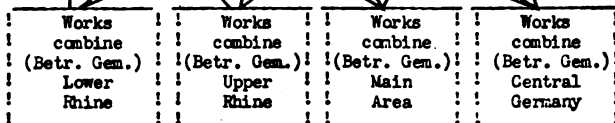
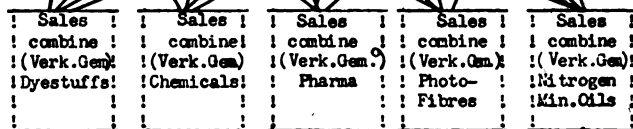
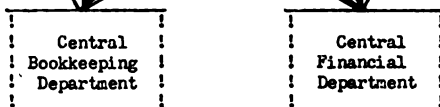
Uniform procedure in the home and foreign sales, uniformity of price policy and in questions of trade policy, etc., was guaranteed by means of the "Commercial Committee." Leader of the "Commercial Committee" was Dr. v. Schnitzler. This Committee consisted, apart from the other leaders of the above mentioned sales combines, of a further number of leading sales managers. This Committee was responsible to the board of directors.

The extent of the I. G. sales organisation comprised by these sales combines may be illustrated by the following figures:

Number of persons employed before the war (approximate)

Employed by:	
Chemical sales combines.....	2,500
Dyestuffs sales combines.....	
Pharma sales combines.....	1,000
Sales combine Photographica and Artificial Fibres.....	900
Department Mineral Oils, Nitrogen Syndicate.....	1,900
	6,300
Furthermore there were employed in the home sales organisations of the various sales combines.....	2,500
	8,800
The number of persons (including foreigners) employed by the foreign sales organisations amounted to.....	6,000
Total.....	14,800

The functions in the process from the stage of projected manufacture and the manufacture itself until the stage of showing the sales proceeds and the profits in the books of the Central Bookkeeping Department or until transferring the proceeds resulting from home and export sales to the Central Financial Administration will be shown in brief in the following scheme:

Projected
manufacture:Manufacture:SalesResult of the
above process:

With reference to the aforementioned scheme of organisation of the firm (part A and B) and to the explanations given in respect of the functions of the most important institutions of this organisation, the following annexes are attached hereto:

Annex 1.—A compilation of the 8 Western German I. G. works mentioned in this exposé. It is stated in respect of each works the *number of workmen and employees engaged on 1st July, 1941.* (There are no other figures available at present. The figures in respect of 1941 do not differ materially from prewar figures.)

The daily consumption of coal—basis 1938/39.

The balance of capital (Saldo des Vermögens) as per the end of 1943 shown up in the accounts of the Central Bookkeeping Department. The balance of capital

represents the sum of value of installations, stocks of raw and other materials and actual merchandise, provided the latter was not debited to the sales combine at the time, claims and liquid means after deduction of liabilities, all referred to the respective works. (The installations are only shown up as booking value while the stocks are shown up at cost price.)

These supplementary statements in respect of each work represent as a whole an idea of the importance of the objects in question, their general capacity and the social importance of the individual works within their local area and from a general point of view.

Annex 2 (pages 1 to 18).—A survey of the main fields of production and the actual output in 1493 and capacity in each line of production of the various works.

Annex 3 (pages 1 to 9).—A survey on such products or main lines of production showing in a typical way the engagement of one work to another or the dependency of the works between themselves is given in respect of the 8 works being dealt with. This engagement or dependency may exist in respect of supplies of necessary intermediates or other materials at cost price; in respect of supplies of such products, which may actually be considered as merchandise, for supplementing assortments or mixing purposes, or serving as components in the manufacture of other products, or in respect of any technical assistance; or manner not otherwise provided for.

This exposé, together with annexes, was prepared in cooperation by the gentlemen:

Borgwardt
Dencker
von Heider
Kraus
Dr. Kugler
Dr. Struss

in accordance with the leaders of the works Höchst (Prof. Dr. Lautenschläger), Leverkusen (Dr. Haberland), Ludwigshafen/Oppau (Dr. Wurster), Mainkur (Dr. Giessler). It was prepared truly and according to best of knowledge and believe. This declaration is signed by

von Heider
Dr. Kugler
Dr. Struss.

FRANKFORT-on-the-MAIN, June 19, 1945.

EXHIBIT No. 37

[Translation]

MEMORANDUM REGARDING OWNERSHIP OF FARBEN'S COMMON STOCK FROM
DR. BANNERT TO DR. KERSTEN, FEBRUARY 18, 1938

DIVISION ON ECONOMIC MATTERS

Memorandum to Dr. Kersten.

Re: Ownership of I. G. common stock.

In 1934 we made a survey on how redemptions of our dividend warrants for 1933 were divided up according to regions by sending out questionnaires to the more important establishments redeeming our securities. This survey covered 90 percent, i. e.:

607 million RM. par value of I. G. common shares, entitling to dividends, of the—

680 million RM. par value of I. G. common shares.

The results of this survey together with supplementary estimates reveal the following distribution of I. G. stock in Germany and abroad:

German-owned about 87 percent.

Foreign-owned about 13 percent.

In distinguishing between German ownership and foreign ownership, the domicile of the stockholders who presented their shares was the governing factor. In relation to the whole of the common stock entitling to dividends, foreign holdings accounted for 88,000,000 RM. This sum, of course, also includes such shares as are held abroad by subsidiaries of German firms or by foreign business connections (Basle, New York).

Foreign holdings are distributed among the more important countries as follows:

	I. G. common stock par value in millions of RM	Percent of the original capital ¹
Switzerland.....	24.3	3.67
England.....	19.9	2.93
Holland.....	7.4	1.09
U. S. A.....	4.8	0.71
Spain.....	3.1	0.46
Czechoslovakia.....	3.0	0.44
Belgium-Luxembourg.....	1.0	0.15

¹ The percentage figures were added in pencil. Another pencil mark "ZDA" followed by an illegible signature is apparently an abbreviation meaning "To files."

It has been asserted that I. G. stock is held by a comparatively few large shareholders. This contention is refuted by data furnished by a large German bank in regard to deposits of its customers and the number of deposits. (Confidential: This large Berlin bank is the Deutsche Bank.)

By mid-1934 customers of the above-mentioned bank had deposited I. G. common stock in the amount of 107,240,000 RM. par value, this amount representing approximately one-sixth of the original capital. This stock was deposited in 6,403 individual accounts, which means that the average amount of each account was 16,700 RM. par value of I. G. common stock.

The figures obtained from the above-mentioned survey, which are still available, are of no further value in this respect as they represent only the sum total of the collected material. Neither is the attendance list of the regular general meeting of the shareholders of any value as the small shareholders are not represented individually but only collectively by the large banks, which exercise voting rights for all accounts deposited with them.

DIVISION ON ECONOMIC MATTERS.
BANNERT.

[8]

Dr. B./B8./5 Ex.
FEBRUARY 18, 1938.

EXHIBIT No. 40

STATEMENT BY DR. VON SCHNITZLER ON FARBE's STOCKHOLDERS' MEETINGS

AUGUST 16, 1945.

In the last twelve years, the general assembly of I. G. had become a pure formality; all the decisions were agreed upon unanimously on the proposal of the chairman and no discussion has ever taken place. I think, in all those years, perhaps a total of half a dozen questions have been asked, mostly on sidelines of no decisive importance. The chairman, formerly Mr. Bosch and later on Mr. Schmitz, gave a short report about the general situation of the firm and then the legal formalities were fulfilled. With all the formalities, the counting of the votes, all lasted about one-half to three-quarters of an hour.

GEORG VON SCHNITZLER.

CHAPTER II¹

EXHIBIT No. 1

"TARNUNG" (camouflage) OF GERMAN AGENCIES ABROAD (Translated by Dr. KÜPPER)

In the time after the first war we more and more came to the decision to "tarn" our foreign selling companies, i. e., to establish such companies as firms of the law of the country concerned and to distribute the shares of these firms in such a way that the participation of I. G. in these firms was not shown. In the course of time the system became more and more perfect and was modified according to the conditions prevailing for the time being so that even a thorough investigation could not find any material that there was an indirect connection with I. G. This system of "Tarnung" applied practically only to our selling companies, plants mixing dyestuffs, and some pharmaceutical factories. For the rest of the factories, all of which were companies established under the law of the country concerned, the necessity of "Tarnung" generally was not given. Neither the angle of the tax situation nor the other reasons hereinafter given prevailed for them. A special case was only Spain where the legislation for the protection of industry forced us not openly to show at least a part of our participation.

The "Tarnung" in the past has not only been of great advantage in the commercial and tax situation which figured in many millions, but also in the consequence of this war the system "Tarnung" gave us the chance in a large scale to secure our organization, the investments, and the advance on our outstanding claims.

In case of gaining this war, the mightful situation of the Reich will make it necessary to reexamine the system of "Tarnung". Politically seen, it will often be wished that the German character of our foreign selling companies is openly shown. In this respect already before this war strong wishes of the A. O. became loud, which naturally after a war gained will become a clear demand. Already now, for instance, Gauleiter Hess of the A. O. has asked openly to acquire the shares held by neutral shareholders in the Chemdyes, Ltd. We hereto gave detailed also written report with the result that such demand was taken back. The A. O. in a letter to the Reichsgruppe Industrie also suggested that further plans of "Tarnung" are not liked and therefore refused.

It is therefore necessary carefully to examine the system of "Tarnung" in every respect. As fundamental principle may be stated that for justifiable political purposes the German character of our foreign agencies should be shown everywhere where strong objections on the base of financial reasons of national importance cannot be made and where an "Enttarnung" (finishing of the "Tarnung") would practically not endanger the export to the countries in question.

I. REASONS OF THE "TARNUNG"

(1) On the head tax reasons. The foundation of branch offices or subsidiaries would have meant an establishment of I. G. The taxes to be paid for such establishments much higher than those of independent companies.

(2) The danger of war forced us to secure our organization and assets by "Tarnung." This system enabled us to maintain our selling organization, to secure our investments, and an advance on our outstanding claims.

(3) In the first years after the first war, the weakness of the Reich made it advisable to give our selling organization the national character of the country concerned.

(4) Commercial reasons also. "Tarnung" as protection against boycott. The customers preferred to buy from national firms.

(5) A branch office or a subsidiary forced to show the details of I. G.'s balance and profit and loss account.

(6) A branch office or subsidiary being under aggravated control under the foreign currency regulations of the country concerned.

¹ Exhibits 5, 6, 7, 8, 9, and 10 are filed with the committee.

(7) The U. S. A. Antidumping Act of 1921. Price invoiced to U. S. A. to be compared with (a) foreign market value or (b) price invoiced to countries other than U. S. A.; or (c) the cost of production.

For I. G. important that prices invoiced to U. S. A. only be compared with the prices invoiced to countries other than U. S. A. Hereto the Act of 1921 says that only prices to free and independent customers can be compared. Therefore the foundation of free and independent importers in Canada and Australia.

Law for protection of industry in Spain. Big advantages in respect of taxes and duties to national industries only, i. e., to such in which there is no foreign participation higher than 25%. Therefore, the half of our 50% participation in the Fence given to Unicolor which latter, of course, was "Tarned."

II. REASONS OF "TARNUNG" IN THE FUTURE

For the future the following reasons will no longer prevail:

- (1) The securing against war losses, as there will be a long time of peace.
- (2) The position of the Reich strong enough to protect any German interest.
- (3) Commercial reasons (boycott, etc.) not decisive.
- (4) Advantage of firms of national character in dealing with the authorities of the country concerned not so important as the political reasons which will make the "Enttarnung" (finishing of "Tarnung") advisable.

For the rest the situation in every country has to be carefully examined.

(1) The U. S. A. Antidumping Act will remain. Therefore, continuing of the "Tarnung" in Australia and Canada, just to have two free and independent importers in these countries.

(2) The law of protection of industry in Spain will remain. Therefore, continuing of the "Tarnung" in Spain.

(3) For the decision, if we may run the risk to found an establishment (i. e., branch or subsidiary of I. G.) will be important to what extent the taxes will be higher—

(a) In relation to the countries in which our proposal as to tax regulations in the peace treaties will become practical there is no need of "Tarnung." It will no more be necessary to show to details of I. G.'s balance. And the percentage of I. G.'s turn-over on the base of which the taxable profit of I. G. in such countries will be calculated will be a reasonable one. If this percentage will be 5%, already then, the taxes of I. G. to be paid in such countries will be higher. But such a percentage of 5% must be considered as reasonable.

(b) For other countries individual examination. In those countries in which I. G. has already to pay taxes on the reason of having an establishment the "Tarnung" may be finished. Such countries are: Great Britain, Ireland, Roumania, Italy, Norway, Bulgaria, Hungaria.

For a number of other countries we made a calculation of the amount to which I. G. should have to pay higher taxes, if I. G. would have an establishment in such countries. (As tax rate 30% of the profit, as profit 5% of the turn-over only.)

	Reichsmarks		Reichsmarks
Jugoslavia.....	75, 000	Holland.....	108, 000
Greece.....	12, 000	France.....	79, 000
Switzerland.....	45, 000	Spain.....	45, 000
Denmark.....	53, 000		
Sweden.....	77, 000	In all.....	576, 000
Belgium.....	72, 000		

Therefore considerable higher taxes. In the other hand it may be taken that our proposals as to the tax regulations in peace treaties will become practical in relation to France, Holland and Belgium.

For British India special situation. Here foreign companies have to pay 45% super tax instead of 6.25% for British companies. In addition the estimate of our taxable profit would be very high. Therefore, higher taxes in British India. 1-2 million Reichsmark a year. In addition, in British India all details of I. G.'s balance would have to be given. Therefore, "Tarnung" in British India would be continued if there can't be made the following international agreements with British India:

(1) According to I. G.'s proposals as to tax regulations in peace treaties, super tax would be the same as for Indian companies.

(2) No higher percentage than 5% of the turn-over as taxable profit.

(3) No details of I. G.'s balance to be given.

Such agreement will depend on which way British India will take.

As result:

"Enttarnung" (finishing of the "Tarnung") in Great Britain, Ireland, Italy, Hungaria, Roumania, Bulgaria, and Norway. The same in relation to countries to which our proposal as to the tax regulations in the peace treaties will apply and in relation to countries under political influence of the Reich.

In British India, Canada, and Australia continuing of the "Tarnung."

III. IN WHAT FORM WILL THE "ENTTARNUNG" TAKE PLACE

To be carefully done, especially in respect of persons who acted as our shareholders. Tax claims for the past to be avoided. Consequences in countries in which the "Tarnung" will be continued. "Enttarnung" only in such a way that the shares are officially bought from the persons acting as our trustee at a fair countervalue. (Of course, the consequences in taxpaying for the trustees themselves have to be regarded.) Finally it has to be examined how to found the new establishments. No branches of I. G. Better if customers buy from a firm with a national name of the country concerned than from I. G., the big type of German Economy. Also in relation to foreign authorities better not to have a branch. It must be taken in consideration also that our agencies sell non-I. G. products as well. A branch would immediately lead to taxation of I. G. whereas a subsidiary such consequences would arise after some time only. Therefore, no branch, but subsidiary of I. G.

EXHIBIT No. 2

CORRESPONDENCE DURING 1936 RELATING TO EVASION OF THE UNITED STATES ANTIDUMPING ACT

JUNE 15, 1936.

To: Director Dr. von Schnitzler. In the Building.
Director Weber-Andraee. In the Building.

CANADA

On the occasion of my visit in Canada the change in the share capital of Consolidated Dyestuff Corporation, Ltd., Montreal, which is working on the basis of an importer, was initiated. This was done, on the one hand, in order to remove the danger of having our firm assessed for income tax in Canada, and on the other hand, in order to be able to refer to our sales to the C. D. C., in the event of a possible antidumping investigation in the U. S. A., as "sales to countries other than the U. S. A." To this end we have offered preferred shares to a number of persons in Canada, among others, Mr. John Irwin and Mr. Leo G. Ryan, whereas the ordinary shares shall, in the future, be held by Axe Trading Co., London.

The above mentioned Mr. John Irwin, President of McColl Frontenac Oil Co. is Chairman of the C. D. C., while Mr. Leo G. Ryan, President of Chemicals, Ltd. (importers of the Chemical Section) is a nonactive director of C. D. C.

During the discussions on the capital reorganization Mr. Irwin commented on the general structure of the I. G. marketing organization in Canada. I would never have paid any attention to his ideas which also found Mr. Ryan's approval were it not for the fact that he is a very serious businessman in all other respects.

Mr. Irwin is convinced that there are extraordinarily great possibilities for the further development of our Canadian business quite apart from the business in dyestuffs. He contended, however, that we on our part had shown very little interest up to now. He said that he had discussed this matter with several gentlemen of our management committee, but that his ideas on this subject had never been given any serious consideration. He recalled in this connection that Dr. Oppenheim had made investigations several years ago with regard to the construction of a plant for artificial silk in Canada. As an example he mentioned that I. G. would certainly be able to raise the necessary funds for such a venture in Canada proper if it ever became interested in such a project.

The fact that Canada is a country of only 10 million people was considered to be no valid counter-argument by Mr. Irwin. Referring to the example set by Ford he pointed out that we would be able to export goods [from Canada] to other countries of the British empire at preferential tariff rates if we manufactured such product—as chemicals for instance—in Canada. At any rate, Mr. Irwin believes that I. G. had no need to hide its talents since Canadian public opinion, influenced by England, was turning more and more toward Germany and was eager to co-operate with Germany. It is true that this attitude is found only among the English speaking part of the population—but the English element is the decisive factor.

Mr. Irwin envisaged a combination of all I. G. interests in Canada in one single company. This company would be financed by offering part of the capital stock for public subscription in the form of preferred shares. Mr. Irwin expects favorable results for our Canadian business from such a procedure, since the interest of the Canadian public would be aroused. He cited as an example the case of Canadian Industries, Ltd. On the other hand, he referred to our business in dyestuffs as proof that our competitors were making use of the latest technical and business improvements of the last few years, and the fact that it would therefore be extremely difficult to hold our own in this field. Consequently, it would be advisable to interest industries using dyestuff in the soundness of our enterprise by offering them preferred shares bearing a reasonable rate of interest. Mr. Irwin does not consider it a serious disadvantage that we would then no longer be our own bosses.

There is no doubt that Mr. Irwin's proposal is motivated by a comparison with the structure of Canadian Industries Ltd. This firm, however, being an Anglo-American enterprise, enjoys a far more favorable position than we could ever hope to attain. In addition to this we must take into consideration our other relations with I. C. I. outside the dyestuffs business.

I stated my opinion to the effect that I could very well imagine that in a market having a limited demand such as the Canadian, the existing organizations for the sale of dyes and chemicals would pool their resources, a procedure which would doubtlessly result in certain savings and possibly in an increase in sales. In this connection I mentioned sales territories which are far off the beaten track, such as Newfoundland, the Canadian West, and Middle West. All these territories must be visited by the representatives of the dye organization although the cost of such trips is out of proportion to the possible profits. Certain I. G. branches the extent of whose business does not justify the establishment of a separate organization might affiliate themselves with such an over-all organization. Kalle & Co., whose business activities are at present more or less suspended, is an example of such a firm.

I pointed out furthermore that the production of dyestuffs in Canada was completely out of the question. I admitted that there might be some question of manufacturing certain auxiliary products used by the dyeing industry, but that the small turn-over which might be expected would not even in this case justify the establishment of a [local] production. Chemicals, Ltd., apparently is considering a number of projects in regard to which it intends to enter into negotiations with I. C. I. One of the products under consideration is hydrogen sulphite. As may be remembered, we talked about the possible production of this chemical with the gentlemen of Canadian Industries some time during the last year and I told Mr. Ryan not to have any illusions on this subject. I assured Mr. Irwin that he was quite free to submit his ideas to the directors of I. G. whenever the opportunity presented itself and that it was a foregone conclusion that I, too, would transmit his proposals to the competent quarters.

Mr. Ryan was in accord with Mr. Irwin's ideas not because he is sincerely convinced of their soundness but because he fears that he might possibly be left out of a big "scheme." This is apparently the reason why Mr. Ryan saw fit to discuss the matter with Dr. D. A. Schmitz in New York. Dr. Schmitz questioned me on this subject and mentioned that he had also talked to Professor Bosch, of Mr. Irwin's plans.

I. G. FARBENINDUSTRIE AKTIENGESELLSCHAFT,

Frankfurt (Main) 20, June 28, 1936.

MY DEAR DR. REITMEYER: I still have to thank you for your letters of March 17, April 14 and May 12, the reply to which has unfortunately been delayed as a result of my absence from Frankfurt. Meanwhile you have probably received my letter from New York of May 16 in which I explained the reasons which led to a change in our organizational plans.

In addition to the official correspondence which has already been sent to you, I should like today to give you a few supplementary confidential data on this subject concerning our idea as to how we think the development of the Australian business should be shaped in the future.

As has already been communicated to you, we shall compute f. o. b. prices in Reichsmarks for the Australian firm. This is being done in order to have at our disposal a firm comparative basis with respect to our delivery prices to the United States, which are likewise quoted in Reichsmarks without being subject to exchange fluctuations. Insofar as dyes and auxiliary products for dyeing purposes to be delivered to Australia are likewise exported to the United States, attention will, for the reasons you know, be devoted, in the future, to having the delivery prices

for Dychem not exceed the delivery prices to the United States. Prices for such products as go to the United States, but not to Australia, will be secured by us in such a manner that we shall submit a corresponding offer to Dychem. It would be desirable occasionally to have Dychem study these offers and state in writing that they will revert to them (at a later date).

It might be that by quotation of our deliveries to Dychem which is essentially determined by contracted prices to the U. S. A. the profit of Dychem would be higher than originally anticipated. In order to form a general idea of this and to arrive at a corresponding basis for prices we have ascertained the average gross proceeds attained during the previous year and have reduced the same f. o. b. continental port by deducting the actual expenses for customs, landing, c. i. f. as well as the profit margin which would correspond to the commission originally provided. The average f. o. b. net proceeds, calculated in this way were changed into R.M. by using as a basis a quotation of R.M. 12.30 per English pound sterling. Since the average quotation of the English pound in Berlin is 12.50 and since the [value] pound does not show any tendency to decrease the above-mentioned rate constitutes for the Dychem a certain guarantee.

Using the prices so ascertained as a basis, we shall so adjust the prices to be charged to Dychem as to meet the requirements of the situation in the United States. Wherever the U. S. A. business so requires we shall reduce the Australian prices to the U. S. A. level; where the Australian prices are lower anyway, no change is naturally required. Incidentally, a number of random tests have shown that the Australian prices computed according to several systems are lower than our American prices.

If it should become necessary, for reasons effecting the U. S. A., for us to set stipulated delivery prices for Australia below the absolutely necessary price level on a considerably large scale, we would have to offset this by raising the prices of other products accordingly. Such products would be either goods, which are of no interest to the U. S. A. or whose stipulated delivery prices for Australia are below those established for the U. S. A. In the matter of offsetting [this loss] we are naturally bound by the consideration that we should not exceed the German domestic prices since we would be compelled to pay an excessive tariff.

The above-mentioned procedure naturally must not affect Dychem's resale prices to their customers. The price lists with the resale prices, which give the "delivered" prices in English currency and divides them into "ideal prices" and "rock bottom limits" and which at the present time are at Durck shall bear the name of Dychem and not that of IG because of the changed circumstances.

The relationship between Dychem and I. G. (buyer : selier) does not permit, it goes without saying, the two firms discussing resale prices. The official correspondence on matters of price shall deal exclusively with stipulated delivery prices. On the other hand, we do not wish to lose control over sales prices if only for the reasons that we must keep the profits of the Dychem within the right proportion in which connection we must keep in mind, on one hand, the U. S. A. situation, and on the other, the conditions of the Australian market. There remains nothing for us to do but to conduct this correspondence privately between the two of us. For this we have chosen the form of memorandum, supplied only with date that is without the name of the addressor, address, signature, and place.

Thus it would not be so easy to establish a relationship between the two (income taxes in Australia), should such a document fall into the wrong hands or an investigation be instigated. In case Dychem does not have a margin it will concurrently with your memorandum (only the envelope should be addressed to me) request a reduction of the stipulated delivery price in general.

In regard to the above-mentioned matter (total profit of the Dychem) it may be that we shall not comply at all or comply only partially with this request. This, of course, does not necessarily affect the reduction of the resale price which has been considered as necessary.

As you see yourself, the entire system is somewhat complicated, but we are relying completely on your and Mr. Weir's adroitness to find the necessary twist. I should like to ask you, therefore, to discuss this matter in detail with Mr. Weir.

Although hitherto all important matters of price went through your hands this future treatment of these problems will nevertheless entail a considerable amount of additional work. I would suggest, therefore, that you arrange from the outset to have these matters dealt with by the office so as not to create too great a burden for you. In this connection furthermore I can inform you that we have decided in view of this additional work to assign to you a commercial assistant. We are speaking of the 24-year-old Mr. Luyken, who has received his training in the chemical department, has already had some foreign experience and will be trained for about six months at the Australian Farben.

Re: Compensation for Direct Transactions.—As you well know, our sales to Patons & Baldwins belong into this category. We have already written you officially concerning the filling of these orders. The only problem to be solved is that of the remuneration, since the payment of a commission is incompatible with the relationship existing between independent importers. The simplest way out would be to take back from Dychem the items in question (returned goods) at the Reichsmark price, which was computed at that time plus the stipulated profit margin (16%). The Dychem would then be obliged to grant York & Co., the allowance stipulated under the contract on these items for services rendered in connection with landing, storing, etc.

We may naturally be confronted with similar situations in the future since, occasionally, we must submit direct offers to orders so as to maintain the fiction of the "freely offered for sale." For each such case as it arises an analogous settlement must be provided, since we do not wish to deprive the Dychem of its profit connected with transactions effected in Australia although theoretically there is no monopoly agreement.

Should the Dychem receive an order from a firm located outside Australia it must not reply that it holds sales rights only for Australia but must decline the order in some other way and may even if necessary make an offer after making contact with us. Such orders, however, will occur very seldom.

Re: Balance Sheets.—Please see to it that we receive each three or at least each six months an interim statement through Mr. A. N. George so that we may always be informed here in due time of the situation as to profits of the Dychem and may if necessary take the necessary corrective measures concerning prices.

If necessary we could "doctor" somewhat Dychem profits by charging for services rendered by I. G. Sample cards and propaganda material must be excluded because of the high tariff. On the other hand we could charge fees for all technical inquiries. In order to keep the latter possibility open I would suggest that in the future you send as a general rule all technical inquiries via Dychem.

I hope that our official and my private explanations have been sufficiently exact to familiarize you with our ideas in general. Although you must discuss these matters with Mr. Weir in strict confidence, however, you must exercise the greatest caution in speaking of the Dychem or the York staff, as under no circumstances must anyone but you and Mr. Weir know of the real motives behind the transaction. For this reason I must request you until the arrival of the commercial assistant to take the trouble of writing yourself letters concerning these problems.

We have the draft of the amended agreement between the I. G. and the Dychem, and after my return to Frankfort next week we shall send it to you signed. Only small changes are required in the Dychem-York agreement and it will be sent at the same time. It does not relaly matter if there is no contract with Dychem the first few weeks.

Jim Abel was in Frankfort last week. All his resentment was directed against Mr. Weir. He was talking about leaving the A. L. & Co. and taking over the agency of a competitor. This in my opinion would be only a camouflage since he will without any doubt return to the A. L. & Co. after two years, that is after the termination of the "waiting period" [Karenzzeit]. We shall of course not allow this without any further ado. I shall see the old gentleman in London and shall write to you on further developments.

Best regards to you and yours.

Yours truly,

[Signed] H. KOEHLER.

EXHIBIT No. 3

EXCERPT FROM MINUTES OF MEETING OF FARBEN'S LEGAL COMMITTEE, JUNE 8, 1939, REGARDING "PROTECTION OF FARBEN ASSETS ABROAD"

[Translated from the German]

LEGAL DIVISION FARBEN,
Frankfurt/Main, June 8, 1939.

Confidential:

To: Direktor Dr. von Schnitzler,
Kommerzienrat Waibel,
Direktor Dr. ter Meer,
Direktor Dr. Walther,
Direktor von Brüning,

Prokurist Eckert,
 Direktor Hoppen,
 Direktor Jungbluth,
 Direktor Köhler,
 Direktor Dr. Kugler,
 Dr. Overhoff,
 Prokurist Pabst,
 Direktor Schwab,
 Direktor Sayd,
 Direktor Voigt,
 Direktor Weigandt,
 Executiv Division Farben.

Re: *Protection of I. G. Assets Abroad.*

Enclosed herein we submit to you a summary of the minutes of the meeting of the Legal Committee in Berlin on March 17, 1939. We ask you to consider whether, within the scope of your authority, any further measures for the protection of I. G. assets abroad should be taken, and if so, to get in touch with us for the purpose of taking such measure.

[s] KÜPPER.

Enclosure.

PROTECTION OF I. G. ASSETS ABROAD

The problem of protecting the I. G. assets in foreign countries presents, as Kersten further states, two questions, namely: (1) Protection against writs of attachment or execution. (2) Protection against seizure in time of war.

The I. G. assets in foreign countries consist principally of: (a) the seals organizations, (b) inventories, (c) claims, and (d) patents.

The protection of these assets against seizure in the event of war calls for much more far-reaching measures than does protection against acts of attachment or execution. The following discussion with respect to the several groups of assets deals therefore first with protection against seizure in the event of war, since conclusions reached for that purposes are also applicable to protection against writs of execution and attachment.

In this connection we must refer to the legislation developed in the enemy countries allied against us, during the last war, inasmuch as, in a new conflict, we should certainly have to anticipate a reenactment of the statutory provisions then in force. Economic warfare was most consistently conducted in England.

England's aim was also to coordinate, to the greatest possible extent, the legislation of the other allied enemy powers with its own, an effort in which she was largely successful at the Paris Economic Conference of 1916. The following discussion is therefore chiefly concentrated on English statutes and decisions, unless other countries have adopted different measures with respect to specific problems.

As early as in the middle of the nineteenth century the principle was recognized in England that—

since it is in the nature of war to put an end to the enemy trade and to obtain possession of it, a declaration of war is followed by a prohibition of commercial relationships and correspondence with the residents of enemy states unless special license is obtained from the government. War leads to a number of well-known special regulations, it prohibits all trade with the enemy except for that licensed by the government and it dissolves all contracts that presupposed the existence of such trade.

On the basis of these principles there were enacted, starting with the Trading with the Enemy Proclamation of August 5, 1914, numerous special provisions which led to more and more intensified economic warfare.

These regulations start with the prohibition of trade with persons in enemy territory including English citizens residing there ("territorial principle") and extend to all persons even if not in enemy territory to the extent that they either are—

Enemy citizens or

have relationships with the enemy, facts determined by findings based upon information received by the British intelligence services ("personal principle").

According to the original legislation of 1914, trade with enemy branch offices outside of enemy territory, for instance, in neutral countries or within the country itself, remained permissible. Due to that circumstance, Germany was still able to maintain its trade by making use of such neutral intermediaries. As a result,

the prohibition of trading was extended in December 1915 to all persons and firms—

to the extent that, in the opinion of His Majesty, such prohibition appears advisable because of enemy citizenship or enemy connections.

Thus trade with all firms that were regarded as suspect could be prohibited by placing their names on a blacklist. The significance of this blacklist can be seen from the fact that in 1916, 2,416 firms were listed on it, among them—

In the Netherlands.....	211
In Norway.....	138
In Greece.....	95
In Argentina.....	160, etc.

In addition to the blacklist, there existed a so-called gray list. Its significance was that while trade with the firms placed on it was not prohibited, it was declared undesirable. In practice the gray list had much the same effect as the blacklist. The number of Swiss firms alone amounted to 134.

The prohibition against trade applied to—

- (1) Payment of money to or for the benefit of the enemy;
- (2) Direct or indirect delivery of goods to, or direct or indirect importation of goods from an enemy or on his behalf as well as trade in goods which are destined for enemy territory or originate there;
- (3) Making of contracts with enemies or on their behalf.

The concept "enemy" is here used in its broad definition, i. e., inclusive of blacklisted neutrals.

As early as toward the end of 1914 trustees were appointed to whom all performance on behalf of the enemy had to be made. Receivers could be appointed for enemy enterprises who had the rights of liquidators and were authorized freely to sell those enterprises or their assets if it were considered to be in the interest of Great Britain.

By virtue of the amendments of January 27, 1916, these measures could be taken with regard to all persons on the blacklist, i. e., businesses, persons, and enterprises that—

because of enemy citizenship or relations to the enemy, appear to be carried on entirely or predominantly on behalf or under the control of enemies.

These provisions also authorized annulment of individual contracts with neutrals and seizure of individual assets of neutrals if the foregoing definition was considered applicable and an ensuing controversy with the neutral government was deemed to be a lesser evil. These amendments constitute the high watermark of English economic warfare legislation.

With respect to the several groups of I. G. assets abroad, the following conclusions are reached in the light of the English economic warfare legislation, of which the bare outlines have just been traced.

(a) *The sales apparatus* of I. G. abroad (which includes agent firms with their good will, mailing lists, connections, etc.) has, because of (1) tax laws, (2) national sales propaganda ("buy in your own country"), (3) the desire to avoid boycotts, (4) the desire to avoid special controls applicable to foreign companies, been organized, as a matter of principle, in such a fashion that I. G. or its several affiliated companies do not openly hold shares or other interests in these agent firms. There are only a few exceptions to this principle as, for instance, in the case of Agfa-Photo/Romania.

While formerly the shares or similar interests in these agent firms were largely held by individuals, mostly citizens of the particular country or by companies, as trustees for I. G., this system has, to an ever-increasing extent in the last few years, been abandoned in favor of an arrangement under which shares or similar interests are acquired by individuals or firms with their own means (occasionally assisted by credits extended by I. G.) subject, however, to an option in favor of I. G. permitting I. G. to acquire the shares for itself or to have third parties acquire them.

In the light of enemy economic warfare legislation, the following observations with respect to this situation may be made:

(aa) If I. G. or German nationals are the declared owners of such shares or similar interests, seizure will result in case of war.

(bb) If the shares or similar interests are held for I. G. by non-German trustees residing in enemy territory, there is a duty to declare such holdings, which again will lead to seizure.

(cc) If the shares or similar interests are held for I. G. by non-German trustees who are not residents of enemy territory the danger of seizure arises in the event that for some reason I. G.'s actual ownership becomes known.

(dd) If the shares or other interests are actually held by a national of an enemy country, such holdings will not be affected by economic warfare measures of the enemy, unless the owner comes under suspicion of maintaining relations with the enemy. In that case, seizure and liquidation of the shares or similar interests may follow. Any option in favor of I. G. is extinguished since, according to English decisions, any contracts that may strengthen the enemy's economic position even after the war, are considered voided by the outbreak of the war. If the option exists in favor of a neutral, the liquidation of such an option—as of any other asset—may be ordered, if the neutral is suspected of relationships with the enemy.

(ee) If the shares or similar interests are actually held by a neutral who resides in a neutral country, enemy economic warfare measures are ineffective; even an option in favor of I. G. will remain unaffected. A sole exception arises in the event that the neutral is placed on the "blacklist," since then the liquidation of the shares or similar interests may also be ordered. The English during the war made very sparing use of the authority to liquidate assets of a "blacklisted" neutral resident in England, inasmuch as such procedure invariably resulted in controversies with the government of the neutral involved, controversies that frequently were out of all proportion to the results obtained by such liquidation.

This survey shows that the risk of seizure of the sales organizations in the event of war is minimized if the holders of shares or similar interests are neutrals residing in neutral countries. Such a distribution of holdings of shares or other interests has the further advantage of forestalling any conflicts troubling the conscience of an enemy national who will inevitably be caught between his patriotic feelings and his loyalty to I. G. A further advantage is that the neutral, in case of war, generally retains his freedom of movement, while enemy nationals are frequently called into the service of their country, in various capacities, and therefore can no longer take care of business matters.

Nevertheless, it is obvious that transfers of shares or similar interests in our sales companies to neutrals residing in neutral countries cannot be handled uniformly in all cases and without consideration of other aspects. To mention just two of these, as accumulation of such shareholdings in the few countries that will presumably remain neutral would arouse suspicion, and the number of trustworthy persons who can be considered as suitable holders of such shares or similar interests is limited. In addition, it is necessary that protective measures to be taken by I. G. for the eventuality of war should not substantially interfere with the conduct of business in normal times. For a variety of reasons it is of the greatest importance for the normal conduct of business that the officials heading the agent firms who are particularly well qualified to serve as cloaks [die aus Gruenden der Tarnung als Anteilseigner bezenders geeignet sind], should be citizens of the countries wherein they reside. Consequently, when sales firms are organized and the shares or similar interests in the firms are being distributed, the protection against seizure in war time should, on principle, be only one of several pertinent considerations; in setting up sales organizations a decision must be reached in each case as to the extent to which protection against war seizure can be secured without interfering with other interests that should be safeguarded. At the same time, it must be kept in mind that, in case of war, possibly a large number of countries—as, e. g., in the World War, China and some of the South American countries—will be drawn into the war against their own wishes. Those countries especially when they do not become involved in actual warfare, are not particularly interested in an energetic enforcement of economic warfare legislation. Protective steps against seizure in the event of war are obviously much less urgent in these countries.

However, as far as possible with due regard to the other interests which call for our consideration, neutral influences should be strengthened in our agencies abroad by the transfer of shares or similar interests to neutral holders. If this is not possible, it seems advisable to transfer the shares or similar interests to parties who are nationals of the particular country and to provide for options on these shares or similar interests not in favor of I. G. directly but running to some neutral party with an ultimate option in I. G.'s favor.

The adoption of these measures would offer protection against seizure in the event of war, although this protection may not be a complete one. At the same time, they would provide comprehensive safeguards against attachments and executions since such levies cannot be made, in the enforcement of claims against I. G., upon assets actually held by parties who are not connected with I. G.

(b) *Inventories Abroad*.—While formerly inventories abroad were mostly held on consignment from I. G., we have recently, for a variety of reasons, turned to selling these inventories outright to our agencies which sell them now as independent dealers.

In the event of war, inventories held on consignment and owned by I. G. are subject to seizure. Where agents own their inventories, however, the fate of these inventories depends on whether the agency itself is determined by the authorities to be an enemy of their country within the terms of the broad English definition. If such a determination is made with respect to any agency, notwithstanding such cloaking measures as may have been adopted [trotz der fuer die Vertretung durchgefuehrten Tarnungsmassnahmen], its inventories will likewise be subject to seizure.

To avoid such seizure, consideration has been given to making sales through a genuine intermediary residing in a neutral country; this intermediary would also be the owner of the inventory consigned to and held by our agency. This method, however, is not feasible for I. G. for technical reasons and reasons of tax law, mainly because it would jeopardize the close contact with the ultimate processor, a contact which is absolutely essential for our business. Nor would this method be likely to afford effective protection in case of war since, in the light of our experience gained during the World War, it is most likely that the neutral intermediary would be put on the blacklist; the result would be that, in the enemy country, payment of the proceeds to the intermediary would be prohibited and the inventories owned by him might be seized.

Losses, however, occasioned by such seizure may, at least partially, be avoided by putting up the inventories as security for loans, the proceeds of which would be transferred directly or indirectly to I. G. Such steps have been taken by the Central Finance Administration for several years, up to now, it is true, mostly for reasons of maintaining market quotations and assuring the transfer of foreign exchange. They are, however, important also with respect to seizures in the event of war.

The reason is this. The enemy wartime legislation during the World War has explicitly held valid pledges or other creditors' rights in German property. Thus in England, for instance, the regulations concerning the branches of German banks in England provided that securities of German owners deposited in these branches and pledged to English citizens or neutrals should be liquidated, that the proceeds be used to satisfy the creditors and that only the balance be transferred to the Custodian. In the United States, the same principle was explicitly established by the Act of October 6, 1917, subsection 8 (a). In France, the same principles were upheld by the courts.

Accordingly, insofar as inventories abroad are assigned to enemy and neutral banks as security for loans, the proceeds of which have been transferred to I. G., I. G. avoids, in the event of war, its loss from seizure up to the amount of the credit extended; the bank, on the other hand, which extended the credit is able to enforce its claim against the lien or pledge.

When such credit transactions are carried out, it must be kept in mind, however, that I. G.'s joint sales organizations have somewhat divergent interests with regard to protection of inventories, inasmuch as Agfa and Nitrogen are exclusively interested in protecting the value of the inventories; whereas the interests of Farben and Pharma are more comprehensive since they are anxious to see that even in an emergency the ownership in the inventories should not pass into foreign hands, since this would entail additional disadvantages and losses. (Compare, e. g., the seizure of dyestuff inventories for purposes of reparations.)

With respect to the first category, the most important consideration is that the loan to be obtained cover the largest possible proportion of the inventory. It does not matter whether the creditor be an enemy or a neutral, since, on the whole, it is a matter of indifference to I. G. how the creditor enforces his claim against the inventory transferred to him by way of security. In any event, the creditor himself probably could successfully resist a sale of the inventory at prices that were so low as to be manifestly unfair and would result in leaving the creditor partially unsatisfied and I. G. liable for the deficiency. The only matter to be kept in mind is that if the neutral creditor should be placed on the blacklist he would not be able to collect the proceeds of the liquidation.

If, as in the case of the Farben and Pharma inventories, we have an interest in preventing the inventories from passing into foreign channels, an assignment to neutrals by way of security seems more practical because then we have better reason to hope that we may exercise some influence upon the liquidation of those inventories. It must be kept in mind, however, that according to the law of almost all countries a forfeiture clause providing that after the debt becomes due, full

title to the chattel pledged vests in the creditor is void. In such cases, an attempt must therefore be made to agree with the creditors that when the loans fall due, the liquidation of the goods should be made through certain firms which are to be set forth in the agreement. It can be pointed out that this method of liquidation serves also the interest of the creditor; nevertheless, the danger should not be overlooked that, when the crucial moment arrives, such stipulations will be considered invalid.

The prospects for obtaining credit for purposes of protecting the various inventories are by no means unlimited. Experiences such as those gained in the case of the inventories of I. G. Dyestuffs, Manchester, show that such credits are sometimes obtainable only upon conditions that, in turn, entail considerable complications in the normal sales business (in the case of I. G. Dyestuffs it would have been possible to obtain credit only if the agency would have been changed from a commission basis to that of an independent dealer. In the case of the Farben business, however, this would result in particularly grave complications since in that case the intensive sales work with each individual customer with respect to prices and technical problems could no longer be handled through I. G. directly). It is therefore necessary that here also all interests be weighed and that, in particular cases, the aim to protect be abandoned if the cost of such protection, comprehensively viewed, is out of proportion to the advantages it would achieve.

The Central Finance Administration endeavors to overcome, by special arrangements and set-ups, any difficulties that may stand in the way of obtaining credits. In particular, an attempt has been made to suggest to friendly banking interests abroad the establishment of credit corporations of the type which, while completely independent from Germany, have proven their worth as contact parties and intermediaries. Since both of the finance corporations heretofore established, i. e., The Axe Trading Company in London and Mapro in Amsterdam, are situated in territories which, in the event of war, would probably not remain neutral, it appears advisable to create now a similar finance corporation for the Scandinavian countries as well. For this purpose, Zeff has already held preparatory conferences with Norwegian and Swedish groups. The set-up of this company, which should have its principal office in Stockholm, is planned as follows: Of our Scandinavian business friends, the most important three Swedish and both Norwegian banks should participate in addition to Hambros Bank and the Norsk Hydro, furthermore, two managing officials from each of our agencies in Sweden and Norway and finally the Greutert company. Participation of Norsk Hydro is particularly desirable for the additional reason that Norsk Hydro itself has expressed the desire to share in the protection of the nitrogen inventories abroad.

In this connection, a suggestion should be mentioned that was made by the Central Finance Administration with regard to the protection of the dyestuff inventories in China. Since the inventories themselves were not considered as sufficient security by the Dutch lending agency, which had been approached, it was decided to deposit the proceeds which were to go to I. G. with another Dutch bank subject to the condition that that bank maintain, in turn, a deposit with the lending agency in the same amount, to which recourse may be had in the event that the proceeds of the dyestuff inventories should not be sufficient to repay the loan in full. In this event the proceeds of the loan, it is true, would not be freely available to I. G. from the outset, but they would be beyond the reach of a possible seizure in the event of war.

Although the protection of inventories abroad has already been effected in many cases, it is nevertheless desirable that the sales organizations, together with the Central Finance Administration, systematically reexamine each individual instance so that additional measures that may be deemed necessary can be considered and adopted.

Safeguards of this type afford protection for I. G., not only in case of seizure in the event of war, but likewise against attachments and executions since contractual liens or pledges have priority over liens that are created by writs of attachment or execution sued out at a later date. Putting up the inventories as security for loans does not afford complete protection since credit extended against the inventories as security will never exceed a fraction of the actual value and the equity of the debtor is, of course, always subject to the danger of seizure, whatever its legal basis.

For the same reason, it is impossible by this method to protect any increase in the value of these inventories that might be caused by the outbreak of war.

(c) *Claims.*—With regard to the third group of I. G. assets abroad, its claims against foreign debtors, the Central Finance Administration—frequently in connection with the assignment of inventories by way of security discussed in the

preceding section—has already made transfers on a large scale, some to maintain market quotations, others to secure foreign exchange more quickly or to utilize unusual opportunities for the transfer of foreign exchange. Such transfers were made possible by discounting claims against our customers or by obtaining loans secured by them. Together with those obtained by our agencies, our total loan obligations amount to approximately RM. 60,000,000. This is the equivalent of total foreign gross sales of I. G. for the period of 1½ months with an average customers' credit of 3 months. It follows that I. G.'s foreign claims are protected up to approximately 60 percent against seizure in the event of war. This applies also, at least to a certain extent, to claims based on licenses such as those for which Jasco, e. g., serves as an intervening creditor.

These credit arrangements, it is true, offer considerably less protection against executions and attachments. For instance, the Hambros credit amounting to more than £1,400,000 is secured by irrevocable orders by I. G. to a number of its agencies abroad to transfer all amounts payable to I. G. to its account with the Hambros Bank. The moneys which in this way pass through our account with the Hambros Bank quarterly are at least equal to the amount of credit obtained by us. Since the deposits with Hambros are made to our account and can be claimed by Hambros Bank only when the loans are called, these deposits, at least while the loan remains outstanding, are subject to execution and attachment. Since, on the other hand, the arrangement chosen for the Hambros credit (especially the absence of any requirement to assign our claims) offers unusual advantages for our current business and our standing, it appears inadvisable to change it in order to strengthen the protection against executions and attachments. This is especially true since it must always be kept in mind that due to the large amount of I. G. assets abroad, complete protection against executions and attachments will, in any event, never be possible. Consequently, protective measures should be avoided which involve substantial disadvantages without materially improving the situation of I. G. with respect to future executions and attachments.

(d) *Patents.*—At the outset it must be realized that protection of our foreign patent holdings against the danger of seizure in the event of war can only be arranged by transferring them to a foreign corporation. An examination of the opportunities existing in this respect, conducted jointly with the Patent Division at Ludwigshafen, has led to the following conclusions, as reported by Kersten:

If all the foreign patent holdings of I. G. should be transferred to a corporation located in a neutral country, considerable difficulties would arise in the current handling of patent matters, difficulties which, however, would not be insurmountable. The handling of patents in the field of hydration may be taken as a precedent. These patents are required to be registered in The Hague in the name of Ihec and that company must assert the rights flowing from them. In the case of a foreign patent holding company which serves I. G.'s interests exclusively, the operations would probably be even simpler than in the case of Ihec which, in every single instance, and to a considerable extent, has to make allowance for non-German interests.

The costs, however, of transferring our present foreign patent holdings to a neutral company would admittedly be considerable. The establishment of such an intermediate, neutral company would, of course, make sense only if the entire present foreign patent holdings of I. G., amounting to some 28,000 patents, could be transferred to that company. The cost of a patent transfer must be estimated at approximately RM. 10.00 per patent. This would result in a total expenditure of RM. 280,000, payable mostly in foreign exchange. In addition, it must be kept in mind that in France, where the situation, in every respect, is particularly dangerous, in the case of a patent transfer all unpaid future taxes are immediately payable. For the 3,500 French patents, with unpaid taxes averaging 5,000 French francs on each patent, an additional expenditure of foreign exchange amounting to RM. 1,000,000 would be required.

But even if the decision should be made to invest such large sums of money, the transfer of patents to a foreign corporation would not afford even a reasonable degree of protection against the danger of seizure in the event of war. According to English economic warfare legislation, the Board of Trade was authorized to suspend or cancel enemy patents or patent applications, to transfer them to the Custodian or to issue licenses for them. Also in this situation—

such companies whose business is controlled by enemies or conducted for their benefit—

were determined to be enemies.

In practice, however, a foreign patent holding company could conduct its business only by maintaining the closest possible relations with I. G. with regard to

applications, processing, and exploitation of patents—it is sufficient to refer to our numerous agreements providing for an exchange of patents or experience. These contacts could not possibly escape the notice of the foreign intelligence service, particularly since, from the outset, such a patent holding company would be suspected because it had taken over our foreign patent holdings. Accordingly, in case of war, this company would certainly be considered as operating for the benefit of Germany with the result that the above-mentioned measures of seizure and liquidation could also be applied to its patent holdings.

To establish a connection between I. G. and the patent holding company loose enough to eliminate this danger with some measure of hope for success would not be possible because it would involve insurmountable difficulties for I. G. and also a removal of industrial potential from Germany ["Industriever schleppung"]. An additional difficulty consists in the necessity for establishing an adequate price at the time of the transfer of the patent or the invention; for if this price would be fixed as a percentage of the proceeds received by the foreign patent holding corporation itself this would again result in a determination that the corporation is acting on behalf of Germany.

Finally, however, attention is called to the following provisions of the English economic warfare legislation:

If it appears from the patent applications or any specification that the applicant has learned about the invention from an enemy, a rebuttable presumption arises that this enemy has the beneficial ownership of the patent. Since under German patent law every patent application must disclose the inventor, a simple comparison between the foreign and the corresponding German patent application would disclose the German inventor. It would be a fruitless endeavor to attempt to prove to enemy courts or officials that the person entitled to the beneficial ownership of a patent is not the German inventor but the neutral patent holding company alone.

In short, the result of these considerations is that protection against seizure of our foreign patents in the event of war is practically impossible.

The question remains to be examined whether such protection is not feasible at least against attempts to levy attachments or executions.

In the light of experience gained in connection with gold-clause litigation brought against A. E. G., that firm now transfers its patents to a German patent-holding corporation called *Lizenzia*; this is being done on the theory that possible foreign claims which may be asserted in the future against A. E. G. itself would no longer be enforceable by levy upon patents now held by another company.

Judicial decisions of all countries show a constantly increasing trend toward a disregard of formal legal arrangements in favor of considering economic inter-relations. In view of this trend it may be open to doubt whether, in the long run, the position can be successfully maintained that patent properties that have been transferred to the patent-holding company (*Lizenzia*) are not liable for the obligations of the parent company (A. E. G.).

The transfer of patent properties to a German patent-holding company of this type solely for protection against executions or attachments would not be practicable for I. G. for the reason mentioned elsewhere in this discussion, that—measured by the amounts involved in any execution or attachment proceedings that might be brought in the future—I. G. will always own substantial assets abroad which cannot be protected against such levies. A transfer of our patent properties to a German patent-holding company or possibly to the *Ammoniakwerk Merseburg, Limited* [G. m. b. H.], which has no foreign debts, would accordingly result only in considerable technical and other difficulties (use of production know-how) without achieving any marked changes with regard to a protection of I. G. from executions or attachments. For the same reason it has previously been decided not to adopt such a procedure.

In summarizing, Kersten, after a thorough discussion, stated, with the consent of all, that for the protection of I. G.'s foreign assets against seizure in the event of war and against execution and attachment proceedings, the following measures are essential:

With respect to the sales organizations.—Strengthening of effective neutral possession of shares and similar interests.

With respect to the inventories.—Their transfer to foreign banks as security for credits the proceeds of which are made directly or indirectly available to I. G.

With respect to claims.—Assignment of claims before they fall due.

With respect to foreign patent possession.—No protective measures are available which could be carried out with some hope of success.

EXHIBIT No. 3-A

REPORT TO MINISTRY OF ECONOMICS DATED SEPTEMBER 26, 1940, REGARDING
"SAFEGUARDING OF LATIN AMERICAN SALES COMPANIES"

DRAFT (in pencil notation)

SEPTEMBER 26, 1940.

Re: Safeguarding of the Latin American Sales Companies of our Dye and Chemical Department.

To the REICH MINISTRY FOR ECONOMIC AFFAIRS,

Berlin:

We are referring to our application of 9/9/1940 and to the interview which was granted us on 9/23 and during which you asked us to give detailed reasons for our request of 9/9/1940.

We should like first of all, as we had the recent opportunity of doing in connection with the deputy gau leader of the Organization of Germans Living Abroad—Mr. Hess, to report briefly on the success of our camouflage measures in the hitherto enemy countries, up to the present time enemy territory.

A. OUR PREWAR SALES ORGANIZATION ABROAD

Before the world war sales organizations of the I. G. predecessors existed in different countries, most of them organized under the same name as the parent firm, or in any case as official agencies of the German chemical industry. The result was that all the sales organizations and also the existing manufacturing enterprises were immediately seized by the enemy countries. When the firms were not liquidated by the Alien Property Custodian, they were sold to our competitors in the same countries and the documents found in the agency offices proved a valuable help in the development of the chemical industry of the enemy countries, development which had begun during the war and continued during the postwar period. The complete lack of organization proved particular handicap for the development of our own business after the World War, since in no other branch of business is it so important to have a perfect business and technical organization, which is in permanent contact with the customers as in the chemical branch; because precisely in the field of chemistry the demands of the industries which use chemical products are in a constant state of transition. It must be added that good and cautious technical advice in the application of our products is of decisive importance for the development of our business. We may even say that in certain fields the superiority over our competitors from other countries is based not only on the higher quality of our products, but above all on the well organized and excellently trained sales staff and on the technical service to the customers. Therefore, from the first, we had not the slightest doubt that we shall be compelled to organize after the World War our own sales companies in all parts of the world, should we desire, if only to a certain degree, to attain the position in the export field, occupied by our predecessors. The postwar developments have brought about with them in almost all parts of the world the amendment of tax legislation so as to protect national industry and to oppose foreign import industry, especially that of Germany. Because of this several countries have made subject to taxation domestic production enterprises, which were or were considered to be affiliated with foreign firms.

We decided, therefore, at the time to camouflage these new companies as independent companies of the respective countries, with a capital, fully independent from us. By setting up these camouflaged companies we have achieved that the tax authorities in most of the countries have not subjected to taxation our firms and the production and commercial profit connected with them, but only the foreign sales companies and the small profit declared by them. As only this small profit of the foreign sales companies abroad has been subject to taxation, we have succeeded in avoiding abroad large taxes, and we were able in this manner to transfer to Germany a correspondingly larger equivalent of our export goods. This measure, which by the way, is taken by other German and foreign firms, which export goods to the countries in question, has proved very useful during the last years, especially in view of the need for foreign exchange felt by the German Reich. The increased amount of Foreign Exchange, obtained by this measure, which was so necessary for the development of German National Economy, totalled each year many million Reichsmarks. We must point out in this connection that the savings on foreign taxes was for us in many cases not only a question of larger or smaller profits but for a large number of our products it was an indispensable condition in competing with foreign domestic firms or other competitors often more privileged than we, in the matter of taxation. Only during recent years since about 1937, when the danger of a new conflict

became more and more apparent, did we take pains to improve our camouflage measures, especially in the endangered countries in such a way that they should prove adequate even under war time difficulties and at least prevent immediate seizure. A postponement of a seizure, even for months, meant to us, as will be stated below in connection with individual cases, an extra profit. Our experience up to now has shown that the camouflage measures taken by us have stood us in good stead, and in numerous cases have even exceeded our expectations. As an example, we take the liberty of quoting the following cases occurred in the dye department, which has the largest sales organization abroad.

1. *Great Britain.*—The I. G. Dyestuffs, Ltd., Manchester, our Paint Agency for Great Britain, which had been camouflaged to an extent already before, has been camouflaged much more thoroughly after the September crisis of 1938. Because the company, as a result of this, functioned as a non-German enterprise, we succeeded, still in the summer of 1939, to sell outright our large stock of goods costing about RM. 10,000,000 on consignment in England, in return for immediate payment in cash, to the I. G. Dyestuffs which in its turn was able to get the funds necessary for the purchase from a large English bank against the pledging of warehouses. It was evident from the course of negotiations that it would have been impossible for a German company to obtain at that time such a large credit. These measures helped us to avoid considerable losses in England.

Consequently, at the outbreak of the war in September of 1939, the I. G. Dyestuffs was provided with a supply of goods for about 6 or 7 months, so that at least for this time the organization was able to keep going. The chance to obtain dyestuffs from other sources was very small; from the beginning we had to count on the fact that we would be compelled to make a change in the organization. According to confidential reports, which we had received through Ireland or U. S. A. the English officials of the I. G. Dyestuffs had loyally protected our interests in spite of the war. It is surprising and does credit to our camouflage measures that no Controller was appointed to the I. G. Dyestuffs. It must be also assumed, that it was possible to avoid having the sales material which our agency had in stock, fall into the hands of our English competitors, which would certainly have been the case if the firm had not been camouflaged. In January 1940 we learned that the managing directors of the I. G. Dyestuffs had decided to liquidate the firm and to organize another small firm under the same name with the part of the personnel which was most important to us, so as to be able to maintain through it at least some contact with the customers, in case the firm should be able to obtain some place the necessary dyestuffs. They believed, therefore, that it would be in our interest not to use up gradually the surplus, resulting from the sale of the stock pile, or the share capital, by maintaining the large set-up of the old firm. It had been decided therefore on March 28, 1940, to liquidate voluntarily the old firm. It is superfluous to point out that this development considered in the light of the entire national economy as well, is much more advantageous than the one which took place during the World War and which would have been certainly expected to take place also in 1939 had it not been for the camouflage measures.

2. *Canada.*—We have founded in Canada in 1926 the Consolidated Dyestuff Corporation, Ltd. (hereinafter referred to as CDC). The existence and the preservation of an organization in Canada was of a special importance, as no custom or any other laws prohibited the import of dyestuffs and consequently the competition of almost all dye producing countries was felt particularly in this country. Because of the stiffening of the tax legislation, we contemplated in the years 1934–1935 for the first time some kind of camouflage of the CDC, which was completed in 1936. The following was the essential reason for the camouflaging: The customhouse legislature in the United States, namely, the Tariff Act of 1930 and especially the Anti-Dumping Law of 1921 as well as the right of the Treasury Department agents to investigate the invoice prices forwarded to the United States, a right which had been established by the Consular Agreement between Germany and the United States, have compelled us to find some way out in order to keep up our export to the U. S. A. There existed the imminent danger of losing the greater part of export because of the prohibitive dumping custom duties. A court ruling on custom duties in the United States in 1934 gave us, however, the opportunity to circumvent this danger, but at the same time we had to give proofs that we export to at least two countries for prices similar or lower to those we charged in U. S. A. The most important thing was to show that we did not hold a capital or profit participation in the firms of these two countries. As our sales prices in Canada were anyhow very low, because of the competition existing there and also because we were able to compensate any

possible price reductions, which we were forced to make with respect to American business, by price increases on products which were not sold to the U. S. A., we designated Canada as one and Australia as the other of the two countries; moreover, in 1936, we were about to organize in these two countries our own new sales agency. It was important, chiefly for this reason to camouflage completely the CDC.

At the outbreak of the war the CDC had stores of supplies sufficient for about seven months. We could assume, however, in the case of Canada, contrary to that of Great Britain that our Canadian agency of the CDC will not meet with great difficulties in purchasing and selling dyestuffs, especially those of American origin. In the first place there were the dyestuffs produced by General Aniline & Film Corporation, New York, a firm which maintained friendly relations with us, and also products of other American dyestuff manufacturers. Because of the camouflage the CDC had not been seized; only a Controller had been appointed, probably because at the time of organization of the company we were officially represented as shareholders. This Controller, however, has not jeopardized the current sales business of the CDC. Through the camouflage of our sales company in Canada we have in the first place attained our goal as far as taxes were concerned and in the second place we have preserved our sales organization, a fact which is extremely important for the reconstruction of our business.

3. *Australia*.—In Australia, we had organized in 1936 a sales company under the name of Dychem Trading Co., Ltd. (hereinafter referred to as Dychem); tax considerations, explained in connection with Canada and the Anti-Dumping Law were decisive factors in the camouflaging of this company. The Dychem at the outbreak of the war had a store of supplies for about 3 to 4 years, besides that it was able to obtain dyestuffs of American origin and to keep up its sales operations and the contact with its customers. As far as we know, the Alien Property Custodian in Australia has not paid any attention to the Dychem up to the present time and had not even appointed a Controller, so that the Dychem could continue its business operations completely unhampered. Only the shares, held by the German Director Dr. Reitmeyer, were attached. As, however, these shares represented only a minority holding, this measure was of no further importance to the company.

Consequently, through the camouflage we have in the first place fully attained our goal as far as taxes were concerned and in the second place we have succeeded in preserving our sales organizations.

4. *British India*.—In the beginning nothing but tax considerations compelled us to camouflage our sales organization in British India. The Taxation Law of 1922 provided already that a firm which was registered not as "trading with India" but as "trading in India" could be taxed also for the so-called Manufacturer's Profit. Therefore, according to the Indian Taxation Legislature the assessment of the tax was left to the judgment of the Indian taxation authorities, unless it could be proved by submitting full documentary evidence that the income tax does not correspond to the obtained profit. The sale of our products in British India was effected up to the end of 1938 through a nonregistered branch of the Haverro-Handel-Maatschappij N. V., Rotterdam in Bombay (hereinafter referred to as Haverro). In respect to the outside world, the Haverro acted as an independent dealer, whereas on the inside it was only our commission agent. For various reasons, which submitted in detail to you at the time and to the Organization of Germans Living Abroad of the Nazi Party as well as to the Testing Bureau of the Chemical Industry, we were compelled to organize in the latter part of 1938, new sales organizations in British India. Because of the above-mentioned tax situation and with the view to possible conflicts, we had decided to camouflage these sales organizations in this case also.

As these companies were organized only after the crisis in September of 1938 and were selling only German products at the outbreak of the war, there was a suspicion that they were enemy firms. The Chemdyes, Ltd., Bombay (hereinafter referred to as Chemdyes), which was selling our dyestuffs and chemicals in British India was, for that reason first placed under control in the beginning of September 1939 and then closed up. After a short time, however, the authorities had to admit that they were convinced that the Chemdyes was an independent company and granted it a general commercial permit although they placed it under the supervision of a controller until the complete clarification of the situation. Thereupon the Chemdyes could continue its work actually unhampered, could undertake the sale of our stores of merchandise, keep up connections with various customers, etc. In 1939 the Chemdyes had procured from an English Bank a credit of £450,000 by pledging merchandise forwarded by us and had availed itself of the credit exchange to effect a provisional transfer to Germany.

The company currently covered this credit and the credit granted to us by the same bank from the proceeds of the merchandise.

Our English competitor "Imperial Chemical Industries, Ltd." (hereinafter referred to as ICI) tried hard to take over the Chemdyes but in vain. We learned that the director of the ICI in British India went in January to see the British Indian Government [authorities] in Delhi and protested against the business operations of the Chemdyes continuing unhampered. The government [authorities] replied that up to the present it had not succeeded in establishing relationship of the Chemdyes with Germany. After that the director of the ICI went to London and induced his company to make to the Dutch shareholders, who represent our interests in the Chemdyes to the outside world, a very favorable offer for their shares. The sale price was to be paid in New York in U. S. A. dollars. We, naturally, asked our trustees not to consider this offer. Only the occupation of Holland and Belgium gave the British Indian government the opportunity to declare the Chemdyes an "enemy firm," as according to the conception of the British-Indian (English) law, the territories occupied by Germany, the companies which have their seat in these territories and the persons domiciled there are also considered as enemies. The only reason which enabled them to proceed in this manner was the fact that the predominant majority of the Chemdyes' shareholders had their domicile or residence in Belgium or Holland. The fact that the company was declared an "enemy firm" only because of the Dutch shareholders, who were considered as enemies, was a considerable advantage because the British-Indian authorities, in the case of a possible sale of the Chemdyes to the ICI, would have to take into account the relationship between Great Britain and Holland, as after all the latter is regarded as an ally. Consequently, the camouflaging of the Chemdyes, up to the time of the occupation of Holland and Belgium also proved a success in British India.

5. *France*.—The sale of our dyestuffs and chemicals in France is made through the "Sopi," Paris. Originally, tax considerations, were almost exclusively responsible for the camouflaging of this sales company. Because of this camouflaging we succeeded in avoiding this burden of taxation which would have been prohibitive in the sale of our products. Besides that Sopi, acting as an allegedly independent French firm succeeded in pledging shortly before the outbreak of the war products stored in various warehouses valued at 2½ million Reichsmarks and in transferring the equivalent to us. Sopi would not have been able to obtain this credit as a German subsidiary in Paris. Sopi was not seized during the war; only the participation of one shareholder was seized, a circumstance which did not affect the business operations of the company. Consequently through camouflaging, we had avoided the waste of supplies connected with immediate sequestration, the dismissal of the professional personnel and the destruction of all the documents (references which have been gathered for years and which are especially important in the chemical field). In this manner we were able to comply with the wishes of the Reich Office for Economic Development, recently communicated to us and to resume to a full extent business operations of the Sopi, especially as the supplies were still on hand in France.

We believe to have proved by the above survey that the camouflaging of our foreign sales companies, which was made originally only because of tax considerations had proved a success, far beyond our expectations, even during the war. Roughly estimated, we have saved in foreign exchange annually 6 to 7 million Marks, of this sum about 2 million Marks in India.

We must also point out that the continued sales activity of our companies in enemy countries cannot be explained exclusively by the fact that the products sold by them were essential to the war. The nature of our sales business required in any case that we keep considerable supplies of these products in all the countries, consequently we had to have them in the enemy countries at the outbreak of the war. But if the camouflaging had not proved successful it would have been possible in each case to seize these supplies and to effect the sales through the sales companies of the competing enemy industries, of which there is a sufficient number in all countries. The case in British India shows how great an effort was made by the enemy competition to obtain the enactment of this regulation, which at the same time would have given precise information of our internal organization and of our connections with our customers. To have prevented such a development in all the countries is further proof of the great success of our camouflaging measures.

(B) THE SITUATION OF THE SALES COMPANIES OF OUR DYES AND CHEMICAL DEPARTMENT IN LATIN AMERICA

Our Latin-American sales companies were originally camouflaged in order to avoid prohibitive taxation, which would have had to be taken into account, if

these companies had functioned as places of operation of our firm. Mr. D. A. Schmitz, New York, pursuant to permit which you have granted to us, participated as trustee in all these companies. Sometime ago Mr. Schmitz informed us that he was not any longer in a position to continue the trustee participation in our sales companies in Latin-America. We were compelled, therefore, to look around for other persons, who would be able to take over Mr. Schmitz' shares. In this connection and with regard to the existing danger that one of the Latin-American countries might follow suit, in case the United States entered the war, we find it necessary to improve the camouflaging of our sales companies in Latin-America, which was done originally because of taxation.

We intend therefore:

(1) To have it appear that we place the majority of the shares or participations in the hands of persons who are citizens of the countries in question.

(2) To replace direct agreement between the shareholders and us by a pool agreement, a draft of which you will find in the appendix.

In spite of these pro forma measures, the shares or participations shall belong to us as heretofore without any limiting conditions. We therefore had in mind having prepared in the form of a documentary note by our confidential man, the dividend and interest guaranty of which you already have knowledge; on the basis of this the gentlemen will receive a fixed rate of interest on their investments instead of dividends.

Only the Option and Loan Statement, shall be replaced with regard to the outside world by a pool agreement; in this case too, however, it must be made clear to the shareholders that should one of the countries in question enter the war this pool agreement is to serve only for submission to the authorities, in order to disprove the existence of any direct agreement with us, while the gentlemen would still continue to regard themselves as our trustees as heretofore. Besides we intend to induce the gentlemen to repay insofar as possible the loan advanced by us for the purchase of shares and participations so that if necessary they could prove that the expenditure was made out of their own funds.

In case the United States or one of the Latin-American countries in question should enter the war we intend to achieve the following by this improvement of camouflaging:

(a) The supplying with merchandise during the present war is of the uppermost importance for our Latin-American agencies. At the beginning of hostilities our agencies were relatively well provided with supplies, and even during the war it was still possible to forward from here fresh supplies on several occasions. Even today these means have not been entirely cut off. Yet, after a very short time, a shortage in one or the other product was noticeable there, and as time goes by necessary merchandise is lacking more and more. A considerable part of [those] products, which cannot be sent from Germany any more, may be received from the U. S. A. and, namely, primarily from companies, which are friendly to us, and if the latter are not in the position to make deliveries from other U. S. A. firms. When our agencies tried for the first time to obtain such products, from the U. S. A. which could no longer be supplied from Germany, several U. S. A. agencies voiced the doubt as to whether it would be advisable for them to supply firms, which are on the proclaimed enemy list. Only when it was pointed out that the firms in question were exclusively domestic companies of the respective Latin American countries, could the doubt be temporarily overcome. At the present time the supplies from U. S. A. are coming in in the desired quantity. If, however, the U. S. A. and with them the Latin-American countries in question enter the war, we must count on the certainty of a thorough reexamination of the question, as to whether the said firms may be supplied from the U. S. A.

(b) During the last year several of our Latin-American sales companies have obtained in conformance with our wishes and with your approval, the controlling interest in the already existing chemical enterprises, namely—

Alliance Commercial de Anilinas Ltda. in Brazil

The "Fluminense" and

The enterprise "Max Hamers"

herewith must be also added the Azofarben-Factory, which had been operated by us for a number of years at the Allianca in Rio de Janeiro.

(Compare your decision concerning the permit of -----)

the Cia. General de Anilinas y Prod. Quim. Soc., Ltd., Chila, at the enterprise Max Taucher

(Compare your decision concerning the permit of -----)

And the Anilinas Alemanas Cia., Ltd., in Colombia which is acting for us at the "Inquico"

(Compare your decision concerning the permit of -----)

These industrial strong points have not only achieved considerable importance as places of production of the merchandise required by the sales agencies over there, but their importance for us and for expansion of German influence in Latin-America in general will in all probability increase considerably after the war. We may point out that some of these enterprises, as for example the "Fluminense" in Brazil, were acquired after strong competition with the important American chemical industry (Dupont de Nemours). Apparently the North American industry has also recognized the importance of these strong points.

(c) To the reasons given under (a) and (b) shall be added general considerations indicated in the introduction, which speak for camouflaging and which are still valid in Latin-America.

The maintenance insofar as possible of our sales organization, also during the war period, is, in our opinion, of the utmost importance. In view of the serious struggle with the producers of chemicals of other economic Empires, especially America and Japan for the dividing up of world markets, a struggle which is most certainly to be expected, a mere financial compensation after the war for possible losses will not suffice to cover the damages, which must necessarily occur, if the above-mentioned sales organizations and the industrial strong points should fall, if only temporarily into strange hands, because we must take into consideration the fact that they have a great deal of technical and commercial experience and valuable material of all kinds. There is also the danger, that the still existing supplies which are of the greatest importance in the resumption of operations after the war, will be wasted meanwhile and will find their way into the agencies of the middlemen, who, as we know from the experiences of the last war will for years to come disturb the regular market by means of this merchandise.

Finally, as we also know from the experiences of the last war, there is the very important question of permanent contact with the buyer, which must not be interrupted even for a short time, thus allowing him to become used to a strange dealer.

It is true, our intended improvement of the camouflaging has, as it was brought out during the oral discussion, the disadvantage that the German Reich after the end of the war will not be able to rescind with equal force a possible seizure of shares held by a neutral shareholder as in the case of a seizure of shares held by a Reich German. We, however, consider the danger for the activity of our agencies during the time after the end of the war as less great than that by which they are threatened in the meantime; should our North American competitors in the meantime succeed in gaining possession directly or indirectly of our sales companies as well as of the industrial strong points. Such damage as we have already stated above, could never be repaired. Moreover, we believe that the Greater German Reich, will demand, as it did in France, the repeal of all sequestration measures, not only those directed against Reich Germans, but also those directed against neutrals.

We should like to point out once more that our camouflage measures ensure our having dominant influence in business transactions and in the selection of the personnel. The verbally discussed case of the "Farma Platense" in Argentine is not at all a case of camouflage. We are holding an official participation of 50% in this company. Our weakness in dealing with our American partners cannot, therefore, be explained by camouflaging measures; this weakness results rather from the fact that we were forced after the World War to come to an agreement with the Americans who in the meantime have taken possession of our pharmaceutical patents. These Americans in drawing up the agreement, have retained the controlling influence in the business management of the "Farma Platense."

We, also, should like to emphasize, that until the end of the war the intended changes are nothing more than transitory measures and that after the end of the war they shall be subject also in South America to a thorough examination with your approval and that of the Organization of Germans Living Abroad of the Nazi Party.

Consequently we ask of you to permit:

(1) To place Mr. D. A. Schmitz' shares, as shown in the appendix, in other hands.

(2) To replace the existing direct agreements between the shareholders or partners and us by a Pool Agreement, along the lines of the attached draft,

9/25/40.

Distribution of the capital

Country	Partners	Share	Citizenship	Partners	Share	Citizenship
Brazil: Company with limited liabilities-----	(M. Hamers-----	<i>Rs.</i> 4,000,000\$000	German and Brazilian....	M. Hamers-----	<i>Rs.</i> 700,000\$000	German and Brazilian.
	{J. Marquardt-----	300,000\$000	German.....	J. Marquardt-----	300,000\$000	German.
	{D. A. Schmitz-----	300,000\$000	U. S. A.....			
Argentina: Corporation-----	{Dr. G. Wernicke-----	<i>Mfn</i> 20,000	Arg-----	Mario Williams-----	<i>Mfn</i> 20,000	Arg.
	{F. Ellerhorst-----	16,000	Arg-----	Dr. C. Linck-----	16,000	Arg.
	{Dr. C. Linck-----	16,000	Arg-----	F. Ellerhorst-----	16,000	Arg.
	{L. Spring-----	14,000	German.....	A. Noll-----	28,000	Arg.
	{D. A. Schmitz-----	20,000	U. S. A.....	Hosmann-----	20,000	Arg.
	{A. Moll-----	14,000	Arg-----			
Chile: Company with limited liabilities-----	{D. A. Schmitz-----	<i>Chil. \$</i> 166,666.67	U. S. A.....	} Negotiations still continue.		
	{J. Marquardt-----	133,333.33	German.....			
Mexico: Corporation-----	{D. A. Schmitz-----	<i>Mex. \$</i> 25,500	U. S. A.....	J. M. Fischer-----	13,500	German.
	{J. M. Fischer-----	13,500	German.....	K. Thurmann-----	5,500	Mex.
	{K. Thurmann-----	5,500	Mex-----	H. Schumacher-----	5,500	Mex.
	{H. Schumacher-----	5,500	Mex-----			
Peru: Corporation-----	{G. R. Cornejo-----	<i>S/</i> 16,000	Peru-----	(G. R. Cornejo-----	16,000	Peru.
	{Dr. Fr. Bank-----	8,000	German.....	Auc. Betoysa-----	8,000	Peru.
	{D. A. Schmitz-----	16,000	U. S. A.....	Fr. R. Lanatta-----	8,000	Peru.
				C. A. Cornejo Espina-----	4,000	Peru.
				T. Taboada-----	4,000	Peruvian.
Country	Old status		Citizenship	Partners	New status—share	Citizenship
	Partners	Share				
Columbia: Company with limited liabilities-----	{D. A. Schmitz-----	<i>Col. \$</i> 2,500	U. S. A.....	} Negotiations still continue.	<i>Col. \$</i>	
	{Eb. Weisbach-----	1,500				
	{Th. Sohn-----	1,000	German and Chil.....			

EXHIBIT No. 4

MEMORANDUM FOR THE COMMERCIAL COMMITTEE BY OVERHOFF DATED SEPTEMBER 18, 1941, ON "PROTECTION OF LATIN AMERICAN AGENCIES"

Translation

Latin America

SEPTEMBER 18, 1941.

In order to acquaint you with the problems which must now be discussed, I should like to present you with a few figures which are indicative of the development of the business in dyes in Latin America during the war years. The gross turn-over, i. e. the sum total of business done in the individual countries, amounted to:

	R.M.
1937-----	21, 652, 789
1938-----	19, 870, 298
1939-----	24, 281, 715
1940 (including merchandise)-----	18, 613, 666
1941 (for 7 months)-----	16, 652, 476

This shows that the turn-over during the war years has been very large¹ and that in particular during the last year, 1941, a large increase was noticeable. It may be assumed that the gross turn-over for 1941 will amount to from 27 to 28 million marks.

There are several reasons for this development. A certain tendency was noticeable on the part of our customers to stock up on our products. However, our agencies, in carrying out our directives, have followed a policy of caution and have prevented individual customers from over-stocking. More important, however, is the fact that we fortunately succeeded in raising the price level almost everywhere. We encountered the greatest difficulties in this respect in Uruguay and in Argentina. The reason for this was that these two countries are supplied to a large extent by the English chemical industry at cut-rate prices. In countries which cannot furnish any raw materials, etc. which are vital to England there is hardly any mention now of sales of English dyestuffs.

The last and decisive reason for this increase in turn-over is the fact that at present nearly all Latin-American countries, including their industries, are very prosperous. In 1940, great difficulties had to be overcome, but by 1941 the war boom made itself felt in the United States in an ever-increasing measure. Contrary to the pessimistic utterances frequently heard in the States, that country succeeded in replacing European business in South America. Naturally, it is possible that this is only a temporary state of affairs. For the present time, however, it is working against us, at least psychologically. Certain quarters in the United States are continually harping on the same string in pointing out that after the war Germany would try to supply its raw materials from other countries and would no longer be interested in Latin America. It would be vitally important for Latin America—so the argument goes—to convert its economy immediately and radically in accord with the needs of the Western Hemisphere. Because of special circumstances Argentina is the only country where such conversion has not yet taken place.

This great demand for our products could be satisfied only because we succeeded in shipping considerable quantities of merchandise, even during the war years. These shipments replenished the existing stocks which had been considerable even before the war.

The value of goods shipped to Latin America during the war years amounted to 50,915,000 R.M. of which—

5,274,000 R.M. were shipped by blockade runners.

4,314,000 R.M. by way of Siberia.

The volume of [sales of] these goods was augmented by purchases from our North American friends, which at present amount to about 12,390,000 R.M. (for dyes only).

Stocks still at our disposal in the various countries and in our agencies will be sufficient to supply the demand for a period of from 6 to 9 months even if the present business boom is taken into consideration. Generally speaking the situation in regard to available stocks is less favorable in the smaller countries than in the larger ones.

Furthermore, payments for our merchandise have reached us in a very satisfactory manner. From the very beginning we have endeavored to get as much

¹ This passage originally read, "sales during the war years have been considerably greater than the average turn-over during the prewar years." This passage has been stricken out and replaced by the above wording.

out of Latin America in one way or another as we have shipped there in the form of new merchandise. We have succeeded in this attempt, for—as I mentioned above—50,915,000 RM. worth of new merchandise was shipped, in exchange for which we received during the same period from overseas—

	RM.
In the form of clearing marks-----	11, 000, 000
In free foreign exchange-----	5, 000, 000
In foreign exchange for freight and insurance premiums, especially for shipments by way of East Asia-----	1, 500, 000
Total-----	17, 500, 000

These possibilities of transfers are by no means exhausted at the present time. I should like to mention the curious fact that Mexico and China are now the only countries from which we are still receiving free foreign exchange by way of Switzerland, although Berlin quarters were more than pessimistic, especially in regard to Mexico. The clearing agreement with Brazil has worked without any friction up to the present time. With the assistance of the banks we always have been able to find ways of effecting transfers in the other countries and to exploit such possibilities. The only exception is Colombia, from which a considerable amount of money due to us cannot be exported because of the especially strict regulations with regard to foreign exchange. We are constantly trying, however, to unfreeze the money in this country too.

In the matter of currency remittances we have always taken into consideration the fact that our agencies have sufficiently large means to continue their activities for years to come. The figures on these remittances obviously do not include expenditures for investments, which had become necessary meanwhile, nor amounts paid for Customs, for recurring expenses of the agencies, etc.

However, this unusually favorable situation has undergone a fundamental change during the last few months. The pressure brought to bear by the United States which found its visible expression in the publication of the extensive American "Blacklist" has increased enormously. The result is that purchases of merchandise from the States are no longer possible at the present time, at least not on a large scale. A few channels to the U. S. A. have been kept open thanks to the activities of our agents there, but it is only a question of weeks when they, too, will be shut off. At approximately the same time, we received word from Berlin that we could no longer count on sending out blockade runners. The way through Siberia is also closed until further notice. Transfers of money from overseas are increasingly difficult. The tendency toward boycotting becomes more marked. One of our gentlemen, Mr. Heinz Thol in Havana, was arrested three weeks ago as an espionage suspect (though the case against him was dropped after a while and he was released). As far as I know, unpleasant incidents have occurred at the agencies of other branches too (tar bombs were thrown against the building of the Quimica Bayer in Argentina, display windows of the Azfa were broken, etc.). Matters are coming to a head, as is evident by the fact that the Argentine Government, on the occasion of the messenger incident asked for the Ambassador, Mr. von Thermann, etc. The customers, too, are becoming afraid to buy from our Latin-American agencies which of course are all on the Blacklist. This fact in itself, however, does not cause me any great anxiety. As long as there is merchandise for sale our agents will succeed in selling it.

This change in the situation makes it necessary, I believe, to state once more the course we want to follow in the future. In this respect it is important to find out what assets I. G. still has in Latin-America at the present time. I am able to quote approximately correct figures for the branch "Dyes and Chemicals." The assets of this branch, consisting of accounts receivable, stocks on hand, investments etc., less money owed to banks, amount to approximately 23,090,000 RM. at the present time. Together with the assets of the other branches our total risk in South America will amount to approximately 50,000,000 RM. It is worth while considering the steps which might have to be taken in the future.

During the week before last when I was in Berlin together with our local representatives I tried to find out from the competent Government quarters whether there was any news and what opinions were prevailing in Government circles. Unfortunately, the competent gentlemen of the Ministry of Economics could not be reached. On the other hand, we had a long discussion with officials of the Foreign Office and of the Foreign organization. Generally speaking, governmental quarters are in no position at the present time to issue new and positive statements with regard to Latin America. The prevailing opinion, however,

which is identical with our own is that we must maintain our position as long as possible.

Well, this is nothing but a commonplace, and it therefore needs further implementation. Permit me to submit to you certain suggestions in this respect.

(1) *The problem of further shipments of merchandise.*—The government has no objection to exportation to Latin America except to Mexico and Central America. The Dyes Branch had dispatched 82 carloads via Siberia and of these 82 carloads, 7 were in Japan and 20 in transit through Siberia when war broke out with Soviet Russia. The others had either arrived on the other side of the Atlantic or were still floating around in the Pacific Ocean. It was a real surprise to everybody that the Russians released the 20 carloads in transit through Siberia without raising any objections so that we have not suffered any losses up to now. [Moreover, they also released shipments to China, Japan, Southeast Asia, etc.] Only the 27 carloads in Japan could not continue as the Japanese had stopped routing their shipping through the Pacific. This, however was apparently only a temporary measure, for in the meantime 15 carloads were dispatched from Japan to Latin America and there is the possibility that the remainder can also be shipped. It so happened that a considerable part of the merchandise contained in those 27 carloads was earmarked for Mexico and Central America. We have had no difficulty, however, in receiving permission from the Supervisory Office for Chemicals to let these shipments reach their destination.

Even after the liquidation of this business there is still a possibility of reaching Latin America. Contrary to our policy in respect to Latin America, attempts to run the blockade shall be continued with regard to East Asia. At the present time, there are three freighters in the harbor of Bordeaux, which are either loaded or in the process of being loaded. We decided to add to the loads of each ship merchandise for Latin America in the amount of about 500,000 RM. We did this because we are hoping that it will still be possible to reach Latin America from Japan. However, if this should prove impossible, the assortment shipped to Japan is such that it can be marketed without any difficulty in East Asia. It is planned to dispatch other freighters to East Asia during the next few months. We must therefore consider whether I. G. wants to participate in these ventures (called "Transport") in the future with regard to Latin America. It is understood that this will be done only when the other well-known requirements are fulfilled, for instance, when there is enough merchandise available, which is not required for other purposes.

Moreover, the Dyes Branch has the opportunity, in case that additional shipments to Latin America are made impossible, of transferring its business in one or the other Latin American countries to the General Aniline & Film Corporation. In view of the existence of the "Blacklist" this would be possible only if our own marketing organization remained completely inactive while the G. D. C. established an organization of its own if the necessity arose.

(2) *Transfers.*—I have mentioned above that there are still possibilities for transfers. We must, therefore decide whether and to what extent we will take advantage of these possibilities in the future. It must furthermore under all circumstances also be arranged that our agencies remain alive for as long a time as possible. This end cannot be attained by simply leaving the money standing on the other side, because then it may possibly be confiscated. Now some of our agencies, i. e., in Mexico and Peru, have arranged to hold a small extra reserve which does not appear in the books.

In Mexico the Quimica as well as the AGFA RM. 100,000 each. In Lima-Cornejo S 20,000 RM. 7,800.

This is, of course, comparatively little. The possibility should be considered of requesting the remaining agencies also to keep in reserve in the same manner money which could be withheld from possible seizure.

In this connection I should like to say a word about our sales policies. The agencies are of course informed that they cannot longer count on large-scale shipments from here. Except for making this point we have not attempted to exert any influence upon their sales policy because we may rightly assume that the safest place for our merchandise is in the storehouses of our customers, particularly as long as there are possibilities of making transfers.

(3) *Personnel.*—It is probable that the Italian air line will discontinue service at the very moment when the Americans establish their air line from South America to Europe. It must therefore be considered whether it is not advisable to use the Italian air line, as long as it is still operating, for recalling any of our younger gentlemen who can be spared on the other side. I am of the opinion however, that we have to leave it up to the individual employee whether he wants to run the risk of a transoceanic flight, a risk which is considerable. The cost of such passage

is very great, about 2,000 U. S. A. dollars. However, the question of cost hardly enters the picture, for obtaining reservations is so problematic that only very few of our gentlemen could be considered. Moreover, a departure from countries other than the A-B-C countries no longer seems possible, for the American air lines Panair and Panagra apparently do not accept any German passengers and furthermore, there is obviously no travel by neutral ships to the east and the west coasts. In Mr. von Humboldt's case, Argentina has even refused to issue a transit visa.

There would certainly be a great to-do, if we recalled our gentlemen from the other side in large numbers. This is most definitely not the intention of the Foreign Organization. Although we have already been faced with two instances in which definite requests for recalls were made on the other side, I am very much against this, and if at all, we should do so only to a very limited extent.

Another question is whether this should be left to the discretion of the families, the women and children, of our German gentlemen as to whether they want to return to Germany. These families would probably be able, even under present circumstances, to take Brazilian or Spanish ships sailing for Europe.

In this connection I should like to submit to you a few figures: The Branch "Dyes and Chemicals" has at present 88 employees sent by I. G.; 616 employees, residents of the respective countries.

Among the employees sent by I. G. there are 83 German nationals, 15 of whom have a dual nationality. However, there is also a considerable number of German nationals among the employees residing in the respective countries.

(4) *Investments*.—In regard to the branch "Dyes" our most important manufacturing plant on the other side is the Azo-Dyes Plant in Rio de Janeiro which has done a good business during the war. A very unfortunate accident has happened to this enterprise. The premises leased by us on which the Rio plant stands have been expropriated by the State for the purpose of constructing a superhighway and must be evacuated within the next few months. We have advised Rio to operate at full capacity as long as possible in order to accumulate as much stock as possible and to tear down the factory building afterwards. The loss of this stronghold is extraordinarily painful. To reconstruct this factory at some other location, either on our own property or on leased premises, is not advisable, since the possibility of the continuous shipments of the necessary semifinished products is more than doubtful for the time being. We are unable to get anything from the United States. This loss is particularly hard, as Dupont obviously will try to take our place. A few days ago we were advised that Dupont has taken up the manufacture of sulphur and Azo dyes in Argentina. At this stage we can hardly take any defensive measures, for the very reasons that make this an impossibility in Brazil. True, these products do not amount to very much in respect to turn-over or profits, for the demand is much too small to allow a production at a profit. However, Dupont will gain a considerable psychological advantage by being the first to undertake domestic production of these articles.

The enterprise next most important to us is Hamers, of which we are shareholders. Here, the situation is rather obscure, although Hamers as you all know, has signed a contract according to which we own 49% of the shares. However, in view of control measures and of espionage we cannot enter into a more detailed correspondence as we would thus endanger Hamers. At any rate he and quite a number of our more prominent representatives in Latin America, are on the Black-list as is his enterprise. We are now attempting to begin production of alcohol sulfonates on a Chilean sperm-oil base. This is done to supply Brazil as well as other Latin-American countries with the more important products of the Cyclanon series. Berlin, however, has thus far refused to issue a permit for the transfer of our processes. We have to keep this in mind.

The other small plants which we own on the other side, as for instance

Taucher in Chile and

Cia. Ind. Varrando S. A., Sullana

as well as the small manufacturing installations attached to our storehouses in Argentina and Mexico are doing considerable business due to the war boom, help supply merchandise, and show considerable profits.

Obviously our other branches are faced with much greater problems as to investments such as those in

Fluminense and

Quebrasa in Brazil and

Iniquico in Colombia

I assume that the gentlemen who are in charge of these matters will submit separate reports, for it is particularly in this connection that we must examine the question as to whether and to what extent investments can still be made at

the present time. Such an examination is also important in making other transfers successfully.

(5) Up to the present, there has been no discussion of the matter of what should be done in regard to our registered trade-marks and patents in Latin America in case of an emergency. Incidentally these values are not contained in the above-mentioned figures on our total assets.

By posing this question I have touched upon problems which should be the main topic of our debate. I should like to say in summary that the Latin-American states now as always are trying very hard to maintain their independence but that their chances of doing so are less promising in this war than in the previous war. In any case, the United States is trying in a much less subtle way and with considerably more energy than at that time to push us out of Ibero-America once and for all.

If the war should last much longer, we can expect very hard times on the other side and we must consider all eventualities. This means that a majority of the Latin-American states will at least adhere to agreements with the U. S. A. as to steps to be taken against the Axis powers.

And finally a word on the matter of *Camouflage* which, unfortunately, is still the subject of complicated discussions with the Foreign Organization. We are of the opinion that under the present circumstances we most definitely cannot do without such camouflage and that is one of the means aiding us in maintaining our position. We must admit that it cannot be predicted with certainty whether steps taken in individual instances will be effective over a longer period of time—although we have had some very encouraging experiences thus far. The decisive factor is that, though we have many enemies on the other side, we also have a number of friends who would like to help us and for whom we on our side must provide all assistance in the execution of this task. If, for instance, Argentine citizens of high standing are willing to take over the shares of the company and to pay for them with their own funds, it is impossible to insist that the name of the enterprise in question continue to be "Anilinas Alemanas." Such a name would mean that we would intentionally place them in a very embarrassing position especially because of the prevailing attitude towards Germany. The same applies to a number of South American firms which supply us with material. I wish only to mention the case of Celulosa Argentina. Actually we are no longer shareholders in this enterprise, which was established by a national firm, by Dupont, I. C. I., and ourselves. However, due to the intervention of the national group, a contract was signed according to which our agency will receive in consignment its share of the national production for the duration of the war. It goes without saying that Dupont as well as I. C. I., is continually urging this firm to cancel the agreement. It is not exactly easy for the national group to assist an enterprise called Anilinas Alemanas.

The same principles apply to our customers, part of whom call for their merchandise at night.

The last and most important factor is the following: The Latin-American Governments give in not without hesitation to the pressure brought to bear by the United States. If we want to help them in their resistance against a closing or a seizure of our strongholds, we can achieve this only by proving that the firms in question are 100% national, if ever their structure should be examined. Any mistake that we will make as to the outer appearance of such firms will be exploited to the fullest extent by propaganda and will eventually furnish a means of tightening the rope around our necks.

[Signed] JULIUS OVERHOFF, *Frankfort Main.*

[Insertion in ink:] 10th July 1945.

EXHIBIT No. 11

REPORT ON ACTIVITIES OF MOLL SUBMITTED BY FLINSCH, ANILINAS ALEMANAS,
ON OCTOBER 15, 1941

BUENOS AIRES, October 15, 1941.

No. 41.

Management Division—Dyes.

Management Division—Chemicals.

Re: Moll:

My cable of June 18, 1941, No. 38.

Your cable of June 21, 1941, No. 19.

After Mr. Moll had left my firm in last June, in pursuance of this exchange of cables and accordingly severed all his connections with it, insofar as was necessary

with regard to outside appearances, the old close and friendly contact with Moll and the management of my firm continued.

Consequently, the management of my firm was always informed in advance of all activities and plans of Moll with respect to the establishment of business relations with the U. S. A. which was contemplated by him. This also envisaged the inherent possibility of supplying my firm with goods. In other words, everything was discussed and executed by joint determination.

Unfortunately it must be admitted in this connection that all efforts made by Moll to establish business relations with the firms in question in the U. S. A. have been unsuccessful thus far. This is not due to any objections which may have been raised by certain authorities in regard to Moll's person or the style of the firm envisaged by him, because, by means of personal negotiations Moll was able, very adequately, to settle this matter which has been a major prerequisite for the firms in question in the U. S. A. To Moll's clarification of this situation, I only want to add that neither he as an individual nor the style of the firm contemplated by him has been placed on either of the two Blacklists, and that it need not be expected that such will be the case, unless something unforeseen were to happen. If, as mentioned before, the efforts to establish business relations with the firms in question have at least until now proved quite fruitless, I should like to say that in reply to Moll's pertinent inquiries the enterprises under consideration in the United States have stated time and again that they are not in a position either now or in the foreseeable future to accept or to execute any export orders due to lack of goods and shortage or requisition of raw materials which are important and required for other purposes. The noncooperative attitude of the firms in question has in certain cases been so marked that since about the end of July repeated inquiries by letter or cable have remained without a reply.

It is, of course, very hard to judge from here, whether the statements made by the firms in question on the possibility of effecting deliveries are correct, or whether they are merely pretexts, behind which are the real reasons, which they do not wish to give. On the strength of further observations and investigations made here, I am compelled to believe that under rather similar or identical conditions, other U. S. firms continued their deliveries here, even after the U. S. Blacklists went into effect, and/or that such suppliers are willing to continue their deliveries. Perhaps the various above-mentioned firms in the U. S. A. find themselves at present in a very special situation, which even if they wanted to would make it impossible for them to effect exports to this region despite any steps they might take.

In this connection, I am thinking of certain developments which have become apparent in the case of a particular firm in the United States. This firm is included in the sphere of interests of the enterprise in question. You probably know of this matter without my going into details.

As a result of this development, which unfortunately could not be foreseen, Moll, himself, has not been able to close a single deal, and for this reason has not been able to earn anything since he has been here.

In order to put a stop somehow to this state of affairs which also from the standpoint of earning is very unpleasant for Moll, I have had in mind completely to transfer to Moll part of my acetic acid business with Atanor Industrias Quimicas S. A., Buenos Aires (a permanent report was mailed to the Management Division—Chemicals by letter No. 228, dated July 23, 1941), in order through this business to afford him a renewed possibility to earn considering that sales prices are favorable even today. The entire matter, i. e., the problem of its execution is still rather vague so that I cannot be sure at this point whether it will thus be possible actually to provide a certain amount of compensation for Moll.

Since the year nearing its conclusion promises to be a favorable one for my firm with respect to both turn-over and profits, I wonder whether you would also favor the idea of placing an adequate amount [of money] at Moll's disposal even for this year in a plausible and neutral manner. I believe that my firm would find a proper way to handle this matter if you gave your consent. It might thus be possible to pay Moll an adequate sum as settlement, compensation or bonus, etc., in recognition of the services which he rendered as a member of the board of directors during the first half of the year, or toward the time of his subsequent withdrawal. I should like to leave it to you to decide the amount of the indemnification suggested by me. I wish to add that I have confidentially submitted this matter also to the President of my firm and that Dr. Linck is in complete accord with my opinion. I have not discussed this matter with Moll.

EXHIBIT No. 12

OVERSEA EXPORTS OF FARFEN DURING WARTIME, ESPECIALLY TO LATIN AMERICA

(1) 1939.—In the first months of war up to the end of 1939 the blockade was not yet so tight as later on. According to international agreements neutral vessels could carry goods of the belligerents except of contraband, i. e., war material, explosives a. s. o. Dyestuffs were not on the list. So I. G. made large use of that possibility. Dept. Latin-America for example continued to ship via Italy and Holland, of course, only by ships of that nationality. The total value of these shipments was R.M. 3,473,119 (figures taken from note of dept., Latin America, from Sept. 9th 1941). Certain customers in Latin America, for example America Fabril, Rio, an English influenced firm, managed it to get navicerts. The amount for such shipments was R.M. 956,000. R.M. 4,429,119—this was the total value of the shipments made by dyestuff dept. Latin America in 1939 before total blockade.

The goods went directly in transit to the different shipping agents in Geneva, Amsterdam, and Rotterdam, slightly camouflaged outwardly (without German marks) and in the shipping papers, not to be acknowledged as German on the first glimpse, should the allied control officer come on board. But if there had been a real control, the German origin of the dyestuffs would have been found out immediately.

The difficulty was to get enough shipping room, because not only I. G. but all Italian, Dutch, and German export firms, not to mention the other neutrals, were highly interested on these facilities, so long they might exist. So a certain change between the shipping agents took place to find out who had the best connections to the shipping companies. Nevertheless, in Geneva large stocks accumulated and I remember that it was necessary to send several times an employee of our shipping department in Frankfurt to Geneva. Finally, when navicert system really worked on, a large part of the goods was still in Italian and Dutch ports, and we had to bring later on the goods back to Germany with difficulties.

In the same period I visited Bianchi the plant for dyestuffs at Rho near Milano (51% I. G., 49% Acna, see my statement about the Florence meeting February 1940) to organize an export of Bianchi dyestuffs to the Latin-American agencies. It was not possible to export our own dyestuffs via Bianchi, because the license system of Italy made that difficult. So I gave lists of the wanted products, we picked out the equivalents of Bianchi and Bianchi calculated, whether the prices were bearable for him or not. Then they made offers to the Latin-American agencies. Some loads of Bianchi goods reached chiefly Argentine and Brazil but not very much. It appeared, that Accame, the manager of Bianchi, in spite of his relations to the British consulate (his wife was English) could not obtain navicerts from 1940 on, and soon Bianchi was blacklisted.

Our department dyestuffs Far South-East sent November 1939 dyestuffs and auxiliaries in total value of R.M. 1,267,380 to Amsterdam and Rotterdam, prepared for Dutch Indies. The head offices of I. G.'s representatives in Dutch Indies, which were Dutch firms, purchased these lots and sent them partly in 1939, partly January 1940 by way of navicerts to Java, Sumatra, etc.

Dept. China dyestuffs sent three smaller lots (10 t each), but of high-value vat colours, etc. (ca. R.M. 100,000 each = R.M. 300,000 in total) from Italy via Suez to Shanghai by the three Italian boats "Conte Verde," "Conte Rosso," and "Conte Bianca Mano," which arrived safely the port of destination. A fourth lot was prepared in Trieste, but afterwards brought back to Germany, because the English had begun to control in the channel of Suez and to seize German goods.

Dept. Japan sent one lot value R.M. 132,000.

Dept. dyestuffs Persia sent a large lot of about R.M. 900,000 chiefly for the plants of the Schah.

Chemical division of I. G. sent via Italy and Holland chiefly to Latin America, R.M. 1,751,464.17; Kalle & Co., R.M. 24,796.

So I. G. dyestuff and chemical division together R.M. 8,911,963 via Holland and Italy.

The figures for the other I. G. divisions, as Pharma and Agfa, are not available.

So far as I remember, the English authorities finally fixed a certain date (Nov. 27, 1939). All German goods, which were paid by neutral customers up to that

day, could be shipped freely to the ports of destination up to the end of the year. Later on navicert was necessary.

(2) *Camouflaged export via Italy 1940.*—So long as Italy remained neutral, it was obvious to use this country as a basis for camouflaged exports. So hundreds of German firms and representatives came to Italy, to find partners, and dozens of middlemen and brokers in Italy offered service to I. G.

The following documents, found in the files, refer to that period:

Letter of Weber (manager of Ko-fa Pharma-agency of I. G. in Italy, Milano, and "I. G. Verbindungsmann") and Muller (procurist of Wipo, Berlin) Febr. 17th, idem Febr. 21st, idem Febr. 24th, letter of Weber January 26th, all 1940. June 29th Weber and Müller made a summary about the negotiations of I. G. in Italy for that purpose and this report gives the clearest picture of the situation.

I. G. was in a difficult position from the beginning. Successful camouflage could only be done with products, which were produced in the same or similar quality in Italy itself, because the allied consulates were well informed about the industrial production of Italy. So also a full understanding with the respective Italian manufacturers was necessary, that meant in the case of dyestuffs Aena Montecatini. Negotiations with Giustiniani, the general manager of Aena took place (this was evidently the so called Aena project, mentioned in the discussions with Alfredo Moll in Florence, February 1940). As the above-named correspondence shows, the attitude of Aena was first favourable, afterwards Giustiniani stepped back and not even the intervention of German authorities in the person of ambassador Clodins could change the position. That is easy to understand. At that time, Italian export firms, such as Aena, had an excellent chance on the world market and they wouldn't like to risk to be blacklisted. "Erba", the corresponding firm on the Pharmaceutical field, had the same point of view and it is my opinion that they both acted following an advice of the Italian government.

The same negative result gave the discussions with Baron Aloisi of the *Compagnia Commerciale d'Oriente e d'Occidente*, as the report from June 21st shows. I saw this man one day together with Mr. Pabst in Milano. My impression was so bad that I stopped immediately further considerations so far as dyestuffs were concerned.

Other I. G. divisions had better success with Ing. Tonissi in Genova, representative of Orenstein and Koppel, Germany, mentioned in the letter of Febr. 17th of Weber-Müller. This man evidently bribed employees of the allied consulates and got navicerts for camouflaged goods. As page 5 of the report from June 29th explains, the machinery for the explosive plant Villa Maria was brought to Argentine by that way.

Pharma and Agfa could arrange about some smaller lots with different industrials and changing shipping agents for U. S. A., South and Middle America. Of course camouflage was by far easier for them than for the bulk goods of dyestuffs and chemical division.

Concerning chemical products Mr. Walloth remembers, that the so-called broken transit for chemicals, mentioned in the letter of February 21st, never was executed. When transports from Europe ceased, the Latin-American agencies began to buy immediately chemicals in the States through Moll. The idea of the broken transit was, to sell chemical products, wanted abroad and manufactured in Italy, to the Italian producers. They should supply the Italian market with the German goods and send their own Italian production to the export countries.

That camouflaged business for Germany was not very much liked at that time in Italy, proves the remark of Baron Parisi of the shipping-agent firm of Parisi, Trieste, mentioned in the letter of Febr. 17th, page 2.

The "programme re distribution for the business of Lire 30.000.000 among various countries," dated Dec. 27th, 1939, was made for one of the above-mentioned discussions with Giustiniani, Aena.

By chance I heard from Mr. Pabst (at that time I was not yet in charge of the Iberian peninsula), that dept. Spain dyestuffs participated on blockade running from Genova to Barcelona by the Italian boat "Franca Fascio" and was successful several times. Finally the "Franca Fascio" was captured by the French and brought to Marseille.

When Italy entered the war, all further considerations concerning that country ceased.

(3) *Holland.*—Similar to Bianchi I tried to organise an export from the *Nederlandsche Farben- und Chemikalienfabrik Delft* to Latin-America. (The majority of the shares was in the hands of I. G.) I visited Holland together with Mr. Waibel and Groll. Meanwhile Waibel and Groll arranged about the exports to

the Dutch Indies, mentioned on page 2, I was in Delft. But that was in vain. Delft, well known in four-party cartel circles, as a daughter of I. G., was black-listed shortly afterwards and so no export was possible.

(4) *Post parcels*.—Concerning Latin-America, I have to mention here that item. During a certain period it was possible to send post parcels I believe up to 25 kg. on one ship, 5 kg. each, from neutral countries without navicert. We tried that with dyestuffs of high value, mostly Indanthrenes, to Brazil, Argentine, Colombia, Mexico from Portugal and Italy (Triest). We never got exact notice, which of the parcels arrived. Mr. Kestner, in charge of the shipments of dept. Latin-America, believes to remember, that from 150 parcels sent from Triest, ca. 30 reached destination. The rest was captured by the English in Gibraltar and the Italian shipping agents did not inform us in order to get furthermore the high fees for the parcels. A lot of such parcels in Portugal we had to sell on the spot, because soon that hole too, in the navicert system was closed again. The insurance value of the post parcels RM. 40,000 app.

(5) *Siberia*.—In the German-Russian agreement of Aug. 1939 the right of transit was provided for both parties. But special arrangements were necessary, until the details were cleared and fixed and so not before spring 1940 the first cars left Germany for the Far-East via Siberia. Dec. 1940 an interruption took place, probably in consequence of political or economical difficulties. Germany was late in the fulfilment of the agreements and had not delivered all the goods to Russia, machinery a. s. o., which were agreed upon, meanwhile Russia had fulfilled. So Russia did not give any more transit licenses, which were necessary for every car. Difficulties were overcome April 1941 and so the transit business was resumed and continued up to outbreak of war with Russia. At a certain period I remember negotiations concerning the transit fees, which were very high. Russia conceded a rebate to Germany.

I. G. participated on the transit traffic largely and provided carefully for warehouse facilities in East Prussia (Königsberg and Insterburg), in order to have the necessary products close at hand, whenever a free car was obtainable. In fact the total quantities of I. G. goods, which passed Siberia, were enormous.

An astonishing fact may be mentioned here: when war with Russia broke out, a considerable number of cars, carrying I. G. goods, was on Russian territory, for Latin-American only 18 with a total value of more than 1 Mill. RM. I. G. considered the goods lost. But one after the other the cars arrived safely in Japan, some of them months after the beginning of hostilities. Finally three loads of Hydrosulfite for dept. China, a cheap product, were missed. We never got an official explanation for that. But I suppose that the Russians at that time had an interest to keep Japan quiet and so for political reasons let the goods pass as destined for Japan.

The goods of I. G. were insured against war risks up to 50 percent by Assicurazioni Generali, Triest, an Italian firm, to 50% by Gosstrach, the Russian official organization for insurance. The insurance was arranged on basis of Swiss Francs. It did that by special authorization of R. W. M. in order to get foreign exchange also in case of loss. Other German firms had to use the ordinary German war-risk assurance on basis of Reichsmark.

From dept. Latin-America 82 cars in value of RM. 7,005,620 in total were sent via Siberia for Mexico, Central America, Cuba, Colombia, Peru, Chile, Argentina, Brazil; 3 remained in Japan, because Japan had entered the war before they were shipped over the Pacific. The single countries participated as follows: Brazil, 11; Argentina, 13; Chile, 9; Peru, 12; Ecuador, 1; Mexico, 22; Venezuela, 4; Colombia, 3; Costa Rica, $\frac{1}{2}$; Cuba, Guatemala, Salvador, 3%. (Taken from the files, statement of dept. Latin-America Febr. 25th, 1942.) That was the plan. But I remember certain changes later on, because not in all cases was it possible to reach the port of destination. For example, first we could send also goods with ships, which crossed the Panama channel. Later on only the West coast was open. So it made difficulties to bring the last loads to Brazil and the dyestuffs finally were sold in Argentine.

The handling was the following: The "Doitsu," our agency in Japan, gave us names of Japanese men, dealers, I think, but the names were merely addresses for the land transport. The Japanese had not to pay the invoices. After arrival in Japan, Doitsu took over the goods and arranged about further shipment by Japanese boats. In the first months we could use also U. S. A. ships for the traffic along the South American coast. In general, the expenses were very high and the total transport needed up to 9 months. In Japan there was the same difficulty as 1939 in Italy and Holland: lack of shipping room. The Japanese needed the room chiefly for own purposes and evidently by precaution or as preparation for war the better and faster ships were held back.

The expenses for the transport from Japan our agencies had to pay in advance. By far the largest quantities of dyestuffs and auxiliaries passed Siberia by order of our dept. China. The figures are: For China itself, 600 cars 900 t val. RM. 24,578,045; for Manchuria, 80 cars 120 t val. RM. 3,695,400. That is more or less a two years need.

Considerable damage was done by rough handling of the cargo, but was paid by the insurance companies.

Dept. dyestuffs Far South-East sent: To Siam, 12 cars 140 t RM. 954,603; to French-Indochina, 2 cars 20 t RM. 60,000; to Philippines, 1 car 10 t RM. 174,530.

Dept. Japan, dyestuffs sent: 40 cars 450 t RM. 4,293,350.

To Persia and Afganistan also some cars went via Russia.

To U. S. A. went a total of RM. 3,479,845 in value, but the last cars were sold in Central America.

The chemical division could use the way through Russia in exceptional cases and for better products only. For the bulk products the transport was too expensive. But I suppose that Bayer and Agfa had an important traffic.

The total figure for chemical division was RM. 1,241,507; for Kalle & Co., Biebrich, RM. 19,152; for dyestuffs as above, RM. 40,761,548; so for I. G. dyestuff and chemical division and Kalle via Siberia, RM. 42,022,207.

Figures for the other divisions like Pharma and Agfa not available.

(6) *Blockade runners*.—(a) To Latinamerica, action "Transit": Oct. 1940 we were informed that Reichswirtschaftsministerium planned in collaboration with the Supreme Command of Navy to start blockade runners to South America and that I. G. should participate.

The choice of the ships made the navy. RWM disposed about the shipping room and decided, who should send goods. All questions concerning land transport including costs, etc., were to be taken up with Schenker and Co., shipping agents, who organised a special office under Mr. Peters in order to keep confidence. For the same reason the number of the firms participating was strictly limited. The German firms had to send the goods to Perelon the German-Luxemburg, border. For the further transport cared Schenker. The port was Bordeaux.

The allocation between the participants took place on meetings RWM held in Berlin. Afterwards the I. G. divisions had to part again between themselves. Assurance was taken over by "Hermes," that means by German government.

Three vessels left Bordeaux in the first half of 1941 "Lech," "Hermes," and "Natal," all three reached Rio, "Lech" in the first days of March, the others shortly afterwards. The three shipments had the marks "Transit I-III."

List of participants

	Transit I	Transit II	Transit III
I. G.	1.380	561	755
Zelss-Ikon A. G.	35		35
Siemens-Schuckert	1.000	830	380
A. E. G.	400		220
Klöckner-Humboldt	400		315
Exporters:			
Petersen	700	500	600
Stoltz	1.500	1.000	850
Th. Wille	850	250	900
Bromberg u. Co		250	200
Total	6.265	3.400	4.155 cm ³

The value of the dyestuffs sent to South America, by I. G. was:

I. 155 t (brutto)	RM. 979.353
II. 188 t (brutto)	2.106.491
III. 201 t (brutto)	2.188.377

544 t 5.274.221

With transit I we made a test case for Argentine value RM. 7.743
 Transit III took for Argentine value 163.910
 For Chile value 253.736

425.389

All the rest, that is R.M. 4,848,832 were for Brazil. We sent also intermediates for the Azodyes plant in Rio.

The figures of the other I. G. divisions are:

	Chemicals		Pharma		Agfa		Kalle	
I.....	19 t	R.M. 8.000	154 t	T.M. 1.185.000	70 t	R.M. 118.000	195 t	R.M. 149.000
II.....	1.036 t	369.000	71 t	251.000	28 t	27.000	-----	-----
III.....	538 t	171.000	48 t	515.000	55 t	199.000	-----	-----
	1.593 t	548.000	273 t	1.951.000	153 t	344.000	195 t	149.000

So I. G. in total:

Dyestuffs.....	544 t	R.M. 5.274.000
Chemicals.....	1.593 t	548.000
Pharma.....	273 t	1.951.000
Agfa.....	153 t	344.000
Kalle.....	195 t	149.000
	2.758 t	8.266.000

The idea was, that the blockade runners should come back to Bordeaux with South American goods important for Germany in the war. But it appeared, that the return was by far more dangerous. So Transit I "Lech" was sunk, Transit II "Hermes" captured and brought to England, Transit III "Natal" only reached Bordeaux again and brought the following goods:

Quebracho extract (fabrication of Quebrasa, delivered partly to "Deutsch-Koloniale Gerbstoff A. G.," Karlsruhe.....)	400 t
Rotil ore.....	100 t
Beryll ore.....	75 t
Ipecacuana root.....	10 t
Cotton.....	ca. 600 t
Oxyall.....	5

and castor oil, sunflower and cotton seed in unknown quantities.

August 1941 the Transport action was stopped (letter Wipo Sept. 8th 41). The reasons were the above-mentioned dangerous returns, but even more the situation in the different Latin-American countries; U. S. A. made it impossible to get the goods wanted in Germany. So it was decided, to continue only with blockade running to Japan (see letter (b)). The goods prepared in Bordeaux for Transit IV and by some firms also for Transit V had to be sold in Spain or Portugal or sent back to Germany. I. G. dyestuffs Latin America decided to take the lot over for "Transport."

The transport of the goods for Argentine and Chile made certain difficulties, because it lasted a long time till Brazil gave the permit to reexport them. But finally they reached destination.

(b) To the Far East, actions "Transport" and "Block": March 1941, we learned from RWM, that a similar action should be started to Japan, in order to supply the Far East countries with German goods and again I. G. should participate.

The general rules were the same as for "Transit," only the secret was kept tighter, no informations to the press were given after arrival of the boats and we were not fully informed about the participants. Concerning the latter point I found the following in the files:

Participants for "Transport II"

Firm	Tons (gross)	Cbm.	Firm	Tons (gross)	Cbm.
Demag.....	2.300	2.300	Illies and Co.....	172	225
Siemens.....	191	438	Carlowitz and Co.....	236	551
A. E. G.....	48	91	Siemens and Co.....	300	-----
I. G.....	1.437	2.523			
Kalsyndikat.....	1.500	1.500	Total.....	7,178	9,528
Otto Wolff (Voith).....	994	1,900			

Furthermore, there is a copy of a circular letter of RWM, Oct. 28th, 1943, to the firms interested in the blockade-runner business to Japan in the period 1942-43. So it is very likely, that this is the complete list of the participants during 1942-43 (action Block): Siemens-Schuckert, A. E. G., I. G., Deutsches Kalisyndikat, Schering A. G., Otto Wolff, Illies and Co., Carlowitz and Co., Siemssen and Co., Kunst and Albers, Conrad Hinrich Donner, Winckler and Co., C. Melchers and Co., W. Maier, Carl Schlieper, W. Ferd, Klingenberg, Friedr. Krupp, Deutsche Edeltahlwerke A. G., Gebr. Böhler and Co., Schoeller-Bleckmann Stahlwerke A. G., Steirische Gusstahlwerke.

Starting point was again Bordeaux.

The action was subdivided in two sections, period 1941-42 called "Transport" and period 1942-43 called "Block." But in reality such division was more or less arbitrary, the action continued and the departure of the vessels depended from the situation on sea and the dark nights.

As already mentioned, the goods prepared for "Transit IV" from dept. Latin-America dyestuffs in Bordeaux, were used for "Transports" beginning with III. Transit and Transport overlapped; when Transit to South-America was stopped, Transport to Japan already had begun.

"Transport" (1941-42) contained 5 boats.

I. STEAMER "RIO GRANDE" LEFT BORDEAUX JUNE 20TH, 1941. I. G. DYESTUFF AND CHEMICAL DIVISION (FOR THE OTHER DIVISIONS NOT AVAILABLE)

Division	Country	Weight (gross)	Value (assurance)
Farben	China	675 t	R.M. 1,429,000
Chemik	do	270	152,000
Farben	Mandchukuo		
Chemik	do	154	74,000
Farben	Siam	48	50,000
Chemik	do	14	8,100
Farben	French Indo China	3	7,000
Chemik	do	23	10,000
Farben	Latin America	227	610,000
Chemik	do		
Farben		953	2,102,000
Chemik		461	244,100
Total		1,414 t	2,346,100

II. STEAMER "SEATTLE" LEFT BORDEAUX SEPT. 30TH, 1941

Farben	Japan	192 t	R.M. 1,855,000
Chemik	do	4	14,000
Farben	China	189	531,000
Chemik	do	556	255,000
Farben	Mandchukuo		
Chemik	do	290	300,000
Farben	Siam	110	255,000
Chemik	do	28	21,000
Farben	French Indo China	23	61,000
Chemik	do	145	79,000
Farben	Latin America	208	562,000
Chemik	do		
Farben		722	3,264,000
Chemik		1,023	669,000
Total		1,745 t	3,933,000

III. STEAMER "REGENSBURG" LEFT BORDEAUX DEC. 20TH, 1941

Farben	Japan	51 t	R.M. 674,000
Chemik	do	54	60,000
Farben	China	295	1,379,000
Chemik	do	298	154,000
Farben	Mandchukuo	118	405,000
Chemik	do	196	275,000
Farben	Siam	91	219,000
Chemik	do		
Farben	French Indo China	20	75,000
Chemik	do		
Farben	Latin America	175	742,000
Chemik	do	70	188,000

III. STEAMER "REGENSBURG" LEFT BORDEAUX DEC. 20TH, 1941—Continued

Division	Country	Weight (gross)	Value (assurance)
Farben.....		750	3,497,000
Chemik.....		618	650,000
Total.....		1,368 t	4,147,000

IV. STEAMER "TENNENFELS" LEFT BORDEAUX FEBR. 25TH, 1942

Farben.....	China.....	17	RM. 34,000
Chemik.....	do.....	155	55,000
Farben.....	French Indo China.....		
Chemik.....	do.....	34	29,000
Farben.....	Latin America.....	438	1,807,000
Chemik.....	do.....		
Farben.....		455	1,841,000
Chemik.....		189	84,000
Total.....		644 t	1,925,000

V. STEAMER "DRESDEN" LEFT BORDEAUX APR. 4TH, 1942

Farben.....	Japan.....	23	RM. 231,000
Chemik.....	do.....	0.5	1,000
Farben.....	China.....	188	713,000
Chemik.....	do.....	205	170,000
Farben.....	Mandschukuo.....	235	917,000
Chemik.....	do.....	217	245,000
Farben.....	Slam.....	61	190,000
Chemik.....	do.....	28	19,000
Farben.....	French Indo China.....	31	78,000
Chemik.....	do.....	16	8,000
Farben.....		538	2,129,000
Chemik.....		466.5	443,000
Total.....		1,004.5 t	2,572,000

So the total figures for Transport I-V were:

	(1) Dyestuffs		(2) Chemicals	
	t	RM.	t	RM.
China.....	1,364	4,096,000	1,484	788,000
Manchukuo.....	353	1,323,000	857	895,000
Japan.....	266	2,760,000	58.5	75,000
Slam.....	310	720,000	70	48,100
French Indo China.....	77	215,000	218	128,000
Far East total.....	2,370	9,104,000	2,687.5	1,930,000
Latin America.....	1,048	3,722,000	70	160,000
Transport total.....	3,418	12,826,000	2,757.5	2,090,000

The figures for the other I. G. divisions as Pharma and Agfa are not available. The figures in Reichsmark mean assurance values. The sales values are considerable higher.

As shown above under 6 (a) the total value of dyestuffs sent for Latin America by Transit I-III was—

Adding the Transport figures..... RM. 5,274,221
3,722,000

Total dyestuffs for Latin-America..... 8,996,221

by blockade runners.

I. G. did not continue with shipments for Latin America after Transport IV. Even the last shipments with Transport were made at a time, when Japan had

already entered the war and a transport through the Pacific was not longer possible. But because the goods were already in Bordeaux, we decided not to take them back to Germany but to leave them in Japan. Should war be over soon, perhaps we would have sooner a possibility to reach Latin America from Japan than from Europe. Should it last a long time, it would be easy to sell the lots in the Far East. The latter happened really. As statement of dept. Latin America May 7th, 1942, shows, not a single kilo of all the "Transport" lots reached Latin America. To a large part the goods were sold in the Far East up to 1945. The rest probably is still in Japan or China.

We were informed by RWM, that all five "Transport" vessels reached safely Japan.

"Blocks" 1942-43.—There existed the following blocks: I, II, U, III, V, X. Block I was divided between two boats: Steamer "Weserland" left Bordeaux Aug. 15th, 1942; Steamer "Irene" left Bordeaux Sept. 15th, 1942. Block II was divided between three boats: Steamer "N" name and date unknown, Steamer "E" name and date unknown, Steamer "Karin" left Bordeaux Oct. 10th, 1942. Steamer "N" reached Singapore as emergency port, perhaps damaged. Steamer "E" was sunk.

The names of the boats we learned later on from the bills of lading. Beginning with block U we did not get any more the bills of lading. So we have not only no names of steamers, but did not learn, how many ships were necessary to carry the single blocks. Neither do we know, whether all the goods really were shipped. So the figures beginning with block U represent only the goods sent to and prepared in Bordeaux. Probably the larger part really has been shipped to the Far East, later on, but I remember, that a small rest of dyestuffs and quite important quantities of Bayer and Agfa products were still in Bordeaux, when invasion came. Mr. Waibel tried to bring the goods to Spain, but it was too late and so they were probably captured.

Block I carried:

Dyestuffs	388. 2 t value	RM. 1. 389. 000 cif
Chemicals	148. 6 t "	RM. 126. 000
Pharmaceuticals		
Agfa products		
	536. 8 t "	RM. 1. 515. 000

to the following countries: Japan, China, Mandchukuo, Thailand (Siam), French Indo China, Dutch Indies, Straits and Brit. Malaya, Philippines, Burma.

Block II carried:

Dyestuffs	751. 1 t value	RM. 2. 841. 500 cif
Chemicals	363. 5 t "	" 608. 700 cif
Pharmaceuticals	34. - t "	" 1. 323. 200
Agfa products	59. 8 t "	" 426. 000
Machinery	29. 9 t "	" 88. 100
Air guns Genschow	2. 3 t "	" 13. 800

1. 241 t value RM. 5. 301. 000 cif

to the following countries: Japan, China, Mandchukuo, Siam, French Indo China, Dutch Indies, Straits and Brit. Malaya, Philippines, Burma.

The dyestuff lot to Dutch Indies was sunk with steamer "E."

Block U carried:

Chemicals	177. 1 t value	RM. 363. 300 cif
Pharmaceuticals	45. 5 t "	" 925. 600
Agfa-products	58. 2 t "	" 312. 400
Machinery	51. 9 t "	" 134. 900

333 t value 1. 736. 000

to the following countries: Japan, China, Manchukuo, Siam, French Indo-China.

Block III carried:

Pharmaceuticals	26. 6 t value	RM. 498. 000 cif
-----------------------	---------------	------------------

to the following countries: Japan, China, Manchukuo, Siam, French Indo-China.

Block V carried:

Dyestuffs	28	t value	R.M.	65, 200	cif
Chemicals	11. 7	t	"	43. 600	
Pharmaceuticals	17. 6	t	"	416. 700	
Agfa-products	45. 2	t	"	237. 800	

103 t value R.M. 763. 000

to the following countries: Japan, China, Manchukuo, Siam, French Indo-China, Dutch Indies.

Block X carried:

Pharmaceuticals	19. 5	t value	R.M.	504. 300	cif
Agfa-products	32. 8	t	"	198. 900	

52 t R.M. 703. 000

to the following countries: Japan, China, Manchukuo, Siam, French Indo-China.

Block I-X for I. G. in total:

	2. 291	t value	R.M.	10. 517. 000	cif.
For Japan	161	"		930. 000	
For China	887	"		4. 789. 000	
For Manchukuo	523	"		1. 651. 000	
For Siam	163	"		1. 372. 000	
For French Indo China	159	"		423. 000	
For Dutch Indies	281	"		989. 000	
For Straits and Malaya	54	"		130. 000	
For Philippines	40	"		133. 000	
For Burma	22	"		103. 000	
	2. 291	"		10. 517. 000	cif. or
Dyestuffs	1. 167	"		4. 296. 000	cif.
Chemicals	701	"		1. 142. 000	
Pharmaceuticals	143	"		3. 668. 000	
Agfa products	196	"		1. 175. 000	
Machinery	82	"		1, 223. 000	
Airguns	2	"		14. 000	
	2. 291	"		10. 517. 000	cif.

All details about Block I-X circular letter Wipo, Febr. 18th, 1943.

February 1943 the action "Block" was officially closed. But Mr. Waibel had always the hope, that there would follow more blockade runners and so the goods remained at Bordeaux as above related.

April 18th, 1942, Wipo had told us, that the German firms were not allowed any longer to send goods for South America via Japan.

(c) Imports by blockade runners: We know about the following:

(a) Siam: Beginning with 1942 the money for the sales of I. G.'s dyestuffs in that country were given to the Siam Commercial Bank, Ltd., Bangkok, on advice of German Government, Berlin. I. G. received the countervalue in R.M. in Berlin from Reichsbank. The money was used for the purchase of wolfram ore. The total amount given by I. G. to the Siamese bank was appr. R.M. 2,500,000. The payments were continued up to Jan.-Febr. 1945. But we don't know whether the wolfram ore reached Germany.

(b) China: On advice of German government I. G. agency paid the following amounts in China to Deutsch-Asiatische Bank, Shanghai, and Tientsin:

For iron barrels	R.M. 300. 00
For wood oil bought by Carlowitz and Co.; Shanghai, in Central China	600. 000
For opium bought in North China by Melchers and Co., Tientsin	1. 000. 000
For opium bought also in North China, but not delivered by the Chinese contractors	2. 275. 000

(d) Submarines: As Mr. Waibel told us, there existed ideas, to build large submarines to bring goods to Japan similar as it was done in the war 1914-18 to U. S. A. But that had to be postponed and afterwards to be dropped by lack of material.

As Dr. Capelle remembers, plans to export dyes in small receptacles have been under consideration, but have never come to terms. So it may be that ordinary war submarines took small goods for war purposes to Japan.

(7) *Via Spain*.—1943-44 dept. Latin-America had a possibility to do some camouflaged export to Argentine. The man, who arranged for that was Mr. Ch. Uebele, Barcelona, a German, who lived in Spain, but had also relations to Switzerland.

Uebele came to Frankfort with a recommendation of a director of the Norddeutsche Lloyd and was introduced to me by Mr. Ludwig, director of our shipping department. It appeared, that he had already brought goods from Italy to South America, wine I believe, via Spain. Uebele was a jobber, nothing else, but evidently a skilful man. We agreed to send dyestuffs to Argentine only, because with the other Latin-American countries Germany was in war already at that time or on warlike conditions. We did not want to run a risk too large and therefore we decided to send only one car every time. The scheme was simple enough for us. We had to send the goods outwardly camouflaged via France to Cerbère on the French-Spanish frontier. From there Uebele took them over to the free port, Barcelona. About the rest Uebele did not speak, but it was easy to guess, what was the way. The goods were taken over by a Spanish firm, which was in contact with Uebele, perhaps a plant of oil paints, earth colours or the like, cloaked as of Spanish origin and went with navicert of British consulate to Bilbao and further by the Spanish boats of "Aznar" (AZNAR) to the "Deckadresse" of our agency in Buenos Aires. Mr. Fernando Birk, manager of "Unicolor", Barcelona, our agency for Spain, paid Uebele for transport expenses in Spain in advance and for commission (20% so far as I remember) out of the secret cash personally to Uebele. For the first cars I remember we had to send a certain amount in Swiss Francs to an account of Ch. Uebele in Switzerland, later on all payments were made in Spain. Then the invoices were paid in the Spanish-Argentine clearing by Buenos Aires, Uebele brought the amounts personally to Birk and Birk put them in the secret cash of Unicolor. So we let the surplus of the business to dept Spain. We made modest prices in order to give the differences between our prices to Uebele and the selling prices on the Argentine market to Anilinas Alemanas.

On his visit in Germany Uebele evidently was not yet clear how he would arrange about the goods of I. G., because he received also a transport to Portugal. But it appeared that this was not necessary. One day in Spain, I think in 1943, I asked Uebele which Spanish firm he used, but he did not want to give up his secret, perhaps for fear to lose the business. But from two facts I am sure that there was such a Spanish firm. First we had to pay to Uebele separately for repacking the goods in Spain, and, second, Birk told me that there were difficulties when the first amount came from Argentina in the Spanish-Argentine clearing. The Spanish firm was informed by the clearing office that the amount was to their disposition, but the owner of the firm did not know about the matter and wanted to send the sum back. So it appeared that Uebele was in an understanding only with an employee of the Spanish firm. How he arranged it finally to get the money nevertheless and bring it to Birk I cannot tell. A further hint may be that Uebele did not want products with very high value. Colours of high value were not produced in Spain. So he took that, too, in consideration. It is possible that Birk guessed or finally found out the name of the firm, but we did not speak about that.

By that way the load of five cars (60-70,000 kg.) reached Argentina. The sixth car came back, because invasion had begun; the seventh was prepared at Ludwigshafen, but remained there. The amount of the invoices to Uebele might have been 300.000 RM. but the sales value on the Argentine market at that time was surely the double. Uebele helped also our Mr. Schaaf, dept. chemicals S, to bring some small lots of sulphur from Spain to France 1943-44.

The files concerning Uebele were burnt by order of the "Abwehrbeauftragter" some days before occupation.

Summary.—So the following overseas exports were made by I. G. during wartime:

I. To Latin-America:

(1) Dyestuffs:

(a) 1939 via Italy and Holland.....	RM. 4. 429. 119
(b) Post parcels.....	40. 000
(c) Via Siberia.....	7. 005. 620
(d) Blockade runners "Transit".....	5. 274. 221
(e) Via Spain, Uebele.....	300. 000

17. 048. 960

Adding the amount of purchases in U. S. A. according my note to K. A. Sept. 18th, 1941.....

12. 399. 000

29. 447. 960

NOTE.—From the lots under (c) provided for Latin-America remained in Japan ca. RM. 700. 000. On the other hand some loads destined for U. S. A. were sold in Central America. So the total amount at the disposition of the agencies was nearly RM. 30 millions.

(2) Chemicals:

(a) 1939 via Italy and Holland.....	RM. 1. 751. 464
(b) 1941 blockade runners "Transit".....	548. 000

2. 299. 464

So dyestuffs and chemicals.....

31. 747. 424

II. To the Far East and Far South East:

(1) Dyestuffs:

(a) 1939 via Italy and Holland.....	2. 599. 360
(b) Via Siberia.....	33. 755. 928
(c) 1941-42 blockade runners "Transport".....	12. 826. 000
(d) 1942-43 blockade runners "Block".....	4. 296. 000

53. 477. 308

(2) Chemicals:

(a) 1940-41 via Siberia.....	RM. 1. 241. 507
(b) 1941-42 blockade runners "Transport".....	2. 090. 000
(c) 1942-43 blockade runners "Block".....	1. 142. 000

4. 473. 507

So dyestuffs and chemicals.....

57. 950. 815

III. U. S. A.:

(1) Dyestuffs:

(a) Via Holland and Italy.....	95. 015
(b) Via Siberia.....	3. 479. 845

3. 574. 860

(2) Chemicals:

(a) Via Holland and Italy.....	RM. 83. 990
(b) Via Siberia.....	347. 075

431. 065

So dyestuffs and chemicals.....

4. 005. 925

I..... 31. 747. 424

II..... 57. 950. 815

III..... 4. 005. 925

93. 704. 164

Overseas export dyestuffs and chemicals.

FRANKFURT/M., 23. VIII. 1945.

(Signed) Dr. JULIUS OVERHOFF.

CHAPTER III¹

EXHIBIT No. 1

CORRESPONDENCE RELATING TO CONTRIBUTION MADE BY FARBEN FOR GOVERNMENT'S Use IN SUDETENLAND

[Translation: Dobbek/Herm]

Telegram

30-9-38.

To the FÜHRER und REICHSKANZLER ADOLF HITLER,
Berlin:

Profoundly impressed by the return of Sudeten-Germany to the Reich which you, my Führer, have achieved, the IG Farbenindustrie A. G. puts an amount of half a million Reichsmark at your disposal for use in the Sudeten-German territory.

(Sigd.) HERMANN SCHMITZ.

Copy to Geheimrat Schmitz, Dr. Ilgner, Direktionsabt., ZA-Büro, Frankfurt a. M.

[Translation: Dobbek/Straube]

Copy

DER STAATSMINISTER UND CHEF DER PRÄSIDENTIALKANZLEI
DES FÜHRERS UND REICHSKANZLERS,
Vossstrasse 1, Berlin W 8, 30-9-1938.

HERR GEHEIMRAT SCHMITZ,
*I. G. Farbenindustrie Aktiengesellschaft,
Unter den Linden 82, Berlin NW 7.*

DEAR HERR GEHEIMRAT: The Führer and Reich-Chancellor has asked me to send you his sincere thanks for your telegram and the contribution of an amount of 500,000 R.M. in favour of the Sudeten-German territory.

The Führer has transmitted your contribution to the Sudeten-German Help-work; I have to ask you on his behalf to transmit the amount to Postal check account Berlin No. 68680 with Bank der Deutschen Arbeit, Berlin W 30, Gaisbergstr. 43, with reference to "Contributions in favour of the Sudeten-German Refugees Work."

Heil Hitler!

Yours obediently,

(Sgd.) Dr. MEISSNER.

[Translation: Langenbach/Voelkel]

I. G.

To: Minister of State and Chief of the Presidential Chancery of the Führer and Chancellor, Dr. Meissner.
Berlin W. 8., Voss-Str. 1.

ZA OFFICE, Oct. 4th, 1938.

"Sudeten-German refugee relief fund."

Privy Councillor Schmitz, Berlin, transmitted to us contents of your letter of Sept. 30th, 1938, addressed to him.

We beg to inform you that we have today paid the promised amount of R.M. 500,000 as desired, to the Bank of German Labour, Berlin W. 30, Gaisbergstr. 43, as a gift for the Sudeten-German relief fund.

I. G. FARBENINDUSTRIE AKTIENGESellschaft,
(Signed) WEBER-ANDREAE,
HOYER.

[Translation: Heese]

Assignment Nr. A 121 112 for payment of R.M. 500,000 (five hundred thousand Reichsmark).

¹ Exhibits 7, 8, 11, 12, 13, 16, 17, 18, 21, 23, 24, 25, 26, 27, 28, 29, 32, and 33 are on file with the committee.

To: Bank der Deutschen Arbeit (Bank of German Work) Berlin W. 30, Gaisbergstr. 43 (P. S. Berlin No. 686 80).
 For the "Sudetendeutsche Flüchtlingswerk" (Gift for the Sudeten-German Refugees' Support) (see our today's letter).
 To the debit of "Spenden und Vereinsbeiträge-Zentralstelle" (Central Office for Gifts and Contributions to Associations).

Account No. 04 201

Assigned by: Hoyer, ZA Büro, 22 Sept. 1938.

[Translation: Langenbach/Voelkel]

WINTER RELIEF FUND OF THE GERMAN PEOPLE,
 BERLIN SO. 36, MAYBACHUFER 48-51,
 Berlin, Oct. 6th, 1938.

The Delegate of the Reich.
 To the General Manager of the Managing Board of Directors of I. G. Farbenindustrie A. G.
Re: Sudeten-German relief fund.
 Privy Councillor Dr. SCHMITZ,
 Berlin N. W. 7.

DEAR PRIVY COUNCILLOR: I beg to acknowledge with best thanks receipt of your letter of Sept. 30th, last, with copy of your telegram to the Führer and Chancellor.

It has given me sincere pleasure that for the relief of the misery of the Sudeten-Germans you have through the intermediary of the I. G. Farbenindustrie put at disposal an amount of RM. 500.000 and I beg to express to you my heartiest thanks for this gift.

(Signed) HILGENFELDT,
Delegate of the Reich for the WHW.

EXHIBIT No. 2

INTERROGATION OF DR. VON SCHNITZLER AND MAX ILGNER ON FARBEW-WEHRMACHT UNION

AUGUST 4, 1945.

Q. In your opinion what did the Vermittlungs stelle W. do for the Wehrmacht?
 VON S. A. I can only guess. I think they had talks with high officers of the Wehrmacht and took the plans and suggestions of I. G. to the Wehrmacht and brought the plans and suggestions of the Wehrmacht to the I. G. I consider the activity more or less as an ambassador of a country who has nothing to say on his own, but who had to explain and inform and receive information himself.

Q. What kind of information did the Wehrmacht take from I. G. and what kind of plans do you think I. G. submitted to the Wehrmacht from Vermittlungs W.?

VON S. A. Let us take for example the Aken plant. Everything from the entire range of matters from where the plant would be located, what the plant would produce, what the Wehrmacht required, what transportation was necessary would be matters which would be taken up between the Vermittlungs W. representing I. G. and the Wehrmacht.

Q. Actually you told us this morning that on behalf of the appropriate Nazi government agency in the chemical field, an I. G. man, assisted largely by an I. G. staff and paid by the I. G., planned the building up of the chemical industries and metal industries for the Wehrmacht?

VON S. A. To a very large extent.

ILGNER. A. Yes; in the fields which had been reserved for Mr. Krauch's organization.

Q. In regard to the rearmament policy in special fields, I. G. personnel largely determined that policy. Is that right?

VON S. A. Yes.

Q. And I. G. benefited considerably in capital investments from the rearmament program laid down by I. G. personnel?

VON S. A. If you go by the balance sheet. You see, a large part of these new investments would have no post-war use to I. G. and we would be left with big factories and a lot of personnel.

Q. Would I. G. have preferred to negotiate with Japan for natural rubber instead of developing the synthetic-rubber industry in Germany?

VON S. A. We did not have the necessary counter value to pay for an unlimited amount of natural rubber. We could have bought certain quantities but it would have been insufficient to meet the demands of the Wehrmacht.

Q. Did the Vermittlungs W. of I. G. handle I. G.'s relations with the Japanese Military?

VON S. A. I don't believe that. I have never heard of it. That would be a very delicate matter and I think the chiefs would do that themselves so that I know that in respect to the hydrogen agreement which was just concluded in January of this year, Dr. Bütefisch, Mr. Ringer, and Mr. Pier handled those negotiations themselves.

Q. Did you ever participate in any negotiations with the Japanese? Are you familiar with any negotiations with the Japanese?

ILGNER. A. I was only invited for the lunch in Berlin at which the contract was signed and I know that with my foreign exchange department, Mr. Gierlichs and Mr. Hentze of the office of the commercial committee, Mr. Saxer assisted in some special questions.

Q. When did I. G. establish its Counterespionage Department?

VON S. A. I think it was in the war.

ILGNER. A. I think it must be in the end of the year 1940 or the beginning of the year 1941 because Fahle was back from the army. I know that.

Q. What were the functions of the Counterespionage Department?

VON S. A. It was the centralization of the questions arising out of that domain. Every I. G. branch factory had its own Counterespionage Department. This was a counterespionage agency in the factory and the men were named Abwehr Beauftrager, Mr. Schneider was made chief of the Berlin central counterespionage office.

Q. What did the NW-7 have to do in regard to Vermittlungs W. questions?

ILGNER. A. The NW-7 really had nothing military to do with Vermittlungs W. matters. However, we had been handling questions in regard to the export of know-how and licenses and patents to foreign countries with which the Wehrmacht was directly concerned.

Q. What did you have to do with the export of know-how, licences, and patents to other countries which concerned the Wehrmacht?

ILGNER. A. We required the agreement of the Reichsstellechemie and handled the foreign exchange matters.

Q. So that you should be competent to tell me all cases in which the Wehrmacht prevented the export of I. G.'s know-how, patents, and licenses to foreign countries?

ILGNER. A. As far as these questions have come up to our foreign-exchange department, we would be able to give you from the files a history of the cases in which the Wehrmacht interfered. In the technical fields, the technical people dealt directly with the foreign representatives and we wouldn't know about it.

Q. In every case in which it was an export of know-how either technical or not, wouldn't the foreign exchange authorities have to be informed about it to arrange for the financial end of the transaction?

ILGNER. A. Certainly they would have to know about it, but please ask Mr. Gierlichs for the details.

Q. What did your agency do for the Wehrmacht and when did it begin to do it?

ILGNER. A. Beginning in 1939, the economic department of my organization established relations with Wehrwirtschaftsstab Thomas and I have already told you about Mr. Deithinger's preparation of material for the Wehrmacht and that Mr. Kruger, in the year 1939 before the war, was sworn into the Wehrmacht and handled the relations between my organization and the Wehrmacht. Before 1939, there certainly would have been occasionally contacts between my departments and Thomas, but I can't tell you precisely what the contacts were.

Q. What was Mr. Thomas' job?

ILGNER. A. He was the mobilizer of the German economy in preparation for war. He was a member of the general staff of the O. K. W.

Q. Before the war, before Germany began its military aggression, did your organization establish close contact with the Vermittlungs W. and begin to actively work for the Wehrmacht?

ILGNER. A. As to the best of my knowledge; no.

VON S. A. I don't know.

Q. Then to the best of both of your knowledge, the NW-7 or any of its departments did not actively engage in Wehrmacht matters either directly or through

the Vermittlungs W. even though your department, Mr. Ilgner, went on a war basis before the war with your permission?

ILGNER. A. If you ask me so precisely, I must say that I wasn't there.

Q. Were you there in 1938, in 1937?

ILGNER. A. Certainly.

Q. Then are you telling me that, if you were there, you wouldn't have participated in assisting the Wehrmacht in its plans for aggression?

ILGNER. A. I would have done the things that have been ordered by the authorities.

Q. But you told us this morning that in regard to Vermittlungs W., you wanted to assimilate the Vermittlungs W. in your department. Had you been ordered to assimilate the Vermittlungs W. in your department in 1935 and 1936?

ILGNER. A. I explained my purpose in this morning's interrogation.

Q. Before the war broke, Mr. Von Schnitzler and Mr. Ilgner, did you intend to establish close working relationships with the Wehrmacht in your own fields?

VON S. A. The Wehrmacht was another agency with which we were in continuous contact.

SUMMARY BY VON SCHNITZLER

In 1934 the Wehrmacht became important and, with increased tempo after 1936, the Wehrmacht became the prominent factor in the whole picture. Since 1934, a strong movement for investments in our plants for commodities of decisive military importance became more and more pronounced with the main objective of increasing the military potential of Germany. At first, autarchic principles to make Germany independent of importation from abroad was one of the leading objectives. Since the declaration of the 4-year plan in 1936, this movement took an entirely military character and military reasons stood in the foreground. Hand in hand with this, the relations between I. G. and the Wehrmacht became more and more intimate and a continuous union between I. G. officials on one side and the Wehrmacht representatives on the other side was the consequence of it.

I have read the record of this interrogation and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine—and my summarized statement—are true.

VON SCHNITZLER.

EXHIBIT No. 3

[Translation: Dr. Buck/Werner]

HISTORY OF THE VERMITTLUNGSSTELLE W. (MILITARY LIAISON OFFICE)

Since 1934 conferences and discussions with various military offices and authorities in Berlin became more and more numerous and urgent. During the conference of the central committee at Ludwigshafen on 2.9.1935 was decided to create beginning the 1.10.35 an intermediary office W (= Wehrmacht) in Berlin, which had to take over and to sustain the connection between the 3 main lines of the I. G. and the military authorities. Dr. Krauch indicates in his letter to Dr. ter Meer of 5.9.35 that line (1) was managed by Dr. Ritter and a few times later also by Dr. Eckell. For line (2) Dr. von Brüning, Höchst, had been sent to the "central office for war-economical and war-political questions." By Dr. Gajewski's letter to the works of line (3) of 7.11.1935, Dr. Meyer, Wolfen-Film, is appointed for this line. The managing of affairs of the intermediary office W, line (3), is to be executed at Wolfen-Film's on behalf of utility purposes.

Circular, Frankfurt, 2.1.1936 (ter Neer-Selck), gives the information that a department for counterintelligence service (spying, sabotage, treason of working secrets a. s. o.) managed by Mr. Merbeck with its seat at Leverkusen, is attached to the office W. On 1.1.44 part of the functions of this department A will be taken over by the today new-founded office A of the main counterintelligence commissioner of the I. G., Dir. Dr. Schneider, Leuna, or his substitutes Dr. Diekmann (techn.), Dr. von der Heyde, or Dr. Rüdiger (commercial). The other functions of the office W will be fulfilled by the Berlin office (counterintelligence commissioner: Dr. Diekmann, substitute Dr. Gorr).

Owing to letter of 30.6.36 Dr. Ritter and Dr. Eckell will be replaced, because of charging with other duties (Dr. Eckell has changed to Reich's service), by Dr. Diekmann and Dr. Pfaundler for line (1) and from 1.12.36 Dr. Gorr, Höchst, for line (2) instead of Dr. von Brüning, who will return to Höchst.

A letter of Dr. v. Schnitzler and Dr. Ilgner of 3.2.1938 directed to the Reich's and Prussian ministry of war (of economical affairs and to the Reich's ministry of

war) expresses the following: For the treatment of war, economical questions and tasks as far as all affairs of all single I. G. works are concerned, the following offices will be destined:

Intermediary office W.—For: Control of raw material, planning and distribution of production, forwarding and stock of raw, intermediary, and finished products as far as exemption of service of the personnel needed, *the office of economical policy*, Berlin NW 7 for questions of commercial line, f. i. personnel and inquirement accounts for inland and foreign countries, increase of export, displacing of export, stock of external stores a. s. o.

It has been provided that there will be a close relationship between the intermediary office and the department of economic policy.

The office has been lodged in the administration building of the Länderbank, Berlin NW 7, Unter den Linden 78, in three, later on in 5 rooms, since 1.5.1937 in the building of Igerussko, Dorotheenstr. 34, in twelve, later on, in consequence of personal increase and including of the departments superengineer Wolf (attached house Hüls and Schkopau) and Zeikra (traffic projecting for case of mobilisation) in 23 rooms. The 30.11.39 there has been removed to Berlin SW 68, Kochstrasse 73, I, with 37 rooms.

Post office as before: Berlin NW 7.

Managers of the office W have been:

	Line (1)	Line (2)	Line (3)
Since 1.10.35.....	Dr. Ritter.....	Dr. v. Brünning.....	Dr. Meyer.
Since 9.5.36.....	Dr. Diekmann.....	do.....	Do.
Since 1.4.37.....	do.....	Dr. Gorr.....	Do.

As regards service gentlemen of line (2) have been placed under Tea-office Dr. Struss a few time before the war.

State of personnel

	Chemists			Dipl. Ing.			Technicals			Commercial clerks			Masc.	Fem.	Total
	Line			Line			Line			Line					
	I	II	III	I	II	III	I	II	III	I	II	III			
Oct. 1935	2	1	1										1	1	6
31. 12. 35	2	1	1										2	1	7
31. 12. 36	2	2	1		1								2	2	10
31. 12. 37	2	2	1		1					1			5	2	14
31. 12. 38	2	3	1		1					1			17	3	18
31. 12. 39	2	5	1								1		12 (2)	12 (1)	33 (3)
31. 12. 40	3	5	1								1		13 (2)	22 (5)	45 (7)
31. 12. 41	3	4	1								1		14 (3)	24 (5)	47 (8)
31. 12. 42	3	5	1					1					14 (4)	23 (6)	47 (10)
31. 12. 43	3	5	1		1			1					13 (6)	24 (4)	48 (10)

¹ Inducted to military service.

² Attached to office W. Ladies attached are employed at departments Wolf, Dr. Link (Reichs commissioner for dry ice) and I. G. phone central Berlin, attached to office for lodging and care.

Correspondence

Year	Receipt				Dispatch				
	I. G.	Author- ities	Strange firms	Sum	I. G.	Author- ities	Strange firms	Sum	Sa.
1936.....	3,566	578	184	4,328	3,751	852	83	4,686	9,014
1937.....	5,395	1,966	180	8,541	5,555	1,420	120	7,095	15,636
1938.....	8,436	2,359	603	11,398	9,576	2,640	200	12,416	23,814
1939.....	16,375	3,935	1,531	21,841	13,784	3,827	576	18,187	40,028
1940.....	26,359	7,279	1,314	34,952	22,961	4,800	750	28,511	63,463
1941.....	33,768	7,611	1,331	42,710	24,599	5,550	302	30,451	73,161
1942.....	37,509	10,045	1,452	49,006	32,198	6,260	774	39,233	88,239
1943.....	33,023	8,214	1,342	42,579	30,047	7,372	265	37,684	80,263

EXHIBIT No. 4

SEPTEMBER 18, 1945.

STATEMENT BY GEHEIMRAT DR. HERMANN SCHMITZ ON THE
VERMITTLUNGSSTELLE W

Before Hitler, Germany was in an economic crisis illustrated by an unemployment of 6 million people and our investments were abnormally low. As soon as Hitler came into power, things began to change and our investments grew. At first they began to rise slowly, but with the beginning of the Four Years Plan in 1936, they started to jump rapidly, and in 1938 they grew to an extent of approximately RM. 500,000,000. It was absolutely clear that our new investments were tied up directly and indirectly with the armament program. For example, in regard to magnesium and buna and benzine, and high-octane gasoline, all this was mostly done for Wehrmacht purposes. Therefore, it can be said that most of our whole investments since Hitler came into power were tied up with the Wehrmacht.

I was concerned about the financing and I wanted to keep down our finances as much as possible, and therefore we insisted in special cases on getting favorable amortization rates and on making sure that the new investments did not bring us to financial ruin. In this we were successful. Our new investments were generally made on reasonable financial terms. For example, in regard to the buna plant at Hüls, capital of roughly 100 millions had to be provided of which I. G. Farben took 74 percent and Hibernia 26 percent (Hibernia belongs to the State), and all the other money was financed by a loan of the Wirtschaftsministerium, respectively Reichsfinanzministerium, and other big loans from banks. This company has not provided much dividends. I am pretty sure that they were not higher than 5 percent, and that in the last year they did not pay a dividend at all. To give another example, Schkopau paid after a certain number of years 5 percent dividends and later on we made, for taxing purposes, a contract for Schkopau that the profits or losses had to be transferred to I. G. But in Hüls and Schkopau, both typical, the depreciations are considered to be normal.

In 1935 we had to set up a department called the Vermittlungsstelle W to handle affairs between the different works of the I. G. and the Wehrmacht, and I believe it was Dr. von Knieriem who took the matter up before the Vorstand to establish the Vermittlungsstelle W, and I believe it was Professor Dr. Krauch who was put in charge of the Vermittlungsstelle W. In 1936 Goering asked for an I. G. man to help him with the Four Years Plan and I discussed the matter with Bosch and we finally agreed that it might be better to have an I. G. man in charge and therefore we placed Krauch at Goering's disposal. And I remember that a few years ago when I attended Goering's birthday party, Goering said to me "I thank you very much that you have given me Krauch." And I am certain that Goering had complete trust in Krauch.

Early in 1934 at the order of the Ministry of Economics and the Ministry of War, I. G. started to prepare MOB plans on the order of Dr. Ungewitter, Reichsbeauftragter Chemie. These MOB plans were production plans which would go into action in case war broke out. I. G. like all German industry had to follow the policies of the Government, and we did. In my opinion, the Government armed to the fullest possible extent, and since the chemical industry was so important, I. G. had to devote itself also to making Germany as strong as possible with the rest of the German chemical industry for the case of war. But it must be said, that the years 1940-1943 have proven that the possibilities of armament were much greater.

While it is true that Krauch was at all times an official of the I. G. at the same time that he was with Goering—June 1940 Mr. Krauch left the Vorstand and became Chairman of the Supervisory Board, but practically he did not attend the meetings, the first Vice Chairman acting in his behalf—and he was paid by I. G. because he and his big family lived on that income. In my opinion Krauch was absolutely loyal to Goering and he made a magnificent contribution to Goering's Four Years Plan for the chemical industry. It must be emphasized here that the Government was a totalitarian government and that I. G. had at all times to follow the policies of the Government so that when we made an agreement on an international basis, that agreement was subject to the approval of the Government and we were well aware of the policies of the Government in that respect and we had to follow that policy. For example, our relations in regard to synthetic rubber, buna, with Standard Oil, dating since 1929, were closely followed by the Government and we pursued the lines of the Government. In concordance herewith, we received the Government's approval to two important agreements with I. C. I. in England in 1935 to the creation of a joint magnesium

plant in Coventry and in 1938 of a joint dyestuffs plant in Trafford Park. It was absolutely clear that insofar as international agreements were concerned in the chemical field that the Government wanted us to keep the Wehrmacht here as strong as possible. I. G. especially, because of its international position, was a very important factor to be used by the Nazi government, for I. G. was the greatest single provider of foreign exchange for the Government and the Government needed foreign exchange in order to buy the necessary raw materials for Goering's Four Years Plan and food, textiles, etc., for the people and the army. It should, however, not be forgotten that a big part of our exports were made with countries which did not pay or only partly paid in free currency.

H. SCHMITZ.

EXHIBIT No. 5

STATEMENT BY DR. STRUSS, AUGUST 7, 1945, ON THE VERMITTLUNGSSTELLE W

The establishment of this office at Berlin was carried out by Prof. Krauch about 1934. At the beginning each of the departments of Group 1 and 2 employed 2 to 3 chemists in that Berlin office; Group 3 never had a permanent representative in Berlin. At first the "Vermittlungsstelle W" occupied itself principally with problems in connection with a possible war. For this reason production plans had been worked out for each plant in case of a mobilization; furthermore "Planspiele" had been carried out visualizing cases of future air-raids and their possible consequences.

In 1936 the "Amt für deutsche Roh- und Werkstoffe" later "Reichsamt für Wirtschaftsausbau (RWA)" was erected by the German Government. Prof. Krauch more and more had to deal with problems connected with the management of this governmental office. To the same extent the chemists of Group 1 followed him into this office. For this reason the "Vermittlungsstelle W" at last preponderantly employed representatives of Group 2. The management was in the hands of Dr. Günther Gorr, who was placed under me; his deputy was Dr. Hans Wagner. In addition there were permanently employed 3 to 4 chemists, 1-2 engineers and an office staff of 30 to 40 persons.

Secret enquiries about orders and research and other work in connection with the armed forces should have been directed to and handled through Dr. Wagner; this procedure, however, was more and more discontinued as time went by particularly during the war. After the representatives of the armed forces had become acquainted with the technical experts of the different plants and fields, they contacted these experts directly without using the services of the "Vermittlungsstelle W." The Wehrmacht agencies thus directly gave suggestions and orders for development of special products or lines to the works. I obtained knowledge of these only occasionally if and when the respective expert informed me in spite of his obligation to secrecy (Schweigepflicht).

Larger projects for new installation which were carried out pursuant to military orders and required new buildings and equipment passed as secret projects through my hands. When the armed forces had decided to build a new plant at their own cost, I sometimes had no knowledge of the plans.

The main activity of the "Vermittlungsstelle W" during the last years was not any longer to cooperate with military departments, but to work in close cooperation with a number of governmental or semigovernmental agencies. These were principally:

	<i>Field of activity</i>
Reichsstelle Chemie (Government office Chemical Industry).	Allocation of chemical raw material, steel for maintenance and packing material. Distribution of final products.
Wirtschaftsgruppe Chemische Industrie	Allocation and direction of chemical production.
Reichsamt für Wirtschaftsausbau (RWA)	Planning and erection of new construction and plant; allocation of building materials therefor.

Frankfurt/M. 7.8.45.

(S.) STRUSS.

EXHIBIT No. 6

[Translation]

DEVELOPMENT OF THE WORK OF THE VERMITTLUNGSSTELLE W

BERLIN, 31. 12.35.

With the creation of the Army, the German industry got the task to bring its plants and its organization in line with the building up of the defences of the country, which means to reorganize its existing plants and offices from the point of view of the armament. The newly founded Vermittlungsstelle W has as its task the simplifying and connecting up of those works inside of the I. G. The aim of this work is the building up of a tight organization for the armament in the I. G. which could be inserted without difficulty in the existing organization of the I. G. and the individual plants. In the case of war, I. G. will be treated by the authorities concerned with armament questions as one big plant which in its task for the armament, as far as it is possible to do so from the technical point of view, will regulate itself without any organizational influence from outside.¹

In close collaboration with the Minister of War, it was provided that the work of the I. G. should conform with the general development and in accordance with the rules given by the authorities with respect to its requirements.

In the Vermittlungsstelle W the work for armament of all the plants of the three divisions are joined. An agreement has been made with DAG (Dynamit Nobel) to the extent that DAG works together with the Vermittlungsstelle W only on supplies for raw material and planning works. Whereas questions dealing with the developmental work were not made by the Vermittlungsstelle W.

To the field of the work of the Vermittlungsstelle W belongs, besides the organizational set-up and long-range planning, the continuous collaboration with regard to the armament and technical questions with the authorities of the Reich and with the plants of the I. G.

A. LONG-RANGE PLANNING

1. Planning works for armament

(a) *Central Office of the I. G. (Division of Production).*—To secure in case of war, execution of production in the plants of the I. G., one must prepare an I. G. office, making use of the organizations of the different divisions and the existing institutions which would act as connecting link of the government offices. The most suitable form for this organization should be found by practicing different schemes. Such a scheme, which should demonstrate the work of this contemplated office was in preparation for Division I in the nitrogen field.

(b) *Individual works of the I. G. (for the purpose of securing Production).*—To secure from the beginning the collation of all the armament and technical questions in the different works already during the time of the development one has appointed a staff in each works of the three divisions. The same was provided for the commercial offices and the centralized administrations, although the most suitable form for these organizations will only be found after outbreak of war and by the experiences gained in the war.

This staff was set up in the different works in close connection with the existing organization of the plants. The manager of the plant should be in principle the man who is alone responsible for all the armament questions and questions connected therewith. The managers of the plants are to a great extent thoroughly familiar with the armament developments and working schemes were lined out as far as this was possible in the present state of development.

To prepare the members of the staff on the different decisions which must be taken in case of war it is necessary to exercise by pseudo games or manoeuvres the technical problems which may come up. In these pseudo games all the possible disturbances and their effects on production of the works and further the respective measures which would have to be taken to secure the most important productions, should be taken into consideration.

These preparations can be made use of even in normal times, especially in cases of a catastrophe. The air-raid prevention organization recently formed should be taken into the new set-up for the prevention of catastrophes in the plants.

These measures adopted for the armament should lead to a uniform organization under the leadership of the plant manager in each of the I. G. works which connects all the armament and technical questions including protection against

¹ The work in this direction was in principle agreed upon with the Ministry of War (Wehrwirtschaftsamt) and from this office with the Ministry of Economy.

catastrophe and air raids and which can be used in normal times whenever any disturbances may occur in the plants.

2. *Working of the plans for mobilization*

The aim is to make up the plans for mobilization for all plants in close connection with the authorities concerned with the armament. These plans are worked out under the presumption that I. G. takes the necessary measures in its plants to execute the orders for the mobilization. In cases concerned with the demand of raw material or finished products from outside the works and in questions of labor and transportation, each of the plants of the I. G. works just like every other industrial plant, with the organization offices of the government in their respective spots.

Attempts were made to find out the prospective particulars for the production of the different I. G. works in the case of war. Only in very few cases which were especially important products for the war, one could get a certain picture of the necessary requirements. It will take a long time for the development work until one could see really clear as to the actual requirements in the case of war.

A scheme for mobilization for war (technical part) based on present recognitions, was set up, just as well as a scheme for the I. G. works (chemical industry). We can expect that the authorities will give, at a later date only an indication for the execution of that part of the scheme which has purely the character of a timetable, the presumable structure of which was already taken into consideration.

B. CONTINUOUS ACCOMPLISHMENT OF THE WORK

The continuous developmental work in the field of armament and technical questions connected therewith is fixed and agreed upon (in further collaboration with the Vermittlungsstelle W.). Contact is made with most of the experts of the I. G. works and the governmental departments.

1. *Developmental Work*.—A big range of cases was already settled or is worked on.

2. *Contract, licenses, and exchange of experiences*.—Instigated by Dr. Krauch and Dr. von Knieriem, the Ministry of War created an office which deals for all the different parts of the army with the above questions. A few questions have already been taken up and cleared with this office.

3. *Patent Questions and Secrecy*.—Induced by Dr. von Knieriem, the I. G. will take up all the questions concerned with patents in the armament field through the medium of Vermittlungsstelle W. The Vermittlungsstelle W has and will settle continuously those patent questions.

4. *Visitations with officers, inquiry in plants*.—It was agreed with the plants that the Vermittlungsstelle W will be informed on announced visits or inquiries by the officers of the government in order to be able to take part and evaluate the discussions. Some visits were initiated and evaluated.

5. *Preventive measures against espionage and sabotage*.—Prompted by Professor Selck a "Department A" was created in the Vermittlungsstelle W which is at the disposition of all the I. G. offices for the different preventive measures and questions of the security service in the plants (manager: Merbeck of Leverkusen). It was agreed with the Ministry of War that contrary to the general rules, exchange of experiences and assistance in these preventive measures inside the I. G. through the Vermittlungsstelle W can take place. A uniform evaluation and attendance, if something comes up, is guaranteed herewith, and the plants which have nobody in charge of preventive measures, have the possibility of making use of the experiences made in the different plants of I. G. for their own work and to settle the questions coming up in a proper way.

EXHIBIT No. 9

STATEMENT BY DR. STRUSS, AUGUST 13, 1945, ON MOB PLANS

13 AUGUST 1945.

In 1934 I. G. received an order from Mr. Ungewitter, chief of the Wirtschaftsgrope Chemie, to prepare production plans in the case of war. In my opinion Mr. Ungewitter received his order to prepare such plans from the Ministry of Economic on the one hand and the Ministry of War on the other hand. I know that a representative of the Ministry of Economic, Dr. Lenz, and a representative of the Ministry of War, Dr. Mureck, assisted in the making of these plans. I remember that Mureck, often told us that the Ministry of War wants the plans drawn up in such and such a way. After I. G. received the order each

plant of I. G. prepared its production plans in a case of war. These plans were submitted to Mr. Ungewitter.

When the war broke out we received an order that the production plans prepared for the Ministry of Economics and the Ministry of War were in action. In regard to new developments, new plants, those plans were under Mr. Krauch and the 4 years, plan since 1936. The first Krauch plants were constructed and finished in 1937. He was in charge of all new constructions and enlargements of existing facilities.

There was still a third development: In respect to certain products, like magnesium and centralite, the Luftwaffe or the Wehrmacht at first went directly to the plants, and arrangements were made for new constructions and new plants and new production. Later on that too went through Mr. Krauch because the supply of such raw materials as iron and steel could only be allocated to I. G. by the order of Mr. Krauch.

3/8/45.

(S.) STRUSS.

EXHIBIT No. 10

INTERROGATION OF V. SCHNITZLER

18 AUGUST 1945
Time 9:40-10:40

Q. When was the Wirtschaftsgruppe Chemie organized?

A. The Wirtschaftsgruppe Chemie was organized in 1933. It grew out of a private association of the chemical concerns which was a very old organization. However, in 1933 it became a semiofficial organization and its functions were to advise the government on policy matters in the chemical industries.

Q. What was your position in the Wirtschaftsgruppe Chemie?

A. In the Wirtschaftsgruppe Chemie I was member of the "engerer Beirat" (the inner Board), since 1933.

Q. What official position did you hold?

A. I was deputy chairman of the Wirtschaftsgruppe Chemie which was a component of the Reichsgruppe Industrie.

Q. Who appointed you deputy chairman of the Wirtschaftsgruppe Chemie?

A. Insofar as I can remember the chairman of the Wirtschaftsgruppe Chemie was appointed by the Ministry of Economics. I think I was appointed by the chairman of the Wirtschaftsgruppe Chemie as his deputy. Of course, my appointment could not have been made without the consent of the Ministry of Economics.

Q. Who was the manager of the Wirtschaftsgruppe Chemie?

A. Dr. Ungewitter.

Q. Who was Dr. Ungewitter appointed by?

A. Dr. Ungewitter was formerly in the Verein the manager of the Wirtschaftsgruppe Chemie and then, of course, he was appointed by the Ministry of Economics.

Q. Who paid the salaries?

A. The Wirtschaftsgruppe.

Q. How did the Wirtschaftsgruppe get its money?

A. In the form of an "Umlage" on account of the chemical firms based on the totality of wages and the number of employees. Membership in the Wirtschaftsgruppe was compulsory.

Q. In regard to important steps or decisions to be made by the Wirtschaftsgruppe were you informed?

A. Yes. When important steps were to be taken the leader convoked the "engerer Beirat."

Q. Can you give me an example of a policy decision made by the Wirtschaftsgruppe Chemie?

A. The two most important things the Wirtschaftsgruppe Chemie has done were: Firstly the Z. A. V., the "Umlage" of the Z. A. V. on the industry. That was in 1934 or 1935, and secondly, during the war it handled the question of the statements of the excess profits from the standpoint of the price commissars.

Q. What were the "Mob" plans?

A. The Wirtschaftsgruppe or its different affiliations had the function to control the entire production in the chemical field and to prepare the distribution of the available and the needed commodities. This was done for every important product of the chemical industry. I remember that the most important commodities figures on a special list which was particularly supervised by Dr. Unge-

witter personally. The production plans of the different branches of the chemical industry could only be made up in accordance with the prescription of Dr. Ungewitter. Dr. Ungewitter in his person united different functions.

Q. Can you give us the history of the development of the production plans for war, i. e., the "Mob" plans?

A. From the very beginning of the Nazi regime the Wirtschaftsgruppe was charged with semiofficial functions in order to prepare an eventual German mobilization for war. In this connection they made an analysis of every chemical firm in Germany what their producing capacity was and what they had in stock, etc. For the so-called great commodities a production plan has been made up and the distribution for the needs of an eventual war was prepared. Representatives of the Wirtschaftsgruppe, that means officials, acted in close collaboration with the Ministry of Economics and the Ministry of War to collect that material and got from the different firms those plans which he did approve or disapprove. With the beginning of the war the long-prepared system was put into action and functioned with the greatest accuracy. No firm was allowed to go beyond the production plans fixed beforehand and the commodities used for their manufacturing were strictly controlled. Thus Wirtschaftsgruppe and the other affiliations were from the very first beginning an instrument which served as an intermediary between the Ministries of Economics and War and the individual firms.

Q. When was the order putting the plans into action issued?

A. All the German industries were mobilized in summer of 1939 and in summer 1939 the Wirtschaftsgruppe Chemie issued an order that the plans for war were in action. In June or July 1939 I. G. and all heavy industries as well knew that Hitler had decided to invade Poland if Poland would not accept his demands. Of this we were absolutely certain and in June or July 1939 German industry was completely mobilized for the invasion of Poland.

G. VON SCHNITZLER.

EXHIBIT No. 14

STATEMENT BY MAX ILGNER, AUGUST 4, 1945, ON THE ASSISTANCE RENDERED
BY FARBEN TO THE WEHRMACHT

(By M. Ilgner)

[Typed: Radte]

FRANKFORT ON-THE-MAIN, 4.8.45.

Attention: Mr. Weissbrodt

Since the 4-year plan was introduced in 1936, in connection with the rearmament and autarkie program of the government, the Wehrmacht questions became more and more the deciding factor in Germany. I. G. as the leading German "Wehrwirtschafts-Betrieb"—by the fact of her many war-important productions—was regarded as a very important factor in connection with the measures taken by the government, to enlarge the capacity of those fabrications, which were important from the point of view of the "Wehrwirtschaft," that means the preparation of all measures to be taken by business life in the case of war. I. G. (which had already contact years before 1933 with the Heereswaffenamt (Bockelberg, Liese, Thomas), amongst others on the question of the introduction of the Leuna gasoline in the form of an "Einheitstreibstoff" in the German market) was asked to assist in this respect, and Bosch consequently introduced Krauch to the 4-year plan, where he became the chief of the "Reichsamt für Wirtschaftsausbau" and the "Generalbevollmächtigte für Sonderfragen der chemischen Erzeugung"; this concerned nitrogen, gasoline, buna and magnesium, all these being fields, where I. G. was both in respect to scientific work (patents and know-how), as well from the industrial point of view the real deciding enterprise and in which field I. G. would have got in every case the order to enlarge her capacities. For this same reason—in my opinion—it was the idea of Bosch, to present just a man like Krauch, when he was asked, to nominate someone, because he wanted to have a leading and energetic chemical expert, who was able to direct and watch this whole planning in these special chemical fields, so it was done in an intelligent way from the economic point of view, and that no measures were taken which were directed against I. G. Nevertheless Krauch later on got always troubles and obstacles in his activity by Kehrl, the most deciding man in the last years in the ministry of economics and later on in the

ministry of armament as well as in all economic questions in Germany of the last years.

I. G. had to enlarge in a considerable way her capacities, but it was the general policy of I. G. in this connection to finance those new investments, which were valuable from the point of view of civic-consumption in peacetimes, by herself and to try to get the other investments financed by the government.

After Krauch entered the 4-year plan, he still remained up to 1940 member of the board, being on leave from I. G., and then stepped out of the "Vorstand" and became chairman of the supervisory board of I. G. When Krauch started his new job, he took with himself a staff of people from I. G. to his new position, which were also on leave from I. G. but remained on the pay roll, this was handled by Ludwigshafen (Wurster), which was a general rule during the war re. all I. G. employees taken over by the Wehrmacht, to whom I. G. paid 85% of their old salaries during all the time they were with the Wehrmacht—but his staff consisted as well of other employees and leading chemical and technical men from other firms, as well as Krauch was assisted in his work by leading chemical and technical men of I. G. as honorary collaborators in the various I. G. fields concerned. During the war Krauch also took over such qualified I. G. employees, which would have been taken otherwise by the Wehrmacht.

When in the year 1938 the so-called "M-Frage" was discussed in the commercial committee as well as by the "Sparten"—this means the question, how the personnel of I. G. would be used in the case of war—this question was handled, as far as the commercial employees are concerned, by the Wirtschaftspolitische Abt. (Terhaar, v. d. Heyde) and on behalf of the technical employees by the Vermittlungsstelle W. and the letter mentioned today to v. Schnitzler and myself must have concerned the coordination of Wipo and Vermittlungsstelle W. in respect to this question; this was necessary, as there was one general policy in regard to social and personnel questions in the I. G. and the technical and commercial employees of I. G. couldn't be treated in a different way in the case of war. The Vermittlungsstelle W. was created by Krauch and Selck in 1934; it handled in the beginning—but it might have been also later—the "Industrierverschleppungsfragen;" on this question also v. Knieriem is informed. As these questions also were handled by departments of I. G. Bln NW 7, I asked for coordination, in the same way as in regard to the personnel questions of the M-Frage. The Vermittlungsstelle W. was, with the exception of some personnel—resp. social-questions (all leading and qualified employees of Verm. Stelle W. were on the pay roll of Ludwigshafen and the lower staff as well as the social questions re. the "Arbeitsfront" in the line of the "law for the regulation of the national labour" were handled locally by the Gefolgschafts-Abteilung I. G. Bln N. W. 7), in all material questions an independent organisation of the three "Sparten" (Sparte I: Schneider, Bütetisch, Müller-Cunradi, II: ter Meer, Hörlein, Ambros, Burgin, Jahne, Kühne, Haberland, Lautenschlager, Wurster, III. Gajewsky, Kleine) and was under the direct conduct of the three Sparten leaders. The management of the Verm. Stelle W. (Gorr, Dieckmann, and others) were the link between the Wehrmacht and the other authorities concerned on the one side and the Sparten on the other side. Sparte III made the least use of the Verm. Stelle W., as Gajewsky was often in Berlin and had the possibility of a direct contact; in Sparte I, after Krauch stepped out of the Vorstand of I. G., there was a division in the conduction between Schneider (nitrogen) and Bütetisch (gasoline).

In the year 1939 the Wehrwirtschaftsstab Thomas asked and got the assistance of the economic department of I. G.—this being handled by general Thomas and Krüger, resp. Reithinger—and in the beginning of the war, Krüger became an officer in the army in the Wehrwirtschaftsstab Thomas and in same time a command to I. G. N. W. 7, in order to secure the full assistance of the economic dept. of I. G. for the Wehrwirtschaftsstab, but on this matter Reithinger really is informed especially on the precise dates.

In 1940, by request of the O. K. W. "Abwehr-Abteilung" Kanaris a so-called Hauptabwehrbeauftragter of I. G. was nominated and the department A (Dieckmann, v. d. Heyde) was formed in assistance to this function. The Hauptabwehrbeauftragte should be the central contact man between the Abwehr-dept. of the O. K. W. and all Abwehrbeauftragte in the various I. G. factories and other I. G. departments, who were already in function since years. A. means Abwehr, that is counter-espionage, especially in the factories. To the position of the Hauptabwehrbeauftragte, Schneider was appointed, as it should be a member of the highest institution of I. G. (Zentral-Ausschuss), who had the authority and position to pass instructions to the various chiefs of the I. G. factories and other departments.

(Signed) MAX ILGNER.

FRANKFORT ON THE MAIN, 4.8.45.

EXHIBIT No. 15

STATEMENT BY VON SCHNITZLER, AUGUST 8, 1945, ON FARBEN'S POISON GAS EXPERIMENTS AND MANUFACTURE

The I. G. by force had to follow the general development in Germany. Whatever government ruled Germany, the key position of the I. G. in the whole chemical field undisputed since I. G.'s foundation in 1925 had to play and always played the decisive role in everything which was connected with chemistry. I remember a remark of Stresemann made to me in 1927; What have I as a trump in my hands apart of you, the I. G., and the coal people? That I. G. would follow a line, which was not in conformity with the line of the government, was simply imaginable and that I. G. could refract from an order given by the government or take the attitude of an open or clandestine opposition was out of question—even at a time when Germany was a democratic state and government measures could be openly criticised.

Thus I. G. was "governmental" under Stresemann as well as under Brüning, as under Papen.

When Hitler legally came to power, instituted by old Reichspräsident von Hindenburg, in the beginning the attitude of I. G. in regard to the the Nazi government was simply the continuation of the attitude I. G. had taken vis à vis former governments. But very soon it became evident that the Nazi regime which had started as a coalition government together with Deutsch Nationale Volkspartei—which latter party had 3 ministers in the cabinet—intended to go quite different ways from former governments and by and by we learned what a totalitarian state meant in reality and what consequences that had for us.

The party claimed all power for itself. "Die Partei befiehlt dem Staat"—"The party gives its orders to the state"—was the official device, and the state is the instrument through which the totality of its inhabitants is ruled.

No political influence of professional groups was anymore tolerated—and in short I. G. found itself entirely devoid of all political influence. This state of things in no way was regarded as satisfactory and without a special order given in that direction a large-scale subvention action was started. From the local little bosses up to Hermann Goering personally under the most varied names and through the most varied channels bigger and smaller sums were being given to the party, all with the aim to creating a better atmosphere, because very radical ideas in certain party circles about the "Gross Concerns" and particularly about the I. G. were common opinion.

The money was being taken but the result was more or less null and up to the last time of the war I. G. always was suspected to be "a state in the state" and the dismemberment of I. G. never left the clandestine party program. On the other hand the party in the form of "Adolf Hitler Spende" and "Winterhilfswerk"—W. H. W. and many other ways converted the subventions given formerly as a sort of bribery into a legal claim.

When Hitler came to power he had promised to the masses the end of unemployment and he put this part of his program in the foreground.

In order to create work the industry had to get orders, and I. G. undoubtedly was one of the first ones to have advantages of it. As foreign currency was scarce—the great crash of 1931 lay only two years behind—an interior market had to be created and products which had before been imported had now to be manufactured in Germany—with the double aim, to save the foreign currency necessary for the import of textiles, metals, food, etc., and at the same time give additional work to German workmen. Thus, now 12 years later it is difficult to ascertain if the beginning of the "rearmament" movement was right out started as a military measure or if the first phase till the end of 1936 was not a primarily economic one insofar as the production of synthetic oil, synthetic rubber, rayon, synthetic fibres, a. s. o. was not only fostered to get materials for warfare but in order to make Germany in those products self-supporting and save the foreign currency for their importation.

The policy of "autarcy" and "rearmament" was so closely interconnected with one another that it really represents unsurmountable difficulties to distinguish which element of both was the prevalent one.

However, it was I. G. very soon profited by it and whereas in 1932 I. G.'s total expenditure for new plants and equipments was, I think, only 10-12 million marks, it climbed in the years 1934-36 rapidly and from thereon took a raging trend.

The technical possibilities being involved in that trend had undoubtedly a great fascination upon our technical people. Plans for which they could not see any practical realisation as long as a normal economy existed, became realisable and the most fascinating prospects seemed to lie in the future. That this development in the last must lead (1) to impoverishment that means to a lowering of the standard of living, (2) to war nobody did or wanted to realize. Even a man so

strictly opposed to the Nazi regime as Dr. Bosch who was the only one who once has dared to contradict openly Hitler—with disastrous result by the way, as I later on was told, had no hesitation to put Krauch at Goering's disposition, when being asked for a high-ranking chemist who should take over the leadership of "Amt für Wirtschaftsabsbau" and Bosch was a convinced democrat, a convinced partisan of a peace policy.

The whole development of I. G. in the years beginning with 1934 and accelerated since the end of 1936 is entirely due to the close teamwork with government and Wehrmacht.

The export trade remained stationary at some 400–450 million marks and the buying capacity of the civil population was not highered (raised) as the nominally higher incomes in toto were counterbalanced by a loss in the so-called "Realeinkommen" and higher taxes.

Practically the whole augmentation in the turn-over of I. G. from a little over 1 billion marks to 3 billions in 1943 is a 100% result of the rearmament and the war policy of the German government.

The totality of Buna, of metals, of high-octane oil, of most chemicals, at least two-thirds of the Nitrogen, and a great percentage of dyestuffs and pharmaceuticals went directly or indirectly to the Wehrmacht. A high percentage of this turn-over from the very beginning was more or less guaranteed by the Wehrmacht. Agreements of the most different kind were being concluded but nearly all were based on solid ground insofar as the Reich guaranteed the amortization (light metals) or had arranged for a protective duty (oil, Buna) or prescribed the use for the consuming industry (synthetic fibre). The result always was identical, after a certain time the factories became or should become I. G.'s unburdened property. This latter result could be achieved with a raised rapidity with the so-called Ostwerke where the whole equipment could be amortized in the year of its investment provided that the owner made sufficient profits in the whole.

The direct consequence hereof was that I. G. notwithstanding that it spent some 500 million marks in the average of the last years had not substantially to augment its capital and that I. G.'s balance sheet under "plants and equipment" shows a practically unchanged figure. This state of things and the apparent splendid situation of I. G.'s balance weakened the central administration. Young and active technicians like Ambros, Bütefisch, Wurster, but even men in positions not ranking as high like Altwicker and Ziegler in Bitterfeld in the metal field handled on their own problems of the greatest importance, engaged I. G. in always greater commitments. They used the word "Auflage,"—"impost" of Wehrmachtsstelle X, but sometimes it never became quite clear if our technical men themselves had not deliberately induced the Wehrmacht to that "Auflage." The central administration registered the facts, when it came to the settlement of the expenses, but had very little to say in the matter. To a large extent Krauch's office was a governing factor in these relations as the "Amt" under Goering's responsibility in the domains reserved to it, decided what quantities and where the respective production should be erected. In Sparte I Dr. Bütefisch took the lead in this direction and practically rounded out Dr. Schneider in the oil field, but Dr. Müller-Cunradi in close contact with Dr. Krauch did the same in the different domains being connected with Oppau and including the whole high-pressure field with the exception of the oil—but still Dr. Müller-Cunradi being in charge of the new works in Heydebreck was hereby the head of the so-called Tannol-Anlage, which to the best of my knowledge represented a new high-octane fuel. A similar development took place in Sparte II, Dr. Ambros and Dr. Wurster as well as the chemists in Bitterfeld, here mostly in the metal field, but in some other domains of chemistry destined for warfare just as well became entirely independent of the "Spartenleitung" and acted immediately with the different authorities of the Wehrmacht.

But things were very complicated in such a sense as the Wehrmacht had 3 or 4 quite independent departments and a part of the Wehrmacht Reichswirtschaftsministerium and Reichsbeauftragter Chemie had many functions reserved to them.

Between Reichsbeauftragter Chemie (Dr. Ungewitter) and Dr. Krauch quarrelling never ceased, as overlapping of authority happened all the time.

In the last phase of the war following ideas of President Kehrl of the Reichswirtschaftsministerium, the organization of the "Gewerbliche Wirtschaft" became entitled to act to a large extent as a decisive factor and in principle a corporative system was in full creation. The result for I. G. was—although I. G. men generally were not being put in the foreground, because President Kehrl was in strong opposition against I. G.—that the overwhelming technical position of I. G. rendered it the deciding factor.

As an example I only cite Dr. Wurster's activity—he indeed was put in the foreground—in the field of sulphur and sulphuric acid, who in fact ruled that important item of warfare chemistry with sovereignty. This system of corporative development was neither invented nor in principle fostered by I. G. but the facts were stronger than Mr. Kehrl's ideas and the industrial potential of I. G. became bigger and bigger.

Surely personal ambition and the pleasure of expanding, mostly of the younger chemists, played its role in that development, but on the whole it was the natural consequence of the war becoming more and more "total" and because nobody else than I. G. could handle those problems.

The combination of highly qualified chemists, big laboratories, an enormous potential of patents and experiences and a great financial capacity was too strong as not always being the decisive factor to I. G.'s advantage whenever a problem arose which had to be solved.

A part of this technical situation, the development of I. G., during the last 12 years can't be separated from the government's foreign policy.

From the very beginning it was the government's intention to make the "Mittel-europäische Raum" as far as possible self-supporting and direct German import from overseas to the continent. Intensifying trade relations to the south and the southeast of Europe even at the price of material sacrifices was the "mot d'ordre"; the next one was the intensification of the South America business on the basis of barter-trading in order to get from there the products which were not available any more for Germany in the U. S. as the Reichsbank did not dispose of the necessary Dollars. Although I. G. was not in the least a partisan of this policy and would have preferred to develop its great international business on the line of a "most favoured nation" basis it had to follow the new trend—on the simple reason, that there did not exist any other possibility. Occasional suggestions in order to get a better stand were successful in the case of England for instance, but on the whole the official policy was carried through without giving the export industry a chance to intervene. During the years from 1933 to 1937 I. G.'s expensive outside of Germany did not make a substantial progress. It kept up its position and its participations, but very little as far as I can recollect, had or could have been done or was added to it. A complete change took place since 1938. Firstly by purely private negotiations both of course with the approval of the government, with I. C. I. two important agreements were being concluded, the foundation of the Trafford Park Chemical Co. and the British Magnesium Co.

Much greater problems, however, had to be approached by the incorporation of Austria and Sudetenland into Germany, with the creation of the so-called "Gross Deutschland." To both countries, I. G. always had exported on a large scale, in both countries a chemical industry existed, of which the "Aussiger Verein" and Dynamit A. G., Pressburg, were old-established enterprises, built up on a broad basis.

Relations of close teamwork with the Aussiger Verein and I. G. had been operating for decades. In the dyestuff field a cartel agreement with the Verein had been concluded in 1934.

This dyestuff position of the Verein was the key of the whole problem, I. G. being the only producer of dyestuffs in Germany except one small Swiss-owned company in Grenzach on the German-Swiss border. Thus I. G. did not want anybody else enter that domain inside the German territory. As Chemische Fabrik v. Heyden had succeeded to get the permission of Reichswirtschaftsministerium to deal with the Verein about the purchase of the works in Aussig and Falkenau, I. G. had firstly to approach v. Heyden. An agreement was reached that both handled the question jointly on a 50-50 basis. In the then following negotiations the group v. Heyden-I. G. acquired the two factories with their coal basis at a fair price, formed a new company, called it Chemische Werke Aussig-Falkenau G. m. b. H. and this latter company leased the dyestuff department by a long-termed agreement to I. G.

The relations with the Verein remained friendly. Not only was the Verein's position in the remaining Tschecho-Slovakia fully recognized, but a joint plant of synthetic fibre on I. G.'s processes was built up in Pressburg with a participation of 40% of the Verein, reserving to the Verein the supply of raw materials from the Verein's factories in Nowaky and Handlowa.

Undoubtedly the I. G. as well as v. Heyden took advantage of the cession of the Sudetenland to Germany, but on the other hand the Zivno Bank and its Generaldirektor Dovrazek were of the opinion that the Verein could not keep the factories under the changed circumstances. Mr. Dovrazek himself took an active part in the negotiations and even helped to find the compromise formula, upon which the two parties agreed.

Whereas in the Sudetenland no other industrial activity of I. G. became practical the industrialisation of Austria required a substantial participation of I. G. in it. After the Anschluss I. G. had acquired the majority of Skoda Wetzlar works from Wiener Kreditanstalt and transformed this company into the Donau-Chemie A. G. The Donau-Chemie in the future became the stepping stone of the great development which took place in the chemical domain and culminated in the building up of huge installations in Moosbierbaum in the domain of power, sulfuric acid, hydrogenation of oil and magnesium. The latter plant, of course, never came to a start as the Luftwaffe stopped all work on it. In connection with this activity in Austria another great step to industrialisation took place in Slovakia. Since long years the D. A. G. (Dynamit A. G.) had a controlling interest in Dynamit Pressburg. Apart of the main works in Pressburg, D. A. G. owned a couple of smaller factories in Austria and participations in Hungary, Roumania, and Jugoslavia.

Of the Austrian factories part was consummated in Donau-Chemie (Brückl and Landeck), the others remained as such in the form of independent Dynamit Cos. Pressburg itself took a gigantic expansion and developed a great export trade to Hungary and the Balkan countries. But the development in the S. E. was by far overrun by the industrial development which took place after the war against Poland. Based upon the coal of Upper Silesia two gigantic works were being taken under construction, the one in Heydebreck on old German territory (recognised as German after the plebiscite of 1921), the other one on Polish territory in Auschwitz, between Kattowitz and Krakow. The factory in Heydebreck entirely belonged to Sparte I, the one in Auschwitz represented a combination of Sparte I and II, under the leadership of Sparte II and with Buna as the main product. Both works for my opinion made slow progresses and came into fabrication only very late, with more substantial quantities in 1943 and 1944, but they never reached a state of real or full accomplishment. I think, some 800 million marks have been spent on them; half of which nearly, I would say, was written off.

Although at different times Dr. Ambros had invited me to visit Auschwitz, I have never been neither in Auschwitz nor Heydebreck and my knowledge solely reposes on reports given by Dr. Ambros and Dr. Müller-Cunradi. In connection with these works we acquired a controlling interest in a coal mine—the Fürstengrube—and were just dealing about a further interest in it, when the war entered in its last phase. Apart of this huge enterprises the Pharma had acquired land not so very far from Breslau on the Oder near Dyhrenfurt with the idea to construct there a pharmaceutical factory.

This never materialized and Dr. Ambros at a date unknown to me took over the leadership of that place. There under the firm of Anorgana G. m. b. H. for the account of the Reich I. G. fabricated the new, as I later on heard, in Elberfeld invented poisoned gases. This fabrication, of course, was kept so secret, that only in the beginning of the year 1945 (January to February) I heard for the first time of it, when Dr. Ambros in strictest confidence told me what I have given as my personal knowledge to Major Tilly at the end of April and what consisted of the fact that such gases based upon an intermediate of Ludwigshafen "Metaphenylendiamine" had been made in a special equipment (all in glass) but that the whole production owing to the Russian advance had been shipped to the interior of Germany. Dr. Ambros at the time spoke of the great danger if ever smallest quantities of this product evaded.

At that time (end of April) I was still under the impression that I. G. as a firm was only indirectly connected with the fabrication of that gas insofar as we had put chemists at the disposition of the Reich and supplied the intermediates. Later on by Major Tilly I heard that Anorgana which ran the plant was 100% I. G. and that the whole fabrication practically was an affair of I. G. He told me furthermore that these gases had been used by the Nazi authorities as a tentative in Auschwitz concentration camp.

In the last quarter of 1944, I should say, it was at the end of November or in the beginning of December, an allusion was made to me confidentially by Dr. Müller-Cunradi that terrible things had happened in the concentration camps of Auschwitz, that gases had been used there to kill people and that I. G. products were of something in it—of course it was only an *allusion*. Not knowing anything of Dyhrenfurt at the time, I could not bring this allusion in connection with the new gas, but I was so horrified by it that I only reacted "but do other people know that too," which he confirmed, yes, Ambros and the other men in Auschwitz know of these things. To Schmitz I made a remark about terrible things being connected with Auschwitz and Dyhrenfurt but without going into details. How far he was informed about it, I can't say, for my opinion he should have heard about

the general happenings regarding Anorgana a. s. o. as financial interests of great importance were connected therewith and Ambros and Müller-Cunradi must have reported to him about the situation under all its aspects. But that, of course, can only be heard from the 3 men themselves.

I myself had never seen the agreement regarding "Anorgana" which was concluded before I took over my activity with the Chemikalien business. I was of the opinion that the Reich-owned plant and equipment of the so-called "Reichsbetriebe" at 100% and that Anorgana was a 50-50 position of Reich and I. G. for the handling of those products which were sold to manufacturers (—*arbeiter*).

How secret all these matters had to be held by the men immediately concerned with them might become evident by the fact that Dr. ter Meer notwithstanding that we always worked together in the dyestuff domain in the closest cooperation never mentioned them to me and I was greatly surprised when I heard by Dr. Loehr only a few days before I was taken in custody (May 7th) that under ter Meer's papers confidential material of this kind had been found.

What motives induced Dr. Ambros to take over the factory in Dyhrenfurt, which primarily was destined for the management of the Pharma people of Elberfeld, I am completely at a loss to explain. I can only presume that his sometimes illimited technical ambition has driven him in this terrible job.

In Poland furthermore we acquired from Treuhandstelle-Ost the Boruta and in connection with the Francolor transaction the Winnica, the latter one had to be liquidated as no economical basis for it was still existent.

Boruta practically belonged to the Polish state, the share capital was lost and a state-owned bank which had given the necessary credits to the Boruta was the real owner. As the German government in the parts of Poland which had become incorporated in Germany considered itself as the legal successor of the Polish state, no private interests were hurt by this transaction. This was unfortunately the case with Wola but the owners had to leave the place, fled to Warsaw and nobody was on the spot to look after the place. The Wola had to be closed down as its economic value in wartimes was null and the material, as far as it was transportable, was carried over to Boruta. In an extensive statement made on the Boruta/Wola question I explained the reasons for which it was necessary to acquire these factories. As 85% of the dyestuff potential of I. G. was on the borders of the Rhine and as this whole territory had to be considered as endangered by air raids, every capacity in the centre of the Reich and in the East had to be used.

Notwithstanding their relatively small volume the dyestuff factories of Aussig and Boruta became very valuable for keeping up the plans for the manufacturing of dyestuffs and intermediates. Thus Dr. ter Meer and I, after the German troops had entered Poland, proposed Dr. Schöner (technical chief of Wolfen) and Direktor Schwab, Frankfurt—commercial leader of the dyestuff—business in Poland and Russia—to the Reichswirtschaftsministerium as "Kommissare" and later on inaugurated the negotiations with the Treuhandstelle-Ost. In my above-mentioned statement I said that I never believed we would keep these factories whenever it came to peace negotiations, still we could not let them fall into the hands of a third party and had to use them during the war in our and in the common interest and this was only possible if we secured for us their property.

About Norway it seems to be superfluous to report as these interests we had taken there in the light-metal field became invalid. The Luftwaffe decided that the works at Herøen scattered by air raids should not be reconstructed.

In Holland and Belgium, to the best of my knowledge, no interests of importance have been acquired. Our relations with the group Solvay in Belgium were immediately resumed and we ourselves interfered at the Reichswirtschaftsministerium that in the majority position of the group Solvay in Deutsche Solvaywerke, Bernburg, where Solvay held 75%, I. G. 25% no change should take place. Certain endeavours of the Salzdetfurth concern to get part of Deutsche Solvaywerke with the aim to break up Solvay's majority position remained fruitless.

The plans we had elaborated for the handling of the industrial problems in the chemical sector in France are known.

In the first phase after the armistice we thought it necessary that the Government should sequester the whole chemical industry in order to make it work for the German war potential. Later on this policy was changed and after Montoire the area of collaboration started. I do not think that any seizure had been carried through in this domain. The key position very soon became the Francolor problem.

The guiding principle in its solution for I. G. was (1) the definite reparation of the injustice which I. G. had suffered when its factories in France had been taken

away by the Versailles treaty, (2) a definite peace with the French dyestuffs industry granting their industry a full occupation (7,000 tons of dyestuffs and a substantial development in the most varied fields).

We considered the whole affair as an equitable solution, nobody in France had lost one Franc by this transaction, on the contrary the value of the shares of the so-called mother houses gained a considerable advance in the stock exchange—as well as in their intrinsic value; the exchange basis for the I. G. shares being given as a counter value could not be fairer. In fact no money has been taken out of France, the dividend clearing showed a “break-even,” the factories not only remained intact but were improved in different domains. The arrangement had been considered by I. G. as a first step to a renewed European dyestuff cartel, to the negotiating of which the German-French group should appear as one partner and we, that means ter Meer, Waibel, Ambros, and I, always understood that Duchemin and Frossard would figure as partners in such negotiations.

The “Führungsanspruch” of I. G. once having been recognized in the handling of dyestuff matters, there was never a contrast or even a fraction. I. G. helped Francolor in all its dealings with the Military Commander in France whenever this was possible or necessary and Francolor was a loyal partner. When Dr. Kramer left Paris, he told me, Duchemin said to him: “You have been loyal for us, you will see that we shall be loyal against you.” The same principle of fair dealing was the aim of our negotiations with Rhône-Poulenc and Ugine in the field of Buna, plastics, and pharmaceuticals. Not having been an immediate participant in these different negotiations, which were conducted by Dr. ter Meer, v. Knieriem, and Ambros or Mann—but having often seen M. Bois as well as M. Painvin, I have never heard the slightest complaint on their part of pressure or unfair dealing. When both gentlemen were in Leverkusen to visit the Buna installations in the late autumn of 1941, an atmosphere of cordiality, if I may use that word, and not at all of animosity was reigned between the representatives of both sides.

Always in conformity with the principle of developing the continental Grossraum, I. G. was very active in Spain. The development of the two factories in and near Barcelona Fence and Flix made substantial progress. In Fence the installations for the (immediates) intermediates of Azo-dyestuffs were brought to termination, a pharmaceutical factory was in full construction, in Flix the new “Chlorelectrolyse” was gradually improving and plans of making the “Inquiresa” a subsidiary company for the manufacturing of derivatives of Carbur, an active business proposition were being followed. With “Unguinesa” in Bilbao licence agreements in the field of Phenol and Formaldehyde for “Phenoplaste” were concluded and to “Altos Hornos” licences for Nitrogene with technical help on the whole line were being granted. As part of that the old friendship to Union Explosivos Española was cultivated.

In Italy the participations in Acna and Bianchi kept on their normal development in the light-metal field the Samis tried to make progress and the two factories in which Buna was fabricated, came into production.

On the whole, in all these countries as well as in the planning for a future industrialization of the South-East, I. G. fostered everywhere the industrial evolution with its patents, experiences, and know-how and, as far as the government allowed it to do so, also with capital. The men who did the actual work mostly did not even think of the political meaning of this development in the direction of “European Grossraum-Wirtschaft” and even inside I. G.’s Vorstand that was often forgotten. Words like “rule” and “dominate” were never used, and I am sure that all these people having worked with I. G. in Spain and France, in Norway and Finland, in the South-East as well as in Italy have not had the feeling of being pressed or looted. On the contrary, they nearly all had personal profits of this collaboration and were after us to intensify our help. Dozen of files will and can prove that.

Coming back to the general policy: Undoubtedly, I. G. had not only followed the government’s “Grossraum-Politik” but had drawn substantial profit out of it. In figures as they appear on the balance sheet an enormous progress has been made. As the export figures in the whole remained unchanged and only a displacement from oversea to the European continent took place, the turn-over in the so-called “Gross Deutschland” up to the end of 1943 reached nearly four times the size of 1932. Only part of it could be considered as being a perpetual asset. In Buna, in synthetic fibres and their raw materials and intermediates, in light metals and in hydrogenation many installations to a large extent are to be understood as war dependent, but as a consequence of the close interdependency of autarkie and rearmament a great deal of the investments made under the

4-years' plan could be considered as valuable even under a complete peace policy. May I give as an example the "Nitrogene." The total German capacity should be—the destruction by air raids not being taken into account—about 1,000,000 tons of "N." I. G.'s prewar share in N was about 70%. One generally estimated that for agricultural purposes in Gross Deutschland nearly 700,000 tons of N were needed. Thus with all the possibilities in the development of the technical Nitrogene the remaining 300,000 tons should have found a secure market—even without having to press on a forced export. The enormous amortizations which I. G. had been able to carry through would have given it an easy possibility of a revalorisation of its assets without having to cover the figures of its investments as participations on the balance sheet of the so-called "Handelsbilanz."

Summarizing this part of I. G.'s activity: The close teamwork with Government and Wehrmacht in the joint endeavour to make Germany to a large extent autarchie and rearm her, involved a great amplification of I. G.'s potential and at the same time a substantial increase of her balance figures.

The collaboration with the Wehrmacht followed two additional lines. In order to keep up a continuous contact in 1934 the Vermittlungsstelle W in Berlin was founded, and in 1936 the so-called — Delegierten were being designated. The Wehrmacht insisted on the highest secrecy of all its plans and let all people being in charge of planning or executing rearmament work, swear that they never let other people know what had been divulged to them in connection with their activity for Wehrmacht purposes. This had gone so far that for instance when Dr. Paul Müller of Dynamit A. G. in 1937 lead the members of Z. A. of I. G. over the Dynamit plant in Troisdorf, he refracted from showing to them entire departments saying "this is under strictest secrecy." Every infringement would have been punished with high penalties of hard labour. So practically everybody of the high-ranking staff was in such a way sworn in, the survey of what I. G. really did make or not make for the Wehrmacht became more and more a pure guesswork and one abstained of asking in order not to put one's technical colleagues in a difficult position. How far Schmitz himself was informed, who had the last responsibility for the balance figures, I am unable to say. My impression was that even he had only partly a more profound knowledge of what really happened and that a full picture of what had been done can only be got when one has heard every single one of the high-ranking I. G. technical leaders, and not only the Vorstands-Mitglieder but also most of the Direktors and Prokurists just as well.

But speaking of responsibilities in general Schmitz was responsible insofar as he was in charge of the distribution of the different domains of activity to the individual "Vorstands-Mitglieder." Thus each Vorstandsmitglied in the case of having to take a graver and far-reaching decision was bound to report about it to the chairman, that means to Schmitz.

Independently of Abwehr and Vermittlungsstelle W the Wehrmacht engaged I. G. in active helps by asking it to get news out of axis and neutral countries. I reported on that matter in a former statement. I. G. put its means at the disposition of the Wehrmacht but it was understood that I. G. people whenever they were asked for such help had not to enter the typically military espionage but only had to report about economic matters in the largest sense. How far the Wehrmacht had made use of I. G.'s readiness to participate in this service can only be guessed by the satisfaction explained by O. K. W. of what had been done. Every individual man asking under secrecy and being prohibited of speaking about it under highest penalties.

A further teamwork between Wehrmacht and I. G. developed under the heading "M-Fragen." This comprised all personal questions regarding men to be made free from service, special plans for the distributions of key commodities to the different branches of I. G.'s technical activity and the so-called "Kriegsspiele," furthermore all questions arising in the military field, eventually not covered by the different activities I have mentioned before.

As I stated in the beginning of this report since 1934 the Wehrmacht first being only an additional factor to the relations having always existed between I. G. and the different Ministerien more and more developed to be the decisive or at least the most important factor.

The Nazi government acted on I. G.'s business through these different Ministerien, but the party itself interfered continuously in the following two directions.

(1) After having dissolved all trade unions, associations of employers a.s.o. the so-called Deutsche Arbeitsfront was constituted. Everybody practically had to participate in it, it became the decisive factor for the handling of all personal problems and found its legal basis in the law "Zur Ordnung der nationalen

Arbeit." By this law the responsibility of the owner or undertaker of the Co. was not altered insofar as the conduction of the business and the fulfilment of its financial obligations was concerned but rules for the interior functioning were established which had to be strictly observed. Based on that law and in connection with the so-called Nürnberger Gesetze the party exercised a continuous pressure on all I. G. organizations to fulfil all the clauses of the party program, particularly the Nürnberger Gesetze.

Whilst I. G. was a compliant partner in regard of all demands of the Wehrmacht, it tried to renege with all means from this latter (the party's) intervention into its relations with its leading as well as the other personnel. For years it maintained all its Jewish employees, to begin with Messrs. von Weinberg and Mr. von Simson, being members of the then still existing Verwaltungsrat, the highest institution of I. G. (a committee of the Aufsichtsrat) on their posts and did not dismiss a single one of these individuals, before his living abroad was guaranteed. Thus Mr. Flechtheim, Mr. von Simson, Mr. Kalische, Mr. Hummel, Mr. Carl von Weinberg, whenever at last it became necessary to suggest to them to leave Germany, it was taken care of them in such a way that they had not to endure emergency. Only Dr. Arthur v. Weinberg, who always had believed that they would except him and some other men like Karl, for whom a prepared situation in England in the last moment did not materialize, because the owner of that firm refracted or retired became victims.

The party resented that attitude and gave I. G. continuous warnings that I. G. was not fulfilling the obligations incumbent to it and a state of tension always subsisted.

The same attitude was that being taken by the A. O. of the party in regard to the foreign representatives. In the first years practically nothing had been done on I. G.'s side to alter anything in the existing conditions. By and by, by friendly negotiations and with lump sums generously fixed to satisfy them financially, I. G. had to sever the connection with those representatives but when going over the files one will recognize that I. G. in every case tried to do its utmost to protect the men who had loyally served it and whom I. G. would never have dismissed if not this hard pressure would have been exercised upon it. That a company at last has to obey its government's orders is inevitable, but I. G. by conviction has always done its best to create as little hardship as possible and often could get the Government's and the A. O.'s approval to the agreements with these employees by pretending that an ungenerous attitude on the side of I. G. would damage its international prestige. I. G. was driven from A. O. from concession to concession and the agreement made by Mr. Waibel with A. O. in autumn 1937 that in the future only such young men would be sent out who firstly belonged to the D. A. F. and secondly were ready to participate in the meetings, a. s. o. on the spot was a compromise on long negotiations by which Mr. Waibel succeeded that at least upon the "old" men on the spot the pressure was lowered.

Altogether those relations and negotiations with D. A. F. and A. O. remained and were always a most unpleasant chapter in I. G.'s activity but one may not forget that all the power was with the party and I. G. always was in the position of the defendant.

Apart from these two main domains of party activity the Gauleiter interfered continuously in local questions but seldom in direct business, mostly in personal questions and then generally in the favour of such employees who were being considered as "confidential men."

But up to the last time I. G. could retract from taking any typical party men on Vorstand or Aufsichtsrat, a fact which should not be overlooked, as pressure from the most different sides in this direction never has ceased. Gauleiter Sprenger for instance always hinted at Avieny of Metall-Gesellschaft becoming member of the Aufsichtsrat.

I stated at the beginning of this report that *after* Hitler had come to power and *before* the official subventions of Adolf Hitler Spende and W. H. W. had been inaugurated subventions of the most different kind had to be given and were given. I had never heard that I. G. before 1933 had fostered NSDAP financially, as I. G. had always done with the so-called "bourgeois parties." I considered this as unportable as Dr. Kalle who presided the committee being charged with these questions always was strongly opposed against the Nazi party. If notwithstanding this had been done in 1932 Geheimrat Schmitz only can explain it, the question never having come to a discussion in the Zentral-Ausschuss.

To summarize the following must be stated:

(1) With the growing of the military interest in the government's program I. G.'s relations to the Wehrmacht firstly became an additional factor in I. G.'s

official relations to the different other ministries, by and by the Wehrmacht became by far the most important one, and with the beginning of the 4-year plan the investment policy of I. G. was not to be separated any more from the policy of the Wehrmacht. Nearly all investments were made directly or indirectly for the Wehrmacht. I. G. was on the whole a loyal and complaisant partner of the Wehrmacht. That the Wehrmacht was not a typical Nazi institution and only followed itself in material the line prescribed by the party is well known. The higher officers doing their duty as law-abiding officers were not Nazis by conviction, they have proved it on July 20th, 1944.

(2) I. G. followed the "Grossraum-Politik" of the government because there was no other economic policy to be made. That I. G. itself would have preferred a policy of "most favoured national treatment" and "world-wide trade" a pure theory and could not lead to any real consequences.

(3) In the handling with party matters I. G. acted after the policy "Muddling through" with the result that in the last it always had to yield.

(4) Thus in acting as it had done, the I. G. contracted a great responsibility and constituted a substantial and in the chemical domain decisive help to Hitler's foreign policy, which led to war and to the ruin of Germany.

(5) Thus I must conclude that I. G. is largely responsible for Hitler's policy.

FRANKFURT, August 8th, 1945.

(Signed) G. VON SCHNITZLER.

EXHIBIT No. 15-A

INTERROGATION OF VON SCHNITZLER ON FARBEN'S POISON-GAS EXPERIMENTS AND MANUFACTURE

17 July 1945

Time: 3:15—3:45 p. m.

Q. Yesterday we talked about the use of I. G. technicians and I. G. chemicals in the development of poisonous chemicals to be used in warfare.

A. Yes; we spoke shortly about it yesterday.

Q. Tell me what you told Major Tilly the first time when he asked about poisonous gases.

A. To the best of my knowledge at that time I. G. made not itself poisonous gases nor had it been discussed inside I. G. As far as I know in I. G. laboratories they have not worked on it.

Q. But only in the so-called Reichs laboratories with I. G. technicians and I. G. directors and full knowledge of this fact.

A. Yes. But I knew at that time, it was in winter, Dr. Ambros told me only privately that in Dyhrenfurt they produced a poisonous gas from an intermediate coming from Ludwigshafen, and this gas is fabricated in an equipment only consisting of glass and one has to be very cautious that nothing can get out of this equipment because even very slight quantities are very dangerous. All the finished stuff had been removed in time to the middle of Germany.

Q. Who is Mr. Ambros?

A. He is one of our first younger technicians. He was in charge of Dyhrenfurt, as well as Auschwitz and Gendorg.

Q. Where was this gas manufactured?

A. In Dyhrenfurt.

Q. Who owned the plant?

A. It was owned partly by the Reich and partly I. G. You must hear Direktor Dencker about the details.

Q. How much by I. G. and how much by the Reich?

A. The plant for the gases was owned by the Reich. I think so. But it was run by a company called Anorgana.

Q. To whom belonged this company?

A. It belonged 50-50 to the Reich and I. G., but Major Tilly told me it is practically all I. G. The only thing I really knew was what I said to Major Tilly.

Q. The plant was owned by the Reich?

A. Yes.

Q. What was owned by I. G.? The company?

A. Anorgana, which ran the plant for the Reich.

Q. And all production by I. G. of this plant was on behalf of the Reich?

A. Not entirely.

Q. What proportion was on behalf of the Reich?

A. By far the biggest part.

Q. Who owned Anorgana? Who of I. G. should know that?

A. Herr Dencker.

Q. Who was in charge of the chemical sector of I. G.?

A. That was Mr. Weber-Andrae. He died in October 1943.

Q. Who succeeded him?

A. I succeeded him as chairman of the chemical committee (commercial committee)

Q. And you as head of the commercial field in chemicals did not know the ownership?

A. No. I don't know. I knew of the existence of the Anorgana Company, but I did not know what all was behind it.

Q. Who of I. G. knew about it?

A. Schmitz, as chairman, Ambros, and ter Meer.

Q. During the last quarter 1944 (you said yesterday) that a Mr. Müller-Cunradi "alluded" to you that the poisonous gasses and the chemicals manufactured by I. G. were being used for the murder of human beings held in concentration camps?

A. So I understood him.

Q. Didn't you question those employees of yours further in regard to the use of these gases?

A. They said they knew it was being used for this purpose.

Q. What did you do when he told you that I. G. chemicals was being used to kill, to murder people held in concentration camps?

A. I was horrified.

Q. Did you do anything about it?

A. I kept it for me because it was too terrible. I was always under the impression that these gases were not manufactured by us. I asked Müller-Cunradi is it known to you and Ambros and an other directors in Auschwitz that the gases and chemicals are being used to murder people.

Q. What did he say?

A. Yes; it is known to all I. G. directors in Auschwitz.

G. v. SCHNITZLER,
I. G. Farbenindustrie Aktiengesellschaft.

I have read the record of this interrogation and swear that the answers therein given by me to the questions of Mr. Weisbrodt and Mr. Devine are true.

G. v. SCHNITZLER.

EXHIBIT No. 19

STATEMENTS BY DR. VON SCHNITZLER AND MAX ILGNEF AUGUST 15, 1945, ON
CONTRIBUTIONS OF FARBEIN OFFICIALS TO REARMAMENT PROGRAM

Since 1936, I. G. officials paid by I. G. and assisted by a large staff of technicians and personnel all paid by I. G., planned for the Nazi Government, the Rearmament phase in the chemical sector with concentration on the building up of such war industries as magnesium, synthetic rubber, oils, etcetera. This was handled by the Reichsamt für WirtschaftsAusbau and the Generalbevollmächtigter für Sonderfragen der Chemischen Erzeugung, under Mr. Krauch.

G. v. SCHNITZLER.

FRANKFORT ON THE MAIN, August 15, 1945.

EXHIBIT No. 20

EXPERIMENTS CONDUCTED BY FARBEIN FOR WEHRMACHT

I. G. VERMITTLUNGSSTELLE W,
June 2nd, 1939.

I. *Origin of the developing orders.*—Today's dimensions of the common experimental work and division on to the different army offices.

II. *Accomplishment of the common developing works* between army and I. G. offices.

III. *Ascertainment and repayment of the costs of experiments.*—Works and giving of patterns for the advice of customers. More important works in experimental

plants of the I. G. or experimental plants of the army, Division of costs on produced products and so-called developing prices. Scheme of the I. G. Frankfurt of May 27th, 1938.

IV. *Patent rights out of joint experimental work.*—Necessity to keep secret new developments. Harm in case patents were not utilised.

V. *Production plants being property of the Reich resp. Schattenfabrik (stand-by plants) and developing work.*

To I: Origin of the developing orders

The developing and experimental work which was made by order of the army or in connection with army offices got in the last years always greater dimensions. The reason for this was on one side that always more questions of technical and chemical character had to be worked on within the army which could not be sufficiently looked after by the engineers and chemists of the different army parts in their own experimental plants; on the other side that the army became more and more direct and indirect a big customer for I. G. products and out of this relation between supplier and customer a great amount of questions have arisen.

Whilst 3-4 years ago only a few offices inside the I. G. worked on army problems, at present in practically all bigger plants of the I. G. experimental works are made, which are either executed by direct order of the army or on which the army takes an active interest by the way of putting the questions or by collaboration of experts.

With a very few exceptions where with certain persons of the I. G. direct touch was made, the different departments of the army, especially the developing departments and experimental plants of the army got into touch practically always with the Vermittlungsstelle W, Berlin, with their tasks and questions as far as they have got chemical-technical character. In as far as those questions could not be answered immediately, the Vermittlungsstelle W passed on those interrogations to the respective works or plants of the I. G. which seemed to be most suitable for the mentioned W-questions or which were already active on the same or similar field.

The fact that the army is an important customer of I. G. products had brought a great amount of experimental work and developing tasks of army problems to the I. G. A whole range of problems has been worked at by the I. G. for its own account and only later, after certain results of the experiments could already be seen, the offices of the army were interested for these problems. The I. G. offices have taken up primary these problems often out of their own initiative and approached then the army. This in the case when the problems had a private economic interest which means that one could expect later important sales for an eventually newly built up production or where the taking over of the process by the army could also be expected. The cases were respectively rare where the army from its part approached the I. G. with the request to solve problems by experimental work which were not connected with I. G. products delivered up to now or proposals of the I. G.

If one wanted to give a survey on the present state of developing works which are made by the I. G. offices for the army, one can say that about 80-100 chemists and engineers are occupied with scientific and technical experiments on about 50-60 problems of the army (partly as side work). About half of all the problems may have been arisen in connection with delivery of I. G. products, about 30-40% of the problems may have come up out of ideas which were submitted to the army by the I. G. on its initiative, and only 10-20 % of the questions may have been submitted by the army to the I. G. in a more or less detailed form. In the planning and construction offices as well as the building department of the I. G. at least the equal amount of academic educated gentlemen with by far bigger number of collaborators is working for the experimental and production plants of the army, whereby the amount of the I. G. employees active for the 4-years' plan and the execution of the Mob preparations is not included.

To II: Accomplishment of the common developing works

The reply to the questions of chemical-technical contents which the army offices put to the I. G. and which cannot be answered directly by the Vermittlungsstelle W, out of its own knowledge, is settled according to the manner in which the question is put, in different ways. In most of the cases the information and judgement can be given immediately by the works or the I. G. offices concerned without being necessary to make special experimental work. It is possible that already existing and finished products can be given as samples with which the army offices can clear and settle the questions asked for in their own experimental and developing departments. Very often small experiments in the laboratories

are sufficient to settle the question with very little costs in a short time by the work of a chemist and an assistant.

In many cases it is necessary to make experiments lasting weeks, months, and even years, a big staff of scientifically and technically trained experts must be employed, bigger apparatuses for experiments and even production aggregates for the working and solving of the problems must be put at the disposition. In case of such bigger works the collaboration between the offices of the army concerned with the question and the I. G. is mostly executed in this way, that after certain intervals, for instance every month, a mutual conference and inspection takes place in such a way that the products of the developing work, for instance new or special products or special instruments are used and tried out in the experimental plants of the army, on the trial field of the air force or on the training and shooting places of the army. They are finally either taken up for general use or refused.

Although the collaboration of the army, especially of the developing offices of the different parts of the army, in such developing work is indispensable to achieve results free from objection and even if sometimes the active collaboration of the chemists and engineers of the army is very stirring, the essential point of the productive developing work and the inventive accomplishment will always indisputably be on the side of the I. G. gentlemen.

To III: Ascertainment and repayment of the experimental costs

The ways and means by which the expenses of the experimental work and developing orders are repaid by the army to the I. G. are very different. In the office of the Supreme Command of the Army it was several times laid stress upon that in principle the I. G. should work on a private economical basis and therefore not only when products are delivered but also by other accomplishments, for instance building of plants for the army or execution of developing orders, is entitled to a certain but limited profit, besides the pure costs prices.

Inside the different parts of the army there do evidently not exist uniform rules for the treatment of such developing orders. In general one can say that works which are executed together with the Air Ministry and its trial plants at Rechlin, Adlershof, Göttingen, etc., were treated concerning the costs up to now more generous as works which were made together with the developing offices of the army, especially of the "Heereswaffenamt" or the navy.

Enquiries on smaller objects of the different parts of the army which make only inconsiderable work in laboratories necessary to have the problem solved, were generally not invoiced to the army if the costs for these works did not surpass a certain amount, for instance several hundred marks. Smaller samples of I. G. products which should be tested in the developing plants of the army for a certain new use were given by I. G. free of charge, especially if there could be expected, that out of such deliveries of samples a continuous delivery of I. G. products would result. We remained therefore within the scheme of the usual customers' service when delivering those small samples of laboratory results free of charge.

Also for such experiments which were started by the I. G. on initiative of its chemists and engineers and for which the army was only later on interested, one could certainly only ask a payment from the army for the occurred experimental costs if it had an actual interest on the experiments and was prepared to give developing orders. On the whole, I. G. had to carry the risk for such experiments itself.

The Air Ministry has given the greater part of its developing orders on the field of fuels (gasoline for air force) and lubricates. In those two fields the I. G. became in the last years a supplier on a big scale for products for the Air Ministry. Many questions which were arisen by the further development of the Air Force, especially regarding the engines and the herewith connected technical questions for gasoline and lubricates, resulted in a very close collaboration regarding the development of new special gasoline and special lubricating oils for engines and airplanes between the developing offices of the Air Ministry and the offices of I. G. at Oppau, Merseburg, and Ludwigshafen. Up to now the costs of these experiments could be covered by so-called developing prices inasmuch as the costs of the experiments were beyond the scheme for the normal further development of I. G. processes and products. The Air Ministry was prepared to pay those developing prices when taking over and experimenting with the new developed products. When fixing these developing prices which were often a manifold of the price for a respective product produced on a big scale, from the part of the authorities, generally only the directly connected and collaborating chemists and engineers of the technical development offices of the Air Ministry took part without it being necessary that the costs of the I. G. by those experimental works had to be given detailed and proved for. Such products with developing prices were

often produced by the dozen in the range of several tons or tankers, whereby the producing process, the quality and composition of the products were varied in different direction.

The chemical-technical problems of the army are practically only worked out in the Heereswaffenamt and its different offices for developing and examination. Also here most of the cases are the invention and development of new products and fabrications which resulted later in a permanent delivery to the army, thus permitting the transfer of the developing costs on to the purchases of the army. In many cases the process and fabrications have distinctly preparedness character which means that the processes and products are only developed to the extent to be ready for fabrication but which are produced only in the case of war and find there its actual application.

If the Army Office (ground forces) brings up a question to the I. G. and it is clear from the beginning that the problem cannot be solved within a short time and with limited costs, in most of the cases the Vermittlungsstelle W makes an estimate of the experimental costs together with the respective I. G. office which should make the experiments, and a preliminary calculation of the costs is given. They army can then decide whether the solution of the problem is important enough to take over the costs and to give the developing order or can refuse it.

As the estimation of the experimental costs has turned out well for the winding up of the developing orders on an occasion of a certain case for which all the parts of the army were interested and gave developing orders, already in a conference on May 24th, 1938, in Frankfurt, one tried together with Direktor Krauss to make inside the I. G. uniform regulations for experimental orders with which a preliminary calculation has to be made for the interested part of the army. (See annex of Frankfurt May 27, 1938.)

In quite a number of I. G. works there are experimental plants which were erected for the developing orders of the army and which were paid either in total or partly by funds of the German Reich. In as far as such experimental plants represent higher values, such as about 100,000 marks, I. G. several times took over the obligation of maintenance such plants also longer than the actual time of the experiments or the I. G. takes over a part of the plants after the experiments are finished at the value at that time or at the scrap iron value.

In the case of bigger experimenting plants for the army having been financed by the I. G., one tries, if possible, by the delivery of the experimental products with respective price additions to write off these plants in a short time, as it was mentioned already, with the orders of the Air Ministry. It happened also often that developing orders were given to the I. G. without having decided beforehand on the costs of the transaction of these experiments. In these cases the occurred costs were put into account afterwards and asked for from the Wehrmacht. In most of the cases the respective office of the army has at once granted and repaid the developing costs denominated by I. G. In a few cases were those afterwards calculated developing costs objected by the Wehrmacht offices, thus making an exact specification of the costs and respective proof and negotiations necessary, partly also a reduction of the original height of the charges.

The Navy and its developing departments have in generally followed the attitude of the army when giving orders, the transaction and settlement of the experimenting and developing orders, which were up to now not so numerous. A case which happened at the works Leverkusen where to begin with out of its own initiative of the works chemists a new screening device was developed which was later taken over and generally introduced by the Navy, is insofar a special case as this tool was produced and supplied by a third firm. When fixing the price for the tool and when making the offer it was forgotten to calculate in the price of the tool a licence which would have covered the experimenting costs of the I. G. and besides eventually a corresponding profit by the orders of the navy. When I. G. claimed afterwards the experimental costs, the navy recognized for the repayment only a part of the costs (1,400 marks out of 40,000 marks). Negotiations on a grant of a licence fee are still pending.

To IV: Patent rights out of joint experimental work

Out of the joint experimental and developing work of the I. G. with the army offices result sometimes inventions which can be patented and new knowledges and patent rights which could be used also for something else but which have to be kept secret in most of the cases out of the reason of defense. Out of about 500 patent applications which were placed before the army offices to be examined whether secrecy was necessary, more than half of the patent applications were in connection with fields on which joint experimenting and developing work between the I. G. and army offices were made. With all these applications the

I. G. acts as applicant and takes over all the risk and duties connected with the application. If the application leads to the grant of a patent, the patent is transferred to the Reich as trustee in case a secrecy is necessary whereby the patent right remains furthermore entirely with the I. G.

The share of the inventions of the representatives of the army on these applications is, as already mentioned, very small. Up to now a participation on the invention from the part of the army offices came into question only with a few of the mentioned several 100 new applications, and only two members of the Wehrmacht asked to have their names mentioned as co-inventors (in 4 cases). Although it would have been possible that in some other cases the army could have come into question as co-inventor if it would have taken for instance by the way how the question was put a similar point of view as the management of the works and laboratories in our plants opposite the chemist who really acted as inventor, the army office never asked for being mentioned as co-inventor. The payment of a fee for a co-invention of a state office when an invention resulted which could be patented out of the joint work between the I. G. and the army, was also up to now never asked for. When price questions were discussed it was only occasionally mentioned by representatives of the army that the price offer for I. G. products which are to be delivered to the army should take into consideration an eventual cooperation of the Reich on the resulting of inventions and patent rights in case a payment of licence fees is calculated in this price offer. A participation of the authority on the profit with deliveries of I. G. products to third parties did up to now never come into question even if for those products a joint developing work of I. G. and army offices was performed. The Supreme Command of the Army, W staff, has in negotiations on the necessity to keep the patent applications of the I. G. secret, frequently mentioned without regard whether the applications resulted out of joint experimental work of the I. G. with Army offices or out of the own initiative of the I. G., that the army is prepared to take over a certain guarantee and repayment for damages which could arise by the forced secrecy of applications and by the fact that out of this reason usable patent rights were not made use of. We have been asked to get into touch with the W staff as soon as such damages arise in a provable form which can also be calculated as far as the size of the damage is concerned. On our repeated enquiries at the I. G. offices concerned with the work we always received the reply up to now that a clear or even a countable damage for the I. G. by the handling of the secrecy cannot be proved.

To V: Production plants being property of the Reich resp. "Schattenfabrik" (stand-by plants) and developing work

I. G. has erected for the army quite a number of bigger production plants or has helped by the erection which were either after they were finished put into work for the current army orders or as so-called "Schattenfabriken" (stand-by plants) in peacetimes without any production only guarded and kept in order to be able to take up production immediately in case of need. Such production plants were erected by the I. G. as well as by order of the Supreme Command of the Army or its camouflaged companies, such as Wirtschaftliche Forschungsgesellschaft m. b. H. (Wifo) as well as by order of the Air Ministry and Heereswaffenamt. As those plants represented a value of several million marks, practically always a contract was made between the army office giving the order and the I. G. for the erection as well as for the keeping in order and putting into action.

If in such army plants processes were used which were found by experiments and work of I. G. and for which considerable funds had to be spent, the army offices sometimes granted a kind of licence fee to the I. G. besides the normal payment for costs including limited profit. If the plants have a real stand-by character which means that they only produce in case of need (war) and therefore a transfer of the licence on to the produced products is not possible for the time being, such a licence was only granted from the authorities if the experience of the I. G. has its effect not only on the production costs but also on the costs of the plant so that the authorities made considerable savings already by the fact that the erection of the production plant was cheaper. Two plants for nitric acid of the Wifo which were put into action pay for example a current licence (corresponding to the today's production of about 100,000 marks a year) whereas the two other similar stand-by plants only a part of the achieved economies on the erecting costs 135,000 marks, respectively, 75,000 marks, were paid separately.

In case that by the putting into action of plants by the I. G. which are the property of the Reich new knowledges and experiences are collected which could lead eventually to patent rights one has taken it up to now for granted—although it was nowhere laid down by a written agreement—that also these patents were

the entire property of the I. G. as manager of the plant of the Reich. The authorities expressed frequently that although the plants being property of the Reich must get the advantage of such new knowledges and working experiences. One expects that the I. G. keeps the plants which are property of the Reich but which are kept going or which are in preparedness in accordance with the newest technical experiences. (Against payment of the costs.)

The Vermittlungsstelle W has always laid stress upon the fact when the question of the developing orders was discussed with the army offices, that the army is in an always growing extent a big customer and buyer of I. G. products. Also in the erection of production plants and stand-by plants for the army the main interest of the I. G. was considered the fact to keep the control on the production capacity of such plants and its possible influence on the respective market which means in case the plants of the Reich were put into action to take over the leading role.

EXHIBIT No. 22

INTERROGATION OF DR. STRUSS, AUGUST 13, 1945, ON ERECTION OF THE FIRST BUNA PLANT AT SCHKOPAU

From the statement about the historical development of the first Buna plants, which is being translated, is to be seen, that the construction of the Buna plants firstly was handled by Keppler, later by Krauch.

In a discussion Keppler said to me, that the "Führer" personally ordered to build larger plants as soon as possible, in spite of all technical hesitations of the I. G. men.

The sentence of the "Führer" was as follows: I. G. must be compelled, if necessary by elementary force ("mit elementarischer Gewalt"). This was in the spring of 1936 and from this moment I feared that Hitler prepared a war.

MAGNESIUM

In Bitterfeld and in Aken a large part of the production, probably the largest part, was fabricated into tubes. These tubes had a diameter of ca. 8 cm., a wall thickness of ca. 1 cm., and a length of ca. 20 cm., these tubes were packed in boxes and designated "Textilhülsen." There was no doubt, that these tubes were parts of incendiary bombs.

The order to build the new Magnesium plants at Aken and Stassfurt and the enlargement at Bitterfeld was without doubt given directly by the "Luftwaffe." As to the cost, the time of construction, and the development of production a statement will be prepared.

(S.) STRUSS.

FRANKFURT a. M., 15.8.45.

EXHIBIT No. 30

REPORT BY MAJ. E. TILLEY ON EXAMINATION OF DR. FRITZ TER MEER, DATED AUGUST 2, 1945. STATEMENT BY DR. C. KRAUCH, DATED SEPTEMBER 25, 1945. STATEMENTS BY DR. STRUSS, DATED APRIL 26 AND 27, 1945, RESPECTIVELY; AND MINUTES OF MEETING HELD FEBRUARY 23, 1939, WITH ARMY OFFICIALS ON FARBEN'S POISON-GAS EXPERIMENTS AND MANUFACTURE

SECRET

CONTROL COMMISSION (BRITISH) (GERMANY)

Major-General Intelligence—Field Information Agency, Technical

In Fiat E 254-81 (Meer)

2ND AUGUST 1945.

Subject: Exploitation of Dr. Fritz Ter Meer.

To: See Distribution.

Further to our ODI/FIAT/E/254-81 (Meer) dated 26th July 1945.

Attached herewith is a copy of second preliminary report on examination by Major E. Tilley of Dr. Fritz Ter Meer, member of Board of Directors of I. G. Farben, who is now detained in Dustbin.

For Major-General Intelligence.

P. M. WILSON, Major, G. S.

(For K. W. J. JONES, Lt. Col., G. S., Chief (Br) Integration & Planning Branch, Field Information Agency, Technical.)

SECRET

CONTROL COMMISSION (BRITISH) (GERMANY)

Major-General Intelligence—Field Information Agency, Technical

In Fiat E 254-81 (Meer)

1st AUGUST 1945.

SECOND PRELIMINARY REPORT ON FRITZ TER MEER

TABLE OF CONTENTS

	Pars.
Ter Meer's Business Journeys to the U. S. A.....	1-17
(a) Introductory Note.....	1
(b) Enumeration of Journeys.....	2
(c) Purpose and Details of Journeys.....	3
1926-1929.....	3-8
1930-1933.....	9-10
1935.....	11-12
1938.....	13-17
History, Scientific, and Commercial Development of Buna:	
(a) General Survey.....	18-21
Preliminary Work on Synthetic Rubber.....	18
Synthetic Products Most Closely Approximating Rubber.....	19
Artificial Materials with Rubberlike Properties.....	20
Three Main Periods in Development of Synthetic Rubber.....	21
(b) First Period, 1906-1918.....	22-23
Limited Practical Success and Application.....	
(c) Second Period, 1919-1938:	
Germany: I. G. Resumes Research on Synthetic Rubber in 1925. Drop in Price of Natural Rubber Impedes Development of Synthetic Rubber During Economic Crisis beginning in 1929. New Synthetic Rubber Suitable for Tyres. Cost of New Product twice as High as Natural Rubber. In 1934/35 Reich comes to Aid of I. G. Buna Works in Schkotau. Ten-year Buna Contract Between Reich and I. G. and Loan to I. G. of 80 Million Reichsmarks. In 1938 Second Buna Works at Hüls. New Process Lowers Cost and No Further Reich Guarantee Required.....	24-31
Russia.....	32
U. S. A.....	33
(d) Third Period, since 1939:	
Germany: Enlargement of Buna Works. More Economical Process. Annual Production Capacity of I. G. Buna Works in 1941. Exports to Foreign Countries.....	34-37
Russia.....	38
Italy.....	39
France.....	40
Intended German-Italian-French Buna Combine for European Synthetic Rubber Kartell and Partial Replacement of Natural by Synthetic Rubber after the War.....	41
U. S. A.....	42
Buna Negotiations in U. S.:	
I. G., Standard Oil of New Jersey, Jasco.....	43
Exchange of Information.....	44
In Early Thirties First American Tests on Buna by General Tyre Co., Akron.....	45
No Big Development of Buna in U. S. A. until War with Japan.....	46
Dupont's Neopren and I. G.'s Buna.....	47
Comparative Tests on Two Butadien Processes.....	48
Negative Results of I. G.-Dupont Negotiations in 1936.....	49
Goodyear, Goodrich. Buna-S and Buna-N.....	50
Isobutylene (Oppanol) Suitable for U. S. A. Due to Cheap Butadien Derived from Oil.....	51
In 1938 Reich Sanctions Production in U. S. A. of Buna through Butadien Process.....	52

TABLE OF CONTENTS—continued

Buna Negotiations in U. S.—Continued	Pars.
In Late Autumn 1938 Ter Meer Negotiated in the U. S. A. with Goodrich, Goodyear, U. S. Rubber, Firestone, General Tyre, Manufacture of Buna-S with help of Jasco and Dupont	53
Ter Meer's Contemplated Visit to U. S. A. for Conclusion of Contracts in Autumn 1939, Interrupted by War	54
B. W.—Nil	55
I. G. Experiments with Poison Gas and Noxious Fumes:	
No Knowledge of Poison Gas in Concentration Camps	56
Prof. Gross and his Test Laboratory in Elberfeld	57
First News of Gelan (Tabun) Tests on Human Beings	58
Imitators of I. G. Farben, but only for Tests on Animals	59
Justification of Experiments on Human Beings	60

TER MEER'S BUSINESS JOURNEYS TO THE U. S. A.

(See First Report, Pars. 18 and 20)

1. (a) *Introductory Note.*—The data given in this chapter are fairly well known. After a brief discussion Ter Meer was asked to write them from memory in order to give us a check on his movements from 1926 to 1938, the years during which he played a vital role in the I. G. conquest of world markets, especially in the U. S. A. and in Italy. The latter field has been discussed in the first report. The data on his negotiations and other activities in the U. S. A. may serve as a basis for further investigations by legal and technical experts.

2. (b) *Enumeration of Journeys.*—

Year	Number of journeys	Total duration of stay in U. S. A.
1926	2	Approx. 5 months.
1927	2	Approx. 7 months.
1928	2	Approx. 6 months.
1929	1	Approx. 2 months.
1930	2	
1932 (?)	1	Each time 4-6 weeks in U. S. A.
1933 (?)	1	
1935	1	
1938	1	
Total	13	

3. (c) *Purpose and Details of Various Journeys*

1926-1929: Principally for development of Grasselli Dyestuffs Co. (later changed to General Aniline Works). During this period, simultaneously with Ter Meer, many leading officials of I. G. were in the U. S. A. on important negotiations. Ter Meer states that he did not participate in them except on a few occasions. As he was one of the leading I. G. officials in New York he was, however, asked to sign some of the contracts and agreements.

4. The following agreements were made during this period:

- (i) Conclusion of the I. G.-Standard Oil of New Jersey agreement.
- (ii) Development of the pharmaceutical business with Sterling Products Co.

- (iii) Reorganization of Ansco Photographic Works (Agfa Ansco Co.).

- (iv) Founding of the American I. G. Chemical Co.

5. The following were present in New York, simultaneously with Ter Meer:

- For (i) in par. 4: Prof. Bosch, Dr. Krauch, Dr. Gaus, Dr. von Knieriem.

- For (ii) in par. 4: Prof. Hoerlein, Dr. Mann senior (who died some time ago), Dr. Brüggemann.

- For (iii) in par. 4: Dr. Lohöfer, Dr. Oppenheim.

- For (iv) in par. 4: Dr. Max Ilgner, with whom Ter Meer discussed in detail the commercial prospects of the General Aniline Works which were to be incorporated in the American I. G. Chemical Co.

6. On Ter Meer's first journey to the U. S. A., in 1926, he was accompanied by his technical predecessor in dyestuffs, Dr. Krekeler, of Leverkusen, and the latter's collaborator Dr. Burgdorf.

7. A number of expert chemists and engineers were taken to the U. S. A. by Ter Meer for brief stays during these four years and some also subsequently. As Ter Meer was giving this information from memory he could not recall all the names. A few others accompanied him to the U. S. A. as technical advisors and remained there, e. g., Dr. Aickelin, Grimmel, Max, and Vogt, all employees of General Aniline Works.

8. Dr. W. Duisberg, a friend and advisor, who dealt with all patents agreements, accompanied Ter Meer on several journeys.

9. 1930 (Late Autumn), 1932, 1933: Various tasks: Inspection of General Aniline Works. With Dr. von Schnitzler for discussions of world markets in dyestuffs. Patents and licences negotiations. Frequent contacts with Dr. Ringer (now at "Dustbin") and Dr. Hochschwender on the I. G.-Standard Oil negotiations about the Jasco agreement. Beginning in 1930 negotiations with Dupont, Nacco, Dow, Ciba on world dyestuffs markets, especially exports from the United States. Von Schnitzler was Ter Meer's collaborator as commercial expert.

10. Discussions during these and preceding years of various commercial aspects of chemicals with Weber-Andreae (who died a few years ago), with Haeffliger (now in Frankfurt prison, in the custody of G-5 Finance) and Pistor.

11. 1935, Autumn. Principally negotiations on Buna (Neopren). Also negotiations with Hercules Powder Co., Wilmington, concerning licenses for I. G. process for acetyloellulose. Visit to firm of Roehm and Haas in Philadelphia. Other current business.

12. From 1933 or 1935 Dr. Loehr accompanied Ter Meer on all journeys as collaborator and secretary. (Note.—Loehr, of TEA Buro—First Report, par. 43—was imprisoned for two days as he had lied about his knowledge of C. W.; later he was helpful in solving the I. G. poison gas mystery.)

13. 1938, Late Autumn: Buna negotiations with Standard Oil Co. of New Jersey, Du Pont, and various rubber manufacturers. (See par. 53.) Nylon negotiations.

14. Ter Meer was accompanied by various experts, including, as usual, Dr. Loehr. Also present as commercial expert was Director Köhler.

15. (Note.—Köhler is suspect with the Allies. Before the war he was general sales manager for I. G. in all English-speaking countries, including the United States but not South Africa. He was also a director in two British companies. His record during the war is obscure. His name was found on two blacklists of "T" Force, 12th Army Group. He was suspected of having been a German agent in Belgium early in the war. In April 1945 he admitted to the undersigned that he had met a Mr. Metz of New York and McWade, an Irishman, in Belgium in 1940, ostensibly concerning I. G. exports to Ireland. After that he claims to have been a Captain and a Battalion Commander in a tank regiment. Although he produced a Wehrpass to prove his military status this activity in a crack regiment seems unlikely in view of his poor physique and poor eyesight: he wears thick glasses. The Wehrpass may be a forgery. After his release from the army he travelled extensively for I. G. to many countries, including Scandinavia, Finland, Switzerland, and Italy. In April 1945 he was used by Supreme Headquarters AEF as supervisor of I. G. documents at Roundup. On the first day of arrival of CIOB Party 108 at Frankfurt he was imprisoned for lying about his secret documents. After two days he revealed his hiding place: several boxes containing secret papers had been hidden by I. G. officials under tons of less valuable documents, on his own orders. A few weeks later he was once more employed as sorter of documents at the Reichsbank. Upon the suggestion of the undersigned, who considers him to be a serious menace, he was imprisoned once more.)

16. For the Buna negotiations in 1938 Ter Meer was accompanied by Dr. Müller-Cunradi who was to determine the cost of Butalien on the Butan-Butylen basis. (See par. 53.)

17. For the Nylon negotiations Ter Meer had with him Dr. Kleine and Dr. Mediger, experts on artificial silk.

BUNA

The following is the text of a statement by Ter Meer on the development of Buna.

(A) HISTORY AND DEVELOPMENT

18. *Preliminary Work on Synthetic Rubber.*—"The synthetic treatment of rubber syntheses began in 1906. The first large-scale production of synthetic rubber was undertaken in Russia in the early thirties, i. e. 25 years later. This fact alone

proves that an unusually difficult chapter in chemical technique had been broached with rubber syntheses. No details of scientific development shall be discussed here. British, German, Russian, and American scientists have all had their share in it."

19. *Synthetic Products Most Closely Approximating Rubber*.—"No synthetic rubber which is chemically identical with the natural rubber has been produced technically until now. In my notes I shall deal with those rubber products which may be with justification called synthetic as they approximate chemically the natural rubber and imitate the structural composition of natural rubber. These are rubber products which are produced by polymerisation according to Dielen. Amongst these are the German Buna brands (numerical Buna, Buna-S and Buna-N), the Russian SK rubber and the American Neopren."

20. *Artificial Materials with Rubberlike Properties*.—"Artificial materials which are composed differently from natural rubber but possesses rubberlike properties have not been considered in these notes, especially since they play no role in the largest and most important exploitation of rubber, in the manufacture of tyres. Amongst these artificial materials are especially the 'Thioplaste' (Thiohol), Oppanol (Vistanex), Butyl rubber (Butyl), Polyvinylchloride ('Igelite', 'Koro-seal')."

21. *Three Main Periods in Development of Synthetic Rubber*.—"The technical development of rubber synthesis shows three definite periods of development:

- (i) from 1906 until the end of the first World War,
- (ii) from the First World War to the outbreak of the war in 1939,
- (iii) the period since the outbreak of the World War in 1939 especially after the conquest of the most important rubber producing countries by Japan."

(B) FIRST PERIOD, 1906-1918

22. *Limited Practical Success and Application*.—"In 1906 Duisberg ordered the chemist, F. Hofman, who was employed in the Elberfelder Farben Fabriken, formerly Friedrich Bayer & Co., to undertake rubber synthesis. This was at a time when the development of the automobile caused an important demand for natural rubber for the production of tyres, a demand which could not be covered by the Brazilian natural rubber and the first Ceylon and Upper India plantations which had just come into production. The price of rubber which until then had been in the neighbourhood of six Reichsmarks per Kilogram soared, and in 1910, for a short time, rose to more than twenty Reichsmarks per Kilogram. Thus the economic conditions for synthetic production were given."

23. "The work which had been undertaken was successful in many respects. Isopren, which may be considered the basis of the rubber molecule and its homologue 'Butadien' and dimethyl 'Butadien' were produced experimentally (im Laboratorium). Its polymerisation to the corresponding rubber was successfully carried out by various methods: polymerisation by heat with the aid of catalysers in emulsion. This work was of a basic nature and was decisive for the following decades. However, it did not lead to any practical results. During the first World War the Dyestuffs Works in Leverkusen produced altogether 2,500 tons of methyl rubber from acetone as basic material, which was principally used as hard rubber for the manufacture of accumulator boxes in U-Boats. The production terminated with the end of the war."

(C) SECOND PERIOD, 1919-1938

Germany

24. *I. G. Resumes Research on Synthetic Rubber in 1925*.—"After managing to get through the first postwar years I. G. Farben once more approached the problem of rubber synthesis. The work of noted research scientists, which resulted in the clear conception of the structure and size of the rubber molecules, led to the realization that the production of good synthetic rubber presupposed not so much the exact chemical similarity to the natural product as the imitation of its structural composition. Therefore, in place of the rare Isopren, Butadien was chosen as primary material. Production of Butadien by several methods seemed economically favourable."

25. *Drop in Price of Natural Rubber Impedes Development of Synthetic Rubber During Economic Crisis beginning in 1929*.—"The Butadien process from carbide elaborated by I. G. was not made possible until the development of carbide and acetylen chemistry after the first World War. This is known as the 4-step process and goes from acetylen through acetaldehyde, aldol, 1,3-Butylenglycol to

Butadien. Polymerisation of Butadien was carried out with sodium metal (Natriummethyl), by which the so-called numerical Buna (Buna-85 and 115) resulted. In 1929 the erection of a pilot plant for numerical Buna was planned in the Knappsack Carbide Works near Cologne. This plan was, however, not realized since under the influence of the world economic crisis the price of natural rubber began to drop, reached a price of less than one Reichsmark per Kilogram and, in 1930, its lowest point at less than half a Reichsmark (50 Pfennigs) per Kilogram. The execution of the rubber synthesis had become uneconomical."

26. *New Synthetic Rubber Suitable for Tyres.*—"During the years of the economic crisis the costly work on rubber syntheses could be continued only very modestly. This research work aimed especially at an improvement of the quality of the 'Polymerisate' which led to the realization that Buna-S, resulting in a hydrous emulsion through mixed polymerisation of Butadien and Styrol, possesses very favourable properties in regard to elasticity and durability. In contrast with the numerical Buna which was more suitable for general purposes, this Buna-S was more advantageous for tyres and was remarkably superior to the natural rubber in wear and tear of the car tyres on the roads. Furthermore, through the mixed polymerisation of Butadien and acrylnitrile a Buna-N resulted in emulsion. This Buna-N was a proof against mineral oil, benzine, and other solvents which opened up new fields of application for which natural rubber could not be considered hitherto."

27. *Cost of New Product Twice as High as Natural Rubber.*—"Despite this important advance the basis for manufacture of this new synthetic rubber did not yet exist. In order to achieve a tolerably good price balance at the very start, a large plant had been erected, the building of which was estimated at approximately 150 million Reichsmarks and the capacity of which equalled one-third of the German rubber imports at the time. But why should the rubber industry use, to a large extent, in place of the inexpensive and reliable natural product, something which was twice as expensive and the manipulation of which required expensive and new installations in the factories? Purely private enterprises could not overcome the difficulties."

28. *In 1934-35 Reich comes to Aid of I. G. Buna Works in Schkopau.*—"In 1934-35 the Reich interested itself in this matter. The reduction of unemployment remained one of its most urgent problems. Furthermore, the situation in foreign exchange credits demanded imperatively the transition to autarchic production in all fields where national economy could bear the burden. The good properties of Buna-S allowed the hope that it could also be used in the manufacture of tyres without lowering the quality of the final product. An examination of the costs proved that in view of the great increase in value which rubber undergoes during its processing until it reaches the final product, the higher price of the Buna did not mean to the consumer an insupportable increase in price; this increase, in the case of an ordinary car tyre, amounted to approximately 15%."

29. *Ten-year Buna Contract Between Reich and I. G. and Loan to I. G. of 80 Million Reichsmarks.*—"Basing themselves upon definite promises of the Reich, I. G. acquired at the end of 1935 a large property near Schkopau, in the immediate neighbourhood of I. G.'s Brown Coal Pits and of the Leuna works from which hydrogen and nitrogen were obtained through pipes. After the suitability of the intended processes and the apparatus had been proven by experimental management of the pilot plant for one year, the building of a large-scale works was started for the production of 24-30 thousand tons of Buna per year according to the 4-step process from carbide. The owner of this enterprise was the Bunawerke G. m. b. H., Schkopau, the capital of which was exclusively in the hands of I. G. and its affiliated companies. In 1937 a contract was made with the Reich according to which the Reich guaranteed the purchase of the Schkopau production at cost price with the normal amortisation of 5% capital interest. The Reich participated in the financing with a loan of 80 million Reichsmarks which was to pay 5% interest during the period of guarantee and was to be paid back in ten annual instalments. Simultaneously natural rubber was saddled with the variable import duty for the purpose of assimilating the vacillating price of natural rubber to the price of Buna. The rubber-goods industry was enjoined to utilize Buna at a favourable ratio to the natural rubber."

30. *In 1938 Second Buna Works at Hüls.*—"In 1938 a further Buna factory was erected, the Chemische Werke Hüls G. m. b. H. Here too the 4-step process was used. However, the acetylen was not produced through carbide but by the 'Lichtbogen' process from hydrogenation gases in the neighbouring Scholven hydrogenation plant. The state-owned Hibernia Mining Co., as owner of the Scholven hydrogenation plant, had 26% interest in Hüls. For this plant too the Reich granted a loan for the erection of the plant."

31. *New Process Lowers Cost and No Further Reich Guarantee Required.*—

"In this plant (Hüls) I. G. was already able to forego Reich guarantee for the purchase of the production. The improvements achieved in Buna-S' in the Schkopau Works, especially the easier manipulation in the rubber-goods factories achieved by the so-called Thermal demolition (disintegration, abbau), had made of Buna in the meantime a normal product in the German economy. Its price dropped to 2.30 Reichsmarks per Kilogram and under peace conditions would have been lowered further to 1.50–1.80 Reichsmarks. Subsequently I. G. voluntarily renounced its claim to the Reich purchase guarantee for Schkopau."

Russia

32. "Before Germany initiated the study of the synthetic rubber problem Russia had begun the production of synthetic rubber. Their primary material was alcohol which was subjected to a process developed in Russia of a kind of cracking through catalysers which resulted in Butadien. The process is comparatively simple but can be applied only in countries which dispose of ample and cheap sources of alcohol, preferably through fermentation of molasses, potatoes, or grain. By means of sodium polymerisation the Russian SK rubber was obtained which corresponds to the numerical Buna of I. G. As has already been pointed out this is not a good tyre rubber but the Russian demand was at the time not principally for car tyres but for rubber shoes and boots for which the SK rubber is very suitable. The industrial production began in the early thirties; by 1935 it is said to have reached a total of more than 40,000 tons and has been increased considerably since that time."

U. S. A.

33. "In the early thirties Dupont, of Wilmington, went their own way with an interesting new process. So-called Chloropren was obtained from acetylen and was polymerised in an emulsion to Neopren. This rubber, in contrast to the natural rubber, is proof against oil and benzine. However, according to my knowledge it is not suitable for tyres. Since Neopren possesses the above-mentioned properties which natural rubber lacks, Dupont were able to market their product quite independently of the price of natural rubber and to develop a large number of novel applications in the general technical field. (Petrol hose, lining of petrol tanks, washers for oil lines, various pump parts and automobile parts.)"

(D) THIRD PERIOD, SINCE 1939

Germany

34. *Enlargement of Buna Works.*—"The outbreak of the war stopped the imports into Germany of natural rubber. The first consequence was the enlargement of the two existing Buna works. The additions in Schkopau raised the production to 60,000 tons, in Hüls to 40–50,000 tons."

35. *More Economical Process.*—"In the meantime a new Butadien process had been developed in Ludwigshafen. Through the action of formaldehyde (from methanol) on acetylen, Butindiol was formed from which the 1.4-Butylenglycol and finally from that Butadien are produced. The process has the advantage that in comparison with the 4-step process less than one half the amount of carbide or acetylen is required: this is favourable influence on costing. In 1940 the erection of a plant in Ludwigshafen was decided, and I. G. financed it with its own capital. This process was of special interest to the I. G. as, in the case of a possible reduction of the Buna production, it could easily be adjusted to other novel products."

36. *Annual Production Capacity of I. G. Buna Works in 1941.*—"In 1941 the erection of the Auschwitz works in Upper Silesia was started, and amongst other plants a Buna factory with a 4-step process from carbide was erected. This resulted in the following planned production:

	<i>Tons</i>
Schkopau.....	60,000
Hüls.....	40–50,000
Ludwigshafen.....	25–30,000
Auschwitz.....	25–30,000
Leverkusen (Buna-N and less important varieties).....	10,000
Total.....	160/180,000

37. *Exports to Foreign Countries.*—"It had been intended to satisfy from this production also the requirements of other European countries. Regular shipments took place to France, Italy, and Sweden."

Russia

38. "The completion or enlargement of several factories appears to have been precluded when Russia entered the war. The total of the production figures are not known to me. Furthermore, they erected a plant using the DuPont process (Sowpren)."

Italy

39. "In Italy the firm of Pirelli had initiated its own development by adopting from Russian chemists the process through alcohol. The Italian State Holding Co. FRI and Pirelli jointly founded Saigs which built a factory in Ferrara. Since the amount of sodium polymerisate (Natriumpolymerisat) was insufficient, Saigs applied for a license for the Buna-S process. In 1940 an agreement was made between I. G. and Saigs. The production in Ferrara was readjusted to Buna-S and simultaneously they decided upon the erection of a plant with a 12,000-ton capacity in Terni which was later raised to 18,000 tons. The Terni plant, due to the military situation never reached the production stage."

France

40. "In 1940-42 there took place with the help of the French Government negotiations between I. G. and the firm of Rhone-Poulenc in Lyon which purposed the erection of a Buna-S plant in the Upper Rhone Valley. Although these negotiations were about to be concluded the enterprise could not be carried out as there was no hope, in view of conditions prevailing in France, of finding the necessary building materials, machines, and apparatus."

41. *Intended German-Italian-French Buna Combine for European Synthetic Rubber Kartell and Partial Replacement of Natural by Synthetic Rubber after the War.*—"The rubber producers of Germany and Italy as well as the rubber manufacturers of Germany, Italy, and France, carried on negotiations from 1941 to 1943 with a view to planning for the use of synthetic side by side with natural rubber after the war. Other European countries were to be added to this combine later. The negotiations were not completed."

U. S. A.

42. "As I have no exact statistics I shall not be able to discuss in detail the American large-scale syntheses of rubber after the outbreak of war with Japan. The action of the United States had the desired result of filling in time the threatening breach in the rubber wall of the Anglo-Saxon countries through the adoption of syntheses. The principal product in the United States is Buna-S alongside of Neopren and Butyl. Butadien is principally obtained from alcohol but only smaller quantities from oil."

BUNA NEGOTIATIONS IN U. S. A.

43. *I. G., Standard Oil of New Jersey, Jasco.*—"In addition to the basic agreement on the oil field which had been concluded between I. G. and Standard Oil, the two firms decided also on collaboration in the chemical field insofar as the raw materials, products and byproducts of the oil industry are applied as primary materials. The various clauses for the collaboration in this field were elaborated in the so-called Jasco agreement."

44. *Exchange of Information.*—"Corresponding to the intentions of the Jasco agreement the parties were from the beginning unanimous on including the production of Buna in the Jasco. Standard Oil was constantly informed of development in the Buna field in Germany. Today I am no longer able to repeat the frequent discussions in all their phases. I may state, however, the fact that Standard Oil has always taken an interest in the Buna problem and that I. G. made every endeavour to realize a technical solution of rubber syntheses for the United States, the largest rubber-consuming country in the world."

45. *In Early Thirties First American Tests on Buna by General Tyre Co., Akron.*—"The initial steps in the United States probably took place in the early thirties. At that time I. G. had produced with Buna-S the first usable tyre rubber; this was to be confirmed by tyre tests in the United States. Standard Oil recommended that these tests should be carried out in a smaller tyre factory, the General

Tyre Co. in Akron, which was well known for its high-grade production. An agreement was made with this firm according to which, in case of its undertaking the manufacture of Buna in the United States; it would be entitled to preferential conditions for delivery. The tests were carried out at Akron in the presence of a tyre expert of I. G. but the results were not satisfactory."

46. *No Big Development of Buna in U. S. A. Until War With Japan.*—"At the same time tests were carried out in Baton Rouge to obtain acetylen from natural gas by the 'Lichtbogen' process. Approximately towards the middle of the thirties this process may have been completely elaborated for technical application. Its use for Buna could not be considered from general considerations. The U. S. A. had at its disposal natural rubber at very low cost and in unlimited quantities. In fact from the time of the first World War until the outbreak of the war with Japan there has never been a dearth of natural rubber. There were no compelling reasons for a transition to syntheses, such as the lack of foreign exchange credits in Germany. The synthetic product was twice as expensive, its method of manufacture was considerably more difficult and its properties were on the whole not superior to those of the natural product."

47. *DuPont's Neopren and I. G.'s Buna.*—"In 1935 in accord with Standard Oil synthetic rubber was discussed in Wilmington on the following basis; DuPont had developed their own process for the production of Neopren from acetylen and had started its manufacture. At the time one could not tell whether Neopren was a tyre rubber or whether it could be developed for use in tyres. In any case it was of great interest to learn to know the views of DuPont on the prospects of rubber syntheses in the U. S. A. Perhaps joint action of Jasco and DuPont was desirable with the aim to exploit jointly the experiences of I. G. and DuPont and to develop them further."

48. *Comparative Tests on Two Butadien Processes.*—"Aside from this I. G. was interested in a possible exploitation of the Neopren process in Germany. Furthermore, the possibility to obtain Butadien from the first intermediate product of Neopren, i. e. Vinylacetylen, through nitrogen, caused I. G. to have this process tested for its competitive qualities with the German Butadien process."

49. *Negative Results of I. G.-Du Pont Negotiations in 1936.*—"The very detailed negotiations which took place in Wilmington were without concrete results. The representatives of Du Pont maintained that there was no place for Buna in the United States in view of its high cost. They preferred to develop Neopren step by step for suitable special fields and thus to build up a remunerative business. It was difficult to meet this argument. In 1936 the rubber specialists of Du Pont visited I. G. and were carefully instructed on Buna. However, this did not change their viewpoint of the previous year. I. G. nearly acquired a license for the Butadien process from Vinylacetylen, the process which was not generally accepted."

50. *Goodyear, Goodrich, Buna-S and Buna-N.*—"In the following years Germany proceeded to the large-scale technical production of Buna-S. For obvious reasons this action attracted general attention. We heard from the American rubber manufacturers, Goodrich and Goodyear, that they were interested in Buna and that they had begun to work on it. Goodyear, for instance, showed us Buna-S tests produced in their laboratories. This Buna-S almost equalled ours. The decreased wear and tear of tyres protected by Buna-S as compared with natural-rubber tyres appeared attractive despite the higher cost. Buna-N had become known in the United States and was introduced for special purposes; however, only as import product and in small quantities. Everything pointed to the problem of Buna production in the United States entering a more favourable stage."

51. *Isobutylen (Oppanol) Suitable for U. S. A. Due to Cheap Butadien Derived from Oil.*—"At the same time I. G. was able to register further important progress. On the one hand, there was the thermal demolition (disintegration, abbau) of Buna-S, mentioned above. This product equalled natural rubber in manufacture and manipulation. The interest in Isobutylen (in place of Oppanol) spurred I. G. on to renewed tests on the production of Butadien from Butylen and Butane. These tests were successful and brought nearer the desired cheap source of Butadien in the U. S. A. on an oil basis."

52. *In 1938 Reich Sanctions Production in U. S. A. of Buna through Butadien Process.*—"The position was reported to the relevant authorities in Berlin in 1938 and permission was obtained to proceed with the Buna process in the United States. Careful calculations were made with Standard Oil for the Butadien process from Butylen and Butane which resulted in a considerably more favourable production price as compared with the acetylen process."

53. *In Late Autumn 1938 Ter Meer Negotiated in the U. S. A. with Goodrich, Goodyear, U. S. Rubber, Firestone, General Tyre. Manufacture of Buna-S with Help of Jasco and Du Pont.*—"In the late Autumn of 1938 I paid personal visits to the heads of Goodrich, Goodyear, U. S. Rubber, Firestone and General Tyre Co. in order to induce them to carry out practical experiments with Buna-S. I had the following in mind for the U. S. A.: Production of cheap Butadien on a crude-oil basis through Jasco, erection of a Buna-S and N factory of the approximate size of the Schkopau plant (30,000 tons), possibly with the collaboration of Du Pont, and an agreement with the rubber consumers of a guarantee for several years for the purchase of the output. The negotiations conducted on these lines had positive results. However, the rubber consumers, especially Goodrich and Goodyear, expressed the wish to produce Buna themselves under a licence, but they were ready to undertake experiments on tyres with imported Buna-S, and carried out this plan in 1939. As far as we have reports about these tests they showed, generally speaking, satisfactory results."

54. *Ter Meer's Contemplated Visit to U. S. A., for Conclusion of Contracts in Autumn 1939 Interrupted by War.*—"Thus, after years of endeavour, the path to the production of Buna in the United States seemed open. In the Autumn of 1939 I was about to carry out the necessary negotiations—when war broke out.

(Signed) Dr. FR. TER MEER."

55. B. W.—Ter Meer disclaims all knowledge of the subject.

I. G. EXPERIMENTS WITH POISON GAS AND NOXIOUS FUMES

(See First Report, paras. 45–87.)

56. *No Knowledge of Poison Gas in Concentration Camps.*—Ter Meer was unable to throw any light on the origin or the type of gas used at Maydanek or Lublin and Auschwitz concentration camps to extinguish thousands of lives. He states that, if I. G. made the gas, it was never brought to his attention. He suggested that Prof. Gross would be the I. G. scientist to state definitely whether such gas was developed in I. G. research laboratories or has been made by them.

57. *Prof. Gross and his Laboratory in Elberfeld.*—Prof. Hörlein had an I. G. Laboratory in Elberfeld where he developed Tabun. The most secret part of the laboratory is called the Zentralstelle which is in charge of Prof. Gross. There the effects of poison gases and of noxious fumes of less harmful chemical products were studied. Originally the experiments were carried out on monkeys, later on human beings. For the latter, KZ (concentration camps) inmates, who had been condemned to death, were selected and were allowed to volunteer for the experiments with the proviso that in case of survival they would be pardoned.

58. *First News of Gelan (Tabun) Tests on Human Beings.*—Hörlein met Ter Meer in Berlin for the discussion with HWA (Army Ordnance) of I. G. production of poison gas and for the subsequent visit to the HWA Poison Gas pilot plant at Spandau, in Autumn 1939. Before the meeting with HWA representatives, at the Berlin hotel where they were staying, Hörlein told Ter Meer that Prof. Gross had experimented on the effects of Gelan (later called Tabun) on condemned inmates of concentration camps in the Zentralstelle of Hörlein's I. G. Laboratory at Elberfeld.

59. *Imitators of I. G. Farben, but only for Tests on Animals.*—Some time before the war Du Pont asked Ter Meer in the U. S. A. to put them in touch with Prof. Gross. Apparently they contacted Gross and created a Zentralstelle in their laboratories for the study of the effects of noxious fumes on workers. Du Pont, however, confined their tests to animals.

60. *Justification of Experiments on Human Beings.*—Ter Meer was asked if he felt that experiments on human beings were justifiable. He argued that (a) no harm had been done to these KZ inmates as they would have been killed anyway and were thus offered a chance of survival, (b) the tests had a humanitarian aim in that not only poison gases (Kampfstoffe) were to be combatted but lives of countless workers were to be saved by discovering antidotes for noxious vapours emanating from the chemicals they produced.

(Signed) EDMUND TILLEY,
Major, E. P. E. S., F. I. A. T.

Distribution:**U. S. Group C. C.**

Office of the Director of Intelligence (5).

Office of the Director of Intelligence:

C. I. Branch (1).

Information Section, C. I. Branch, APO 413 (1).

Intelligence Branch:

Army (Ground) Division (1).

Political Division (1).

Finance Division (2).

Trade and Commerce Division (2).

Industry Division (2).

Food and Agriculture Division (2).

Control Commission for Germany (British Element):

M. G. (1), Main HQ, B. L. A. (1):

Joint Intelligence Co-ord Section:

Main HQ, B. L. A. (1).

Special Echelon, Höchst (1).

Special Echelon, Höchst (Mr. A. W. Bechter) (1).

Headquarters, 21 Army Group:

B. G. S. (I) (1).

J. A. G. Branch, War Crimes Section (1).

G. S. I. (a) (1).

G. S. I. (b) (1).

G (T) and CW Branch (1).

USFET (Main):

ACOS, G-2 (1).

G-2 Division—C. I. (1).

G-2 Division—Technical Intelligence Branch (1).

G-4 Division—Exec. Section (1).

G-5 Division—Information Branch (1).

Col. Brooke, M. I. 6, att. G-3 Division (1).

OSS Liaison, c/o G-2 USFET (Main) (Lt. Col. Canfield) (1).

Deputy Theatre Judge Advocate (1).

USFET (Rear):

Alsos Mission, c/o G-2 (1).

OSS, c/o G-2 (1).

Fiat:

Office of Chief (Br.) (1).

Office of Chief (U. S.) (1).

Integration and Planning Branch (5).

Army Branch (1).

Navy Branch (1).

Air Branch (1).

Economic and Financial Branch (1).

Industrial Branch (1).

Science and Technological Branch (1).

Control Branch (1).

Records Branch (2).

Technical Intelligence Section (1).

D. M. I., The War Office (1).

M. I. 19, The War Office (1).

D. N. I. (N. I. D. 1 P/W), The Admiralty, London (1).

ACAS (I), The Air Ministry (1).

CIOS Secretariat, Fiat (Rear), c/o U. K. Base, APO 413 (6).

ACOS, G-2, War Department, Washington (5).

M. I. S., Washington (1).

Office of U. S. Chief Counsel, HQ. Com Z, APO 887 (1).

G-2, A. F. H. Q. (5).

Allied Commission for Austria, Intelligence Section (Major Lovegrove) (1).

Allied Commission for Austria, Economics Division, (E. A. Berthond) (1).

Control Commission for Austria (British Element) (1).

FALKENHOF NEAR FALKENGESÄSS,
September 25, 1945.

Dr. C. Krauch.

I. POISON GAS

(a) *Gendorf-Dyhernfurth plants*.—After outbreak of war, the German Government ordered a new-established firm to build up Gendorf and Dyhernfurth plants; I. G. was ordered to give their scientific and technical know-hows. In charge of technical development was Dr. Ambros, I. G. Ludwigshafen, and his staff.

Production at Gendorf was about 2,000 moto Lost, about 500 moto Diglykol. Production at Dyhernfurth was about 700 moto Tabun; less than 100 tons/month Sarin.

The produced poison gas was delivered by the plants to Heeres-Waffen-Amt, who distributed the products on different filling stations. The producing plants did not know anything about the manufacturing and filling of poison gas; it was kept secret by military officials.

By order of German government, the Dyhernfurth plant was absolutely destroyed before occupation by Russians; all fore and end products were destroyed.

Judging from conversations, I had few months ago in the hospital with members of USSBS (Col. Snow) and Chemical Warfare (Col. Tarr) the gentlemen seemed to be mostly interested in Sarin and Tabun; they asked me for construction plans and details of fabrication. As far as I understood, they intended to erect similar plants in U. S. A. I told them to apply to Dr. Ambros and his staff of Gendorf.

(b) *Leverkusen, experiment with insecticide*.—The experiment was made in Wuppertal-Elberfeld, not in Leverkusen. A fatal accident occurred with a laboratory worker in the laboratory, whilst making experiments with insecticide (death by paralysis of nerves). The "Berufsgenossenschaft" (an official institution of the government) ordered I. G. Farben to make exact investigations thereabout. At this occasion, it was found out that the death was not due to the insecticide itself, but to special impurities of the insecticide, whose chemical constitution could be defined exactly. It was stated as a long-known substance, but its poisonous condition was unknown up to that date. Publications in literature have been made thereabout by a Swedish scientist already 20 years ago.

(c) *Knowledge of use of poison gas in Auschwitz concentration camp*.—I don't know anything about use of poison gas in Auschwitz concentration camp.

(d) *Who was in charge of technical development*.—Prof. Hoerlein, Wuppertal, Elberfeld, was in charge of scientific development; transfer in technical scale and improving of technical processes was matter of Dr. Ambros, Ludwigshafen.

2. FOUR-YEAR PLAN

(a) *Functions originally*.—Mr. Vögler (president of the Vereinigte Stahlwerke) has given my name as a technical expert of I. G. Farben for gasoline synthesis. Maybe this was the reason why General Milch viz. Göring in summer 1936 called me for the Four-year plan (first name of the office was "Rohstoff-und Devisenstab," then changed in "Reichsstelle für Wirtschaftsausbau," during the last years "Reichsamt für Wirtschaftsausbau"). The Amt was divided in four chief divisions:

1. Department for planning and statistics.
2. Department for building industrial plants.
3. Department for research and development.
4. Financial department.

I was in charge of the department for research and development. This department had following tasks: Drawing statistics showing the actual production capacities and import figures, necessary to satisfy the German requirements in raw materials, developing new processes of hydrogenation, Buna, plastics, etc., substitutes of foreign raw materials like leather, tannics, woods, papers, wool and cotton, disclosing new home ore mines and conversion of German metal consumption to home raw materials (e. g. aluminium instead of copper, etc.), enlarging the German food basis by developing new insecticides, scientific furtherance of using fertilizers, development of new processes to save fat and soap stuffs (hitherto being used for food purposes), examination of novel inventions of different nature, except those for military purposes, with regard to their importance and—if useful—giving financial support to the inventors.

In spring 1938, the Amt was partially taken over by Reichswirtschaftsministerium; in consequence thereof, competences of the Amt were more limited.

(b) *New functions and duties in 1938*.—In summer 1938, whilst Czechoslovakian crisis, General Löb had submitted to Göring production figures and dates on subject of German chemical raw materials. I informed Göring that these figures

were much too high and corrected them. This was the reason for Göring—in order to guarantee exact figures in future—to nominate me as his "Generalbevollmächtigter für Sonderfragen der chemischen Erzeugung" (=Gebechemie) and to authorize me to control the technical building of chemical production on following sections:

Oil (except crude-oil).

Buna.

Light metals.

Powders and explosives.

In January 1941 nitrogen was included in this authorization. During 1942–1945, Speer was called as minister for armament and war production, and in consequence thereof, substantial parts of Göring's and Gebechemie's duties changed over to Speer. Dr. Schieber as manager of Rüstungslieferungsamt assumed responsibility for accomplishing powder and explosives plan including poison gas and rocket projects; Kehrl managed his own Rohstoff- and Planungs-Amt and became responsible for the whole allocation and controlling of Gebechemie duties.

In May 1944 Geilenberg was ordered by Hitler to repair all bomb damages in chemical plants; he was called "Generalkommissar für die Sofortmassnahmen."

Drawing up the requirement figures and fixing claims for supplies and the necessity to erect new plants was exclusively made by Wehrmacht and Reichswirtschaftsministerium.

(c) *Detailed statement as to operation under Goering.*—Since beginning of my authorization as manager of the department for research and development, I applied to the whole chemical industry and their experts for collaboration, establishing of so-called "Arbeitsgemeinschaften" (colloquien), where all members were sitting at one table speaking frankly and being of good will for collaboration. First principle was to keep up the private economy and to avoid—as far as possible—the Government's influence. This method was generally practiced some years later on Speer's initiative, whilst it was refused and objected formerly.

Similar steps were taken to support scientific work with universities and technical high schools, who were in great need of it, by the four-year plan. Furthermore was given by financial support and material supplies in a much bigger scale than the government itself would have done it at any time.

To give an idea from the method of treating problems in the Amt, I choose the example Buna: After knowing that natural rubber could be replaced by synthetic rubber, all processes were tested in laboratories of various firms, by personal inspection and conferences, as thorough as to allow erecting a small-scale pilot plant. The arising difficulties were reported to me and further tests—also at high-school-institutions—were made to find out the cause and to put it aside. All these questions were discussed with all interested technical and chemical experts, and after all difficulties be swept away, a big-scale pilot plant was starting to operation, the result of which giving the figures and dates for greater production. After knowing the exact figures and terms, the department research and development had finished his task with this problem and reforwarded the matter to the department for industrial building, to induce erecting the plant. Only in case of difficulties, resulting from synthesis process in the greater production, the department research and development was applied to again, same as in case of difficulties in manufacturing the product. They were frankly talked over in discussions with manufacturers like Dunlop, Conti, etc. Difficulties from construction materials were cleared with suppliers like Vereinigte Stahlwerke, Bamag-Meguinn, etc., who were responsible for delivering raw material (steel construction, alloys, machines and so on) and technical construction plans.

Gebechemie was controlling the technical building on sections, mentioned before, besides of research and development, but had nothing to do with the production planning and the production itself.

The department research and development of the Amt and of Gebechemie had to examine proposals of inventors—except those for military purposes—and brought them into connection with those manufacturers, who were ready to realize the invention, or gave financial support if necessary, supposed that the invention was important.

Since 1929, I managed Reichsamt für Wirtschaftsausbau besides of Gebechemie for a limited period; the official leader had to be nominated later on. Both offices were connected by personal union. During my 9-year's activity under Goering, I saw him personally ten to fifteen times only. He ordered me to inform him about the standing on my sections. Besides this, detailed quarterly reports were given to his Secretary of State. Occasionally, I had to deliver verbal reports before the Generalrat, presided by the Secretary of State, representing Goering.

[Translation: Dobbek/Radtke]

DR. STRUSS, I. G. FARBEN

MANUFACTURE OF POISONOUS GASES IN GERMANY

The following manufacturing plants came to my knowledge:

(1) *Gendorf* "Lost" (Mostardgas):

(a) According to the process over ethylenoxide → Glyecin ($C_2H_4OH)_2$).

(b) According to the so-called direct process over ethylene + sulphuric chlorine.

(2) *Huls*.—"Lost" according to A. It never came to my knowledge whether they ever produced.

(3) *Dyhernfurth*.—A gas of which I have not the slightest knowledge of name or chemical constitution.

(4) *Azine*.—Diphenylarsine or its chloride (Adamsit). Manufactured at Uerdingen.

(5) *Chloracetophenone* (tear-exciting gas). Probably at Ludwigshafen.

(6) *Supplement, page 7: Seewerk* (translation see page 5).

(1) GENDORF

The works have been erected by the Wehrmacht. When I visited the works together with Dr. Ambros on 18th March 1943 expenditure 50–60 million Reichsmarks. Carbide is being purchased by the adjoining Hart. Conversion into acetylene—ethylene—ethyleneoxide then probably diglycol and/or Glyecine. In the last year they have switched over to acetylene—acetic aldehyde, the latter product for Buna and solvents. Works manager: Dr. Wittwer.

I saw the plants acetylene, ethylene, ethyleneoxide in operation. The direct Lost plant had not begun to work properly and was out of action; it was badly built up by Leverkusen. The process (ethylene + sulphuric chlorine) had been developed in the inorganic laboratories of Leverkusen (Dr. Noack) and had been accepted by the Wehrmacht. The product was, after some time, deteriorating in grenades which had been filled for test purposes.

The direct plant of Gendorf was probably never operating. In a forest, about 100–200 metres northwest of the works, there was a 90% completed plant for the process over ethylene which needed three times the quantity of chlorine. Presumably, this plant was later completed. Since about July/August last, Lost can hardly have been produced at Gendorf as ethylene oxide and chlorine became more and more scarce and there was already too little for other important purposes. Furthermore it became necessary to switch over to acetic aldehyde (see above).

(2) HÜLS

Produces ethylene of luminous-arc acetylene. It was intended to produce diglycol for explosives and perhaps Glyecine for Lost in a military plant which was situated offside in a forest. The Glyecine should be stored for possible future use. Recollection not sure as the matter dates back at least 5 years.

(3) DYHERNFURTH

Only short visit on 30th January 1942. The plant was set up by the Wehrmacht. Cost 100–120 millions. A distillation plant was visited in which shortly afterwards the fractioning of a methylamine mixture supplied by Leuna should take place. Later on, it was intended to manufacture the mixture consisting of methanol and ammonium and to separate it into mono-, di-, and trimethylamine. The dimethylamine was apparently the desired intermediate. The actual poisonous gas plant was extremely complicated and still very much in a state of construction. Each reaction boiler was surrounded by a completely closed double glass house from where the boiler could be handled and which was under a slight overpressure. The filling plant for grenades was situated somewhat offside and still in a state of erection.

The poisonous gas which is said to pass through normal gas filters in an unhampered manner, was developed at Leverkusen-Elberfeld (Prof. Hörlein). It is without doubt that manufacture took place until recently; large quantities of chlorobenzene were needed for this product. They asked for 400–500 monthly tons of this; but these quantities were probably never used up. Requirements submitted to Tea office (Dipl. Ing. König); however, here nobody knew anything about the use of it. Apparently the chlorobenzene entered into the molecule and was no longer used as solvent.

The first unconfirmed news before and immediately after the advance of the Russians into Silesia said that the personnel could duly be removed to the Baltic—Karlshagen or a similar name. I consider it to be impossible that manufacture was continued after the complete destruction of the manufacture of intermediates and traffics and because the manufacture of this product was too dangerous.

(4) AZINE—ADAMSIT

Details regarding the manufacture of an intermediate are probably kept with the Tea office (Dipl. Ing. König). Otherwise I know nothing about it. Manager Uerdingen: Dr. Haberland.

(5) CHLORACETOPHENONE

Manufacturing details with Tea office (Dipl. Ing. König).

Filling of Grenades.—I have never seen a filling plant in operation for poisonous gases. I imagine that it is possible to fill all gases into grenades of all sizes or into bombs. It is required that the poisonous gas does not react on iron. The latter case occurred when making tests fillings with direct Lost; for that reason this product was unsuitable. In 1944, I saw a filling plant for explosive grenades up to 15 cms. at Allendorf near Marburg.

Foreign workmen in factories producing poisonous gases.—In the ethylene plant of Gendorf I saw one French P. W. and understood that compulsory measures had been put on the works to employ in individual cases foreign workmen who however, were only working in undangerous plants. I never heard of any other cases.

Formula picture—see page 8 (translation see page 4).

FRANKFURT a. M., 26/4/45.

(Signed) Dr. ERNST AUG. STRUSS.

LOST

(a) Direktverfahren:

2 Äthylen + Schwefelchlorür = Lost

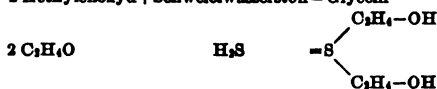


(b) über Äthylenoxyd:

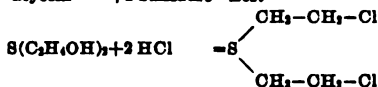
Äthylen + 2 Chlor + Kalk = Äthylenoxyd



2 Äthylenoxyd + Schwefelwasserstoff = Glycin



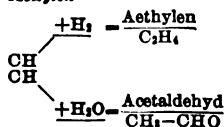
Glycin + 2 Salzsäure = Lost



Verfahren: (a) theoretisch auf 158 ko. Lost 70 ko. Chlor
(b) " " " " 210 "

Äthylen CH_3	Glycol CH_2OH	Diglycol $\text{CH}_2-\text{CH}_2\text{OH}$
CH_3	CH_2OH	$\begin{array}{c} \text{O} \\ \diagup \quad \diagdown \\ \text{CH}_2-\text{CH}_2\text{OH} \end{array}$

Acetylen



(6) SEEWERK

Seewerk is situated half way between Berlin and Frankfurt/Oder. Seewerk is an assumed name for a place which is unknown to me. 1½ or 2 years ago, Dr. Ambros informed me that he had to take charge of these works. He asked me, to release Dr. Günther Gorr, the leader of my Berlin office, for the management of these works. Dr. Gorr was for a short time in charge of these works and then had to resume his Berlin post owing to illness. I know from Dr. Gorr that Seewerk worked on fluorides, the origin of this development is not I. G., but Auer. I presume that it concerns poisonous gas. I never heard anything about clearance or removing of these works; in this case manufacturing also appears to be very difficult so that under the present circumstances resuming of manufacture in another part of Germany will be out of question.

(Signed) Dr. ERNST AUG. STRUSS.

Ffm., 27/4/45.

[Translation: Dobbek/Radtke]

MISCELLANEOUS—2 COMPANIES IN DYHERNFURTH

I learnt from a discussion with a foreman who returned from Dyhernfurth (Februar 1945) that there were 2 companies at Dyhernfurth or two managers who were working against each other:

(1) Dr. Palm.

(2) Chief Engineer Schmal, the latter for "inorganics" with which line I am not acquainted. Chief Engineer Schmal called on me in March 1945 in order to go by request of Dr. ter Meer to Italy. He confirmed that the personnel remained there until shortly before the arrival of the Russians, he did not mention anything about the removal of manufacture, destroying, etc.

STATEMENT OF THE FOREMAN FROM MAINKUR ABOUT DYHERNFURTH

On a Sunday, orders were received to destroy an important product called "K Stoff" of which there were still a number of tons (or drums ?) available. The work was very difficult and affected the eyes. For that reason the foreman was as a patient sent on Monday evening to the Catholic nurses of D. Together with the nurses he refuged the following day approx. 20 Kms. westward. Here he heard on Wednesday heavy detonations. He presumes that at that time the poisonous gas plant was blown up.

DR. AMBROS IN THE SUPREME HEADQUARTERS

About a year ago, Dr. Ambros was called to the Supreme Headquarters where an army official held a lecture on poisonous gases. After quiet and objective discussions it was decided to abstain also in future from the application of poisonous gases. My idea was, that the production was insufficient and that it was to be feared that, same as in case of the air force, the enemy might be able to use bigger quantities in reaction.

WORKS OF THE PHYSICAL DEPARTMENT, MAINKUR (DR. REIN)

Since 5-6 years, manufacture of coloured-light filters for searchlights, etc. Optical development probably A. E. G. The light filters shall have the effect that the beams became invisible for the eye. By means of a special device the respective objectives: aeroplanes, ships, troops are being made visible again. This invention may likewise be used for signals. About 2 years ago, manufacture was removed to Raspenau in the Sudeten territory, and when the Russians approached it was tried to remove it to some place in Frankonia unknown to me. Dr. Wilmanns of Schönberg (16 Kms. off Frankfurt) was collaborator for some time. This gentleman hears badly.

POLYURETHANE

I consider the development in this field to be the most interesting within I. G. Dr. Otto Bayer, Leverkusen. The latest stand of the matter is stipulated in 2 agreements, placed in the top right secret drawer of my cabinet. When I last time was, together with Major Hardiman, at the undestroyed cabinet, the file was still there.

(Signed) Dr. ERNST AUG. STRUSS.

Ffm., April 27, 1945.

[Translation: Löser/Sippel]

Dr. OTTO AMBROS

I. G. FARBENINDUSTRIE AKTIENGESellschaft

LUDWIGSHAFEN, Febr. 6th, 1939.

Dr. A/Dr. D.

Herrn Dir. DR. KÜHNE,

I. G. Farbenindustrie Aktiengesellschaft, Leverkusen.

DEAR DR. KÜHNE: Some time ago, as you know, Dr. Engelhardt of the Orgacid G. m. b. H. approached us, in order to establish a cooperation community between I. G. and Auer in the field of poisonous gases. After having got into touch with Prof. Hörlein, who declined this cooperation community, we have treated the whole matter dilatorily, and after several discussions with Dr. Engelhardt the negotiations had the following result:

The cooperation community as desired by Dr. Engelhardt is declined by the I. G. However, the I. G. is prepared to cooperate in certain special fields from one time to another with Dr. Engelhardt and Auer, respectively. In this sense we have now written to Dr. Engelhardt and enclose copy of this letter.

At the last discussion between your experts in the esterification field and the gentlemen of the Heereswaffenamt (army armament office) on Febr. 2nd at Leverkusen was agreed—as we were informed—that your experts intend to pay a visit to the work Ammendorf of the Orgacid, in order to utilize the experiences made there. As far as we are informed, in the first place the sanitary measures of that plant should be visited.

We have certain hesitation if the I. G. visits plants of the Orgacid, as we fear that the Orgacid will then expect the same from the I. G. As we intend to decline a closer cooperation with the Orgacid and Auer-Engelhardt, respectively, we should endeavour to avoid everything, that gives the other party a certain right for such requests.

In order to guarantee a uniform procedure of the I. G. on this subject I should like to ask you to negotiate exclusively with Dr. Wittwer, as to the esterification field between Leverkusen and the Heereswaffenamt (= army armament office) as well as eventually with the Orgacid and Dr. Engelhardt, respectively. Dr. Wittwer is, in view of his experience in the ethylene field within the I. G. the competent person to occupy himself with all these problems in the interest of the I. G. and the Reich, and especially in view of its official position at the Reichsstelle für Wirtschaftsausbau. Otherwise it must be feared that the works of the I. G. take on a different attitude concerning special questions in this field and which may lead to differences not only at the official offices but also at the Orgacid and Engelhardt, respectively.

I should feel obliged to you if you would inform your colleagues in this sense.

With kindest regards,

Your

(Signed) AMBROS.

[Translation: Langenbach/Mungai]

I. G. FARBENINDUSTRIE AKTIENGESellschaft, LUDWIGSHAFEN/RHEIN

INTERMEDIATES GROUP

Copy Nr. 3.

L. K.-Abt.
Dr. Wi/Kr.

FEBRUARY 23RD, 1939.

"Secret command matter"—Confidential!

DISCUSSION ON COOPERATION I. G./ENGELHARDT ON FEBRUARY 17TH, 1939, IN
BERLIN, SCHADOWSTR. 4, WA PRÜF. 9

Present:

Lieutenant Colonel Schmidt

Major Dr. von Sicherer

Counsellor of the government Dr. v. d. Linde

Lieutenant Dr. Ritter

Wa Prüf. 9

Ministerial counsellor Dr. Zahn, Wa I Rü 9

Director Dr. Ambros

Dr. Wittwer

I. G. Lu

By request of the HWA (army ordnance department) a discussion was to take place between I. G. and the HWA (army ordnance department) in order to talk on the future cooperation of I. G. with Dr. Engelhard on the field of poisonous gases. Dr. Ambros pointed out straight away that an unlimited cooperation on all these matters, which partly also extend on material being equally important for private business would not be possible but that the manner of cooperation ought to be stipulated in each individual case.

Thereupon one discussed first of all such topics being of interest at the present moment:

(1) OXOL—LOST

I. G. declared readiness on principle that the new method of Leverkusen after having been tested on a technical scale which will be possible from March onward should be put at disposal for the plants at Ammendorf and V. T. It was agreed upon that after having finished the testing experiments at Leverkusen the question should be discussed with Dr. Engelhard in how far this method may still be made use of at the erection of the esterification and how far the continuous quartz columns can be fitted in. On the other hand Dr. Engelhard will put at the disposal of I. G. all his experiences on the Lost field, for instance regarding questions of material, storing, depoisoning, etc.

(2) D—LOST

At the beginning Major Dr. von Sicherer, probably on behalf of Dr. Engelhard made the proposal that I. G. should work the D-L synthesis on the basis of SCl_2 and Orgacid on the basis of S_2Cl_2 . We at once replied that we would not see the problem for this process lying in this question but rather in the way of developing a continuous process this being of highest importance for a production on large scale. It was agreed upon that Leverkusen is to undertake these continuous experiments and to report on the results as soon as possible. In case the continuous process not being possible the Auer process will be adopted.

Counsellor of the government Dr. Zahn put the question whether I. G. would be ready to found together with Dr. Engelhard a new company for the future intentions on this line, without Auer and Goldschmidt. Dr. Ambros pointed out that Dr. Engelhard as a partner in such a company would only be of little use for I. G. as in this case I. G. would all the same have to do all the work, but that the Orgacid had proved already to be a company thoroughly capable for the execution of the army plants. Thereupon Zahn suggested that I. G. should enter into the Orgacid. He will discuss this matter with ministerial counsellor Dr. Zeidel.

Following up this discussion there was a conversation with Dr. Engelhard at the Länderbank during which he developed once more his ideas known to us. Engelhard intends to leave the Auer Company and to deal on his own account with the various questions on the field of poisonous gases. He fears, however, that—as this has already happened in connexion with Hüls—by and by he will be dropped by I. G. and that seen at long sight he will entirely be pushed aside from this line. He would rather prefer that I. G., without Auer and Goldschmidt, should establish together with him a new mining company operating already for the VT-plant and also for the future DL-plants.

Dr. Engelhard went on in saying that he intends to separate the so-called organic laboratory, which exclusively is experimenting with poisonous matter from the Auer company. His idea is to found in connexion with the army ordnance dept. a research institute for poisonous matters. The research results would be put at the disposal of Orgacid by him and this company would then take in charge the technical execution of the plants. For this research institute he would apply for the assistance of I. G.

As regards the organization of Orgacid Dr. Engelhard gave the following explanations:

Interested parties: army ordnance department, Goldschmidt and Auer, the latter two firms with a capital share of RM. 60,000 each. The Oxol produced in Ammendorf costs about RM. 1.70, being sold to the mining industry with a profit of 6%. The profits are distributed amongst the three shareholders at three equal parts.

In accordance with this discussion the following ideas were put forward to be examined by I. G. and Engelhard and to be discussed later on with the army ordnance department:

(1) I. G. joins the Orgacid and participates through this company in the erection of the intended new plants. Hüls will entirely be taken out of the Orgacid,

also such plants, being built on behalf of the army ordnance department in other I. G. works. According to the present position this would mean that this enlarged Orgacid would comprise the plants at Ammendorf, V. T. as well as intended D-L plants, and perhaps Hahnenberg.

(2) Dr. Engelhard will found a research institute for poisonous material which will largely be supported by introducing problems on this field emanating from the scientific laboratories of the universities and industry.

On these two fundamental items Dr. Engelhard will get in touch with Dr. Zahn.

The following is to be said on the above:

(1) It seems to be absolutely necessary for the interests of the *chemistry concerning the German armed force* on this important field to found a *neutral research institute* on the same line as the organization of the "Emperor William institute" established during the world war. The question as to whether Dr. Engelhard is the suitable personality for the management of such institute seems for the time being to be of minor importance. By appointing suitable cooperators from German chemistry one will, no doubt, have the possibility of developing by and by this institute to attain a high standing value of scientific benefit. The laboratory of the armed forces at Spandau deals rather with questions of technical application than with research work.

(2) The *execution of the enormous plans* in the field of poisonous matters will make it a point of utmost importance for Germany to obtain for this purpose one single chemical-technical organization of the latest shape—in this case the Orgacid extended by I. G. It will then surely be avoided that processes technically out of date (as for instance in the VT-plant or in Seelze) or a kind of torso works not to be operated (for instance Hahneberg) being built. On account of the excellent experiences and the sentiment of responsibility of I. G. it will no longer happen that such plants being built merely—as it was so far the case with the Orgacid—because the armed force had passed an order to this effect.

The Orgacid people who so far received their orders exclusively by the armed force, without any connexion with the other quarters, could after the altered form of the firm being adopted be more subordinated to the organization Krauch so that a false investment as regards raw material would in future be impossible.

However, also from the *point of view of I. G.* it appears useful to participate in this way on the poisonous material line:

(1) Upon joining the Orgacid, I. G. will get a good insight and influence on these plants, for instance again in Ammendorf. Nothing will then be built or operated without knowledge of I. G.

(2) By issuing the order for new plants to the Orgacid, I. G. can, to the benefit of the Reich put their experiences at disposal without being entrusted with the total execution of erecting the plant. All pending questions with the authorities as well as the technical questions on the erection itself will be treated by the Orgacid, I. G. will only take upon themselves the construction as well as mounting work for certain plants, in which I. G. being particularly interested. For instance one could imagine that for the first big D-L-plant I. G. would undertake to supply the ethylene (Linde plant), in case of a failure of the experiments at Leverkusen, Auer to deliver the D-L-apparatuses and for instance, Goldschmidt, the chloride electrolysis. The total of the planning of the works installation, the conduct system, the buildings, the connexion with the authorities, the engagement of workmen, etc., will be dealt with by Orgacid.

(3) The risk that owing to the participation at Orgacid the experiences of I. G. might become known outside, will not be run to any larger extent than hitherto, for instance at Ammendorf. I. G. have built the whole plant and then had to give same over to the Orgacid. There is also every possibility for a legal security and its control as soon as I. G. have become partners of Orgacid.

(4) It should be examined as to whether after having joined the Orgacid, I. G. can claim the right that the plants basing exclusively on their processes, i. e., for instance an oxyde-, ethylene-, thionyl chloride-, etc., plants in case of need can be taken on lease and be run by them *alone*. The Orgacid rents and runs the complete plant only if same serves its proper purpose, i. e., the production of poisonous matter.

(5) In the same way as done in connexion with the V. T. plant I. G. could claim the technical management of the plants built by them so that also in this way any sacrificing of their processes would be avoided.

(Signed) WITTWER.

Copies to various competent gentlemen; details see in German original.

EXHIBIT No. 31

STATEMENT BY DR. VON SCHNITZLER ON FARBEN'S PART IN NAZI WAR EFFORT

22 AUGUST 1945.

Even without being directly informed that the government intended to wage war, it was impossible for officials of I. G. or any other industrialists to believe that the enormous production of armaments and preparation for war starting from the coming into power of Hitler accelerated in 1936 and reaching unbelievable proportions in 1938 could have any other meaning but that Hitler and the Nazi Government intended to wage war come what may. In view of the enormous concentration on military production and of the intensive military preparation, no person of I. G. or any other industrial leader could believe that this was being done for defensive purposes. We of I. G. were well aware of this fact as were all German industrialists and on a commercial side, shortly after the Anschluss in 1938, I. G. took measures to protect its foreign assets in France and the British Empire.

The size which the rearmament had taken from the beginning of the year 1938 could only be considered as meant for purposes of war. Hitler apparently was decided to solve the problems as he saw them in the eastern and southeastern parts of Europe and was ready to do that by aggression if he could not achieve it with diplomatic methods. Thus the whole country was in a continuous state of mobilization and everything which has been done in particular was only a step to the same aim or target, the limits of which, of course, nobody exactly knew. In the summer of 1939 the tension in Danzig and in the so-called Corridor and on the borders of upper Silesia became so acute that a clash could break out every day. The preparations in the industry were being kept on a corresponding level, and when one finally got to war, it was only the last step of a long prepared evolution.

G. VON SCHNITZLER.

EXHIBIT No. 34

STATEMENT BY DR. VON SCHNITZLER ON FARBEN'S PRIOR KNOWLEDGE OF HITLER'S AGGRESSIONS

28 AUGUST 1945.

I would say that in my capacity as Deputy Chairman of the Wirtschaft Gruppe Chemie I had occasion to meet with Mr. Ungewitter at least once a month in Berlin. There we discussed official business regarding the different matters concerning the chemical industry. It was in July 1939 at one of these meetings in the presence of Mr. Ehrmann, Deputy to Ungewitter, that Mr. Ungewitter told me that Hitler was determined to invade Poland¹ and that, in view of the assurance given by England and France to Poland, we must be prepared for an attack on our western front. There could be no doubt in my mind from the manner in which Mr. Ungewitter spoke that the attack would take place as soon as the harvest was collected, which meant some time in September. Ungewitter told me also that the Ministry of War and the Ministry of Economics had informed him that our "Kriegswichtiger," that is, the Ludwigshafen and Oppau works must be moved from the western frontier because they were too close. We feared also that they might have guns which could shoot over the 80 km. distance between our factories and the French frontier. I said at once to Mr. Ungewitter that this idea of moving the works seemed quite impossible to me. When I spoke to Dr. Ter Meer one of the next days, he told me that he was well aware of the plan and he confirmed that it was impossible to move the works and I am certain that Mr. Ungewitter has talked over those questions much more strongly with Dr. Wurster and Dr. Ambros than he did it with me, who was not responsible for the Ludwigshafen-Oppau works. It is incontestable that Mr. Ungewitter acted on behalf of the government, that means the Vier Jahres Plan, when he informed me in the beforementioned way.

G. VON SCHNITZLER.

¹ If Poland did not accept his demands.

EXHIBIT No. 35

CONFESSIONS OF KUPPER DATED JUNE 12, 1945

JUNE 12TH, 1945.

To my knowledge I. G. Farben, its directors and officers fully approved the Nazi aggression against Poland, Czechoslovakia, and France. I. G. profited considerably from these conquests.

I. G. Farben did not approve of the attack on Russia and the Hitler declaration of war against the United States because we were well aware of American power.

I. G. Farben, its directors and officers are therefore responsible and it is my belief that the Allied Powers must take adequate measures to so control Germany that these acts cannot be repeated again.

KÜPPER,

Director of I. G. Farbenindustrie A. G.

CHAPTER IV¹

EXHIBIT No. 1

INTERROGATION OF DR. KUGLER, EFFECT OF GERMAN INDUSTRIALISTS ON GERMAN FOREIGN POLICY

Q. What was the Nazi Government's foreign trade policy in its control of the relations of German industry with the rest of the world?

A. The German government aimed to weaken the military strength of the other countries and to keep the Wehrmacht supreme.

Q. How did this work out?

A. Every time the German industry and finance entered into economic relations with other countries, the German Government exercised rigid control, and at all times wanted to keep the Wehrmacht supreme vis-à-vis all other countries. German industry was used by the Nazi Government as an instrument to accomplish this purpose.

Q. Did this apply to the United States of America?

A. To all countries.

Q. What was the agency of the government which handled these matters?

A. The agency was the Reichswirtschafts Ministerium.

Q. Who were the representatives of heavy industry?

A. Mr. Zangen, head of the firm of Mannesmann-Röhren, who was also president of the Reichsgruppe Industries.

Q. And who else?

A. In the heavy industry, I don't know. Maybe Herr Vogler.

Q. Who was the director of the Wirtschaftsgruppe Chemische Industrie?

A. Mr. Ungewitter.

Q. What did the Wirtschaftsgruppe Chemische Industrie do?

A. It was the quasi-governmental body made up of industrialists which formulated economic policy for the chemical industry.

Q. Were there any I. G. representatives in this body?

A. This organization was subdivided into Fachgruppen. Mr. von Schnitzler represented I. G. in the dyestuffs group, and I was his assistant. The I. G. representative for sulphuric acid was Dr. Wurster. For buna, it was Dr. Ambros of I. G.'s Ludwigshaven Branch.

Q. The I. G. officials acted in a quasi-governmental capacity?

A. Yes. In respect to the chemical industry, I. G. officials, along with representatives of other companies, assisted the German government in determining and executing its economic and financial policy.

Q. And was the purpose of the chemical industry the same as that for the other industrialists and financiers?

A. Yes. The foremost purpose of the Nazi Government and I. G. and all other industrialists and financiers, was to keep the Wehrmacht all powerful vis-à-vis all other countries, including the U. S. A.

"I have read the record of this interrogation, and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine, are true."

(Signature:) KUGLER.

(Position in I. G.): member.

Interrogated by:

Mr. WEISSBRODT.

Mr. DEVINE.

Witnesses:

¹ Exhibits 2, 9, 10, 13, 14, 15, and 23 are on file with the committee.

EXHIBIT No. 3

INTERROGATION OF DR. O. LOEHR ON STANDARD OIL

24 July 1945

Time: 10:45-12:00 a. m.

- Q. What is your name?
A. Oskar Loehr.
Q. What is your position in the I. G.?
A. I was connected with the Tea Buro as its deputy.
Q. Who is chief of the Tea Buro?
A. Dr. Struss.
Q. Who is Dr. Struss' supervisor?
A. Dr. ter Meer.
Q. When were you in America last?
A. Last time it was end of May 1939.
Q. Did you go alone?
A. I went alone and met there Mr. G. L. Bard of Durand & Huguenin.
Q. Were other I. G. officials there at the same time?
A. I don't exactly remember. It might be that Dr. Wenk of Leverkusen coming from the Far East was there at that time.
Q. Did you go on behalf of business for I. G.?
A. Yes.
Q. When was the Jasco agreement signed?
A. As far as I remember it was about 1930, somewhere in the second half.
Q. Who are parties to the agreement?
A. It was between Standard Oil of New Jersey, Standard Development, and I. G.
Q. If an oil raw material were developed by research into an intermediate or final product which was an oil product or normally marketed in the oil industry then it became part of the 4-party agreement?
A. Yes.
Q. But if an oil raw material developed into a product not normally sold as an oil product, then it became part of the Jasco agreement?
A. Yes.
Q. When was the four-party agreement signed?
A. In 1929.
Q. What provisions were made in regard to products which resulted from oil raw materials but which were not normally sold by oil companies?
A. There were no specific provisions as to how to proceed. But there were provisions that the partners if they made a development should, if it were concluded that it could be profitably handled by Jasco, bring it to Jasco, and there certain provisions regarding to the procedure how it should be done.
Q. If Jasco were made acquainted with it, how was it to be handled?
A. Certain declarations should be made regarding the advance payment of a share of net profits which was provided for in the agreement for the party who brought in the process. And there was another point, but I don't remember what it was.
Q. Why was Jasco formed?
A. It was formed to develop a process which was still in the experimental stage to such a stage that it could be marketed. When it had reached the point where it could be marketed Jasco should either licence the process to third parties or bring it under some other form of agreement with the industries fit to handle it.
Q. Suppose Standard Oil would develop from oil raw materials a product which was not normally sold in the oil industry, for example buna, it would under the Jasco agreement be compelled to take the buna process to Jasco for development?
A. Yes.
Q. So that in fact the underlying consideration of the Jasco agreement was to confine Standard Oil to the oil business completely and in regard to any development which was outside the oil domain, for example synthetic rubber, that was to be a sphere of influence under the domination of I. G. Is that right?
A. It was a sphere which should come into Jasco under the 50:50 arrangement. Besides the Jasco arrangement there were still another agreement which handled fields outside the other two agreements. There a domination was provided for either I. G. or for Standard Oil, according to the nature of the development involved.
Q. And if the development involved was an oil product exclusively, then Standard Oil would dominate by virtue of the third agreement?

A. Yes.

Q. So that in fact the reason, the gist of the agreement was to keep Standard Oil from the synthetic rubber business for example, and on the other hand to keep I. G. out of the oil business? Is that right?

A. I think that was the underlying idea for countries outside Germany.

Q. When were the synthetic rubber (buna) processes perfected in Germany?

A. That we could go on mass production? The first plant for 200 tons per month was planned late in 1935. The actual production was started in Schkopau end of 1936 or beginning of 1937.

Q. Prior to 1937 the Wehrmacht was supplied to a very great extent with natural rubber?

A. Yes.

Q. And after 1937 the Wehrmacht went on artificial rubber?

A. Only to a certain extent. Because at first a small proportion was made. It started from 1940 when the full mass production was reached.

Q. After mass production what percentage of German rubber consumption was artificial rubber?

A. I would say about 90% because certain rubber goods could not be made from synthetic rubber alone.

Q. Was it provided in the Jasco agreement by any other agreement you referred to, that the synthetic rubber process developed by I. G. would have to be turned over to Jasco or in any other way made known to Standard Oil?

A. It was not exactly provided in the agreement by words but if you take the meaning of the agreement in the sense the contracting partners meant it, it came under the agreement, as far as raw materials from the oil industries were used for the manufacture.

Q. As a matter of fact did I. G. provide Standard Oil with knowledge of the buna process developed by I. G. in 1936 and 1937?

A. No, it didn't.

Q. Why?

A. There were certain hinderances from the German authorities.

Q. What were those hinderances?

A. At that time, as far as I was told, the synthetic rubber development was brought to Jasco in the sense of the agreement somewhere in 1930 or 1931. At that time the partners made the agreement that synthetic rubber should be brought to Jasco. That was the understanding I had how this began. At that time a synthetic rubber still was in a very undeveloped stage and a few years later on I. G. believed they had a product which might now be useful for a larger consumption. But at that time the German rubber manufacturers, maybe in 1932-33 showed no interest at all. At that time Standard Oil was approached whether there would be any interest to experiment with the product in the U. S., and after some discussion they recommended to make such trials in the U. S. with the General Tire and Rubber Co. We sent over a certain amount of synthetic rubber and the experiments were carried on—in 1934—but did not result in anything which might help in the further development because also the General Tire and Rubber Co. did not think much of the product. A year later the question of transferring the synthetic rubber development into the manufacturing stage in Germany was pushed by the German government agencies and at that time we did not know which process to use in the manufacturing of the rubber. In the meantime Dupont had developed their new product on a certain intermediate which might also be useful for the I. G. manufacture. At that time it appeared to us that using the Dupont agent would get more economical production, and we approached Dupont about their development. That was about October 1935. At that time discussions with Standard Oil regarding the synthetic rubber development again took place but then the Standard Oil showed no particular interest, and ter Meer explained how far things had gone in that field and what I. G. intended to do with regard to the development made by Dupont.

Q. You were in the United States at that time.

A. Yes, in 1935. At that time also out of the talks with Dupont nothing definite happened. After that visit in U. S. A., the development in Germany started, and the building of the first 200-ton plant. It became public and from that time on the synthetic rubber companies in U. S. showed interest in synthetic rubber. That was, as far as I remember, 1936-37. The interest was reported by Dr. ter Meer to the German official agencies.

Q. What was I. G.'s reply to the Goodyear and Goodrich proposals?

A. At that time I. G. said our development is not far enough to consider licenses.

Q. Was it to I. G.'s interest to have Standard Oil, insofar as it was able, control the synthetic rubber field in the U. S. A. and keep the rubber companies either out of synthetic rubber production or under the control of Standard Oil in synthetic rubber production because Standard Oil at all times by reason of the 3-party agreement was under the control of I. G. in regard to synthetic rubber?

A. I can't answer that question. That is beyond my knowledge.

Q. Would you think it would be reasonable to assume that what was just asked you was true?

A. Yes.

Q. Is it your understanding that such a plan existed?

A. You mean whether I have heard of such a plan? I remember that Mr. Howard said something about the Standard oil would be on top of the whole scheme and have the development in their hands.

Q. When was this?

A. The last time was in May 1940 when Mr. Howard was in Basle. But it might have been earlier.

Q. Did you hear the same thing from anybody else?

A. Mr. Ringer.

Q. Who was Mr. Ringer?

A. He handled all the questions regarding the Standard Oil agreement as far as oil matters were concerned. He met Mr. Howard in Holland in September 1939 and came back with certain proposals and submitted them to Dr. ter Meer and v Knieriem and at that time he also mentioned that Mr. Howard was particularly anxious about the rubber business that Standard Oil should have control of it and secure such control by having the patents assigned to Jasco.

Q. So that in 1940 Mr. Howard told the representatives of I. G. that in regard to the synthetic rubber production in the USA Standard Oil would dominate the production and Standard Oil would permit rubber companies or any other companies to enter into the synthetic rubber field only if Standard Oil were compelled to do so by the circumstances and if they did permit it, it would control them?

A. Yes, "durch Festlegung der Bedingungen", (by stipulating the terms.)

Q. If Standard Oil did what Mr. Howard said it would do, then I. G. was assured of the control of the American synthetic rubber production because of the third agreement you told us about before? Is that right?

A. Yes, it is right.

Q. I. G., from this verbal agreement with Mr. Howard or by virtue of what Mr. Howard told you in 1940 in Basle, understood the Standard Oil would keep American firms out of the synthetic rubber field so far as possible and that it would let them go into the synthetic rubber field only if they were compelled to do so by forces beyond their control. And even if Standard Oil was by such pressure compelled to admit other American companies to engage in the synthetic rubber field, it would do so only if Standard Oil could "durch Festlegung der Bedingungen"?

A. Yes. May I add one thing? I remember that Mr. Howard sent to I. G. a licensing draft with several companies in which he had laid down certain licensing conditions and also royalty rates which we—from the technical point of view—considered very high.

Q. Is there any record of these discussions with Mr. Howard in your file?

A. There was but I cannot find it at all.

Q. So that in 1940 when I. G. wrote to Standard Oil that it could not divulge its buna processes because the Wehrmacht refused to permit it, I. G. wrote that letter pursuant to an understanding with Mr. Howard that he must have some basis for refusing to turn over the buna processes to the American rubber companies? Is that right?

A. I don't know whether such a letter was written, but in 1939 a cable was sent to Howard that I. G. could not disclose the know how process.

Q. There was an understanding between I. G. and Standard Oil and Howard that such a cable would be sent so that Mr. Howard could explain to the American companies why you could not turn over the buna processes to the American companies?

A. Yes.

Q. Was it part of the arrangement with Mr. Howard that he would not press for information in regard to the buna process?

A. At that time I got that impression.

Q. Do you know that Goodyear and Dow Chemical requested a license from Jasco for the buna process?

A. I don't recall that it was requested from Jasco but they requested the license from I. G.

Q. What did I. G. say?

A. I. G. was prepared to handle the question on a basis of a large plan because the Goodyear and Dow at that time wanted to make experiments and the reasoning of I. G. that the experiments had been made in Germany already and the plan was to erect a big plant to develop enough of this material.

Q. Is it true that while the delay in divulging the buna processes to American rubber companies was taking place, Chemnyco and Jasco were in the meantime keeping I. G. well informed in regard to synthetic rubber development in the U. S.?

A. Yes.

Q. So that at all times I. G. was fully aware that of the state of the development of the American synthetic rubber industry?

A. Yes.

Q. Were you present at the Hague meeting when Mr. Howard went there in 1939?

A. No.

Q. Who was present?

A. Mr. Ringer, who was accompanied by Dr. Brown of Ludwigshafen.

Q. Did they tell you about the negotiations?

A. Yes, as far as they were on the buna part of it.

Q. Is it true that Mr. Howard told I. G. at this meeting that the developments in the U. S. had reached such a stage that it would no longer be possible for him to keep the information in regard to the buna processes from the American companies?

A. Dr. Ringer reported it.

Q. Was it at that meeting that for the first time Mr. Howard told I. G. the American rubber companies might have to be informed of the processes and he assured I. G. that Standard Oil would control the synthetic rubber industry in the U. S.? Is that right?

A. That is right. That is the knowledge I got through Mr. Ringer.

Q. So that in all these arrangements since the beginning of the development of the synthetic rubber industry the suppression of the synthetic rubber industry in the U. S. was part of a preconceived plan between I. G. on the one hand and Mr. Howard of Standard Oil on the other?

A. That is a conclusion that must be drawn from the previous facts.

I have read the record of this interrogation and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine are true.

(Signature:) OSKAR LOEHR,

(Position in I. G. Farben:) Deputy of the Teabüro.

EXHIBIT No. 4

INTERROGATION OF DR. LOEHR ON SEPTEMBER 6, 1945, ON STANDARD OIL

SEPTEMBER 6, 1945.

Q. When is the first time I. G. approached an American company in regard to the development of buna or synthetic rubber?

A. 1932.

Q. What was the reason that I. G. went to America?

A. The buna rubber developed at Leverkusen could not be processed by the methods employed in processing natural rubber and also the rubber manufacturers had not been able to solve that problem. And it was suggested to submit a sample batch to American rubber companies in order to make experiments with regard to processing.

Q. Was it that the American companies could develop what the German companies could not develop?

A. Yes, it was thought that an American company might have more experience with respect to general processing problems because the experience of American companies must have been wider on account of their large production.

Q. Was there any question of financial assistance involved?

A. I don't think that there was in 1932; I don't know for certain. But there was in 1933 when an agreement was made with General Tire and Rubber Company of America.

Q. Did you request permission of the Nazi Government to reach the agreement with the General Tire and Rubber Company in 1933?

A. I don't know about that. It started in 1932, I think.

Q. In regard to the financial assistance, would you have to get permission from the Nazi Government to get financial assistance from American companies?

A. I think at that time you had to get a devisen permit, but as far as I recall the contract was made between the Jasco and General Tire and Rubber so that the question of a devisen permit for that did not arise at that time. It might have arisen when the Jasco account had to be settled, but it wouldn't have arisen when we reached an agreement with General Tire.

Q. Now when is the first time that I. G. went into mass production of buna?

A. The first large pilot plant went into operation in March 1937. But, as I could find out meantime, mass production must be considered to have started somewhat later because for a number of months the process had to be tried out and changed and from the evidence of the production records which I looked at in the meantime, I would say that mass production started some month in 1938.

Q. Would I. G. have been able to compete with natural rubber without the assistance from the Government?

A. No. It would not have been able to compete.

Q. Then I. G.'s synthetic rubber production was subsidized by the Nazi Government?

A. Not by subsidy. The German Government assisted us by levying a duty on the imports of natural rubber.

Q. In building your plants did they give you any financial assistance?

A. Yes; they gave a loan in the construction of the Schkopau plant.

Q. What were the amortization rates?

A. The loan had to be repaid in 10 years, payments to begin after the start of operations.

Q. Why did I. G. refuse to grant the license to Goodyear in 1937?

A. There are two reasons in 1937. When Goodyear approached I. G., Goodyear had made only a few laboratory experiments on our patents and the production which it had was inferior in quality. Furthermore, they had no raw material basis for a possible manufacture of synthetic rubber at that time. The second reason was that, as far as I can recall, at that time we were blocked by the Government to undertake licensing negotiations with foreign firms. Also at that time our processing of the buna may not have been completely worked out.

Q. If at the time you could not conclude an agreement with Goodyear, why did you enter into negotiations?

A. The approach came from Goodyear.

Q. Did you tell Goodyear that you could not conclude an agreement with them?

A. Dr. ter Meer told Goodyear that he could not give them a license, but I don't know whether he told them that we were blocked by the Government.

Q. In other words, you think that Goodyear was under the impression that I. G. would not give them the licenses and the know-how at that time because I. G. did not think it would be profitable?

A. Yes; but I don't know whether "profitable" is the word which would express the true meaning.

Q. What would express it?

A. I would say it was technically not feasible.

Q. The Goodyear was under the impression that it was not technically feasible and therefore I. G. refused to give them licenses and the know-how?

A. I would say so.

Q. But, in fact, I. G. according to you, would not have given them the know-how even if it were technically feasible?

A. Irrespective of whether or not it was feasible and profitable for us to license the Goodyear and give them the know-how, we would not have done it because the Wehrmacht forbade us to and we did not tell Goodyear of that.

Q. When Goodyear asked you for a license in 1938, did you refuse.

A. Goodyear asked us for a license in 1938 twice—in the spring when they thought they had a raw material supply and we postponed a decision until autumn because at that time we couldn't move.

Q. Why couldn't you move?

A. Because still the prohibition of the Wehrmacht stood. And in autumn the license was declined, but it was pointed out that when the marketability of buna-s had been established the rubber firms would have an opportunity to discuss with Standard Oil and I. G. the participation in their eventual manufacture.

Q. But, as a matter of fact, would it have been possible to make marketable buna in competition with natural rubber without assistance from the Government in the United States?

A. The answer to that question depends upon the price level which natural rubber would have.

Q. Were you able to compete with natural rubber in Germany without assistance from the Government?

A. No, not in Germany.

Q. Then are you saying that the United States Government would have had to take similar measures as the German Government did in regard to raising the duty on the import of natural rubber in order to make the production of artificial rubber profitable?

A. No, because the ratio of cost of synthetic rubber to price of natural rubber was much more favorable in the United States than in Germany.

Q. Why?

A. Because raw materials in the United States were less expensive than in Germany.

Q. Then conditions making profitable artificial rubber in America were more favorable than in Germany?

A. At that time, yes.

Q. When wasn't it?

A. In 1938 when we examined the question.

Q. I don't understand.

A. In 1938 we made those calculations what synthetic rubber would probably cost the United States and the ratio between the cost price of synthetic rubber and the selling price of natural rubber was, or looked, more favorable than it was in Germany because the raw material basis butadiene was calculated to be cheaper than in Germany. Later on in Germany improvements had been made so that the ratio might have changed.

Q. The ratio had nothing to do with the cost of materials. If we had the process in the United States the same ratio in respect to the cost of natural rubber would have existed, isn't that right? That is, it would have been cheaper in the United States?

A. It is right as far as 1938 was concerned. I can't tell about later on.

Q. In 1939 did the cost of the raw materials become cheaper in Germany than they were in the United States?

A. I can't tell you without referring to the cost files.

Q. When was the first time you received official notification from the Nazi Government that you could not give your know-how to American companies?

A. I was notified through Dr. ter Meer, probably end of 1936 or early 1937.

Q. Was that notification in writing?

A. I don't know.

Q. Is it in your files?

A. No.

Q. What did ter Meer tell you?

A. The gist was that we could no longer move with licenses abroad without having a special permit for doing so.

Q. Did you inform Mr. Howard of Standard Oil of that prohibition?

A. As far as I can recall, Dr. ter Meer did.

Q. When?

A. Probably in 1937. It was done by Dr. ter Meer himself at a meeting he had with Mr. Howard.

Q. When is the first time you received notification from the Nazi Government that you could begin license negotiations with American firms?

A. That must have been late in summer 1938.

Q. Then, when you were conducting licensing negotiations with Goodyear in 1937 you were doing that without the consent of the Nazi Government?

A. Well, I said I wasn't sure when that ban was imposed upon us.

Q. Which ban?

A. That we could not conduct licensing negotiations. I think I said in the preceding answer that the second reason was that we could not give licenses but that I wasn't sure about the date whether that was in force then.

Q. Well, if it wasn't in force in 1935.

A. In 1935 it certainly was not.

Q. So then you think that the restriction on your conducting licensing negotiations with American firms came after the Goodyear negotiations?

A. I am not sure whether it was before or after.

Q. Would you have conducted licensing negotiations after they were prohibited?

A. I don't think we conducted licensing negotiations in that sense. We listened to what Goodyear had to say, and then said it could not be done. As far as I remember, there was no discussion about terms or anything else.

Q. Then you just learned about Goodyear developments and didn't give out any information?

A. Yes, yes we gave out information of ours as far as we were able to do so, and later on with the permission of the Government Goodyear received samples of our Buna-S and perbunan.

Q. Would you call the negotiations with Goodyear licensing negotiations in 1937?

A. No. Not license negotiations proper, because no terms or anything else were discussed.

Q. Didn't you ask permission of the Nazi Government to speak to the Goodyear people?

A. As far as I remember, we asked permission to receive Mr. Sebrell at Leverkusen.

Q. Was that permission granted?

A. Yes.

Q. Were there any restrictions imposed upon you?

A. As far as I can recall, but I am not sure, we were not allowed to show him the plant proper where Buna was made at the time.

Q. Didn't you show it to him?

A. No.

Q. When is the first time you received permission from the Wehrmacht to start licensing negotiations?

A. In summer 1938.

Q. Who handled the negotiations with the Wehrmacht and with the Ministry of Economics?

A. ter Meer.

Q. What was the nature of ter Meer's negotiations with the Wehrmacht and with the Ministry of Economics?

A. Dr. ter Meer submitted to them that the time had come to start licensing foreign rights on buna; that interest for buna and the development had now come so far in foreign countries, particularly in the United States, that manufacture might start irrespective of whether or not we gave licenses on our patents and it might even occur that compulsory licenses on our patents were imposed.

Q. Where did you first get that knowledge and from whom?

A. Which knowledge?

Q. That compulsory licensing might take place and that United States companies were reaching a stage where they might develop the production without I. G.'s know-how.

A. Compulsory licensing was provided for in the patent laws of all continental countries, but as far as I know it was not provided for in the patent laws of the United States. But the reasoning that time was that even in an important case the United States might resort to compulsory licenses.

Q. On what was this based?

A. It was based on the general trend that every state was endeavoring to establish important production within its boundaries.

Q. What indication did you have that the United States was endeavoring to establish important production within its boundaries?

A. The reasoning came from the general trend. The reasoning wasn't based on specific information.

Q. Did you receive any specific information from the United States?

A. No.

Q. Did you receive any information in regard to the progress American companies had made?

A. We had known from Goodyear's visit what they were making and their publications that the production of the raw materials for synthetic rubber was being worked on by Dr. Egloff of Universal Oil.

Q. Who did you receive that information from?

A. Through the periodicals.

Q. Did you get any information from Chemnyco?

A. As far as I remember, they informed us about the developments with Goodyear.

Q. Have you got a copy of the permit that the Ministry of Economics gave you authorizing you to conduct license negotiations?

A. I have none in my files.

Q. Did you read it?

A. Yes, I did.

Q. Tell us what it said to the best of your knowledge.

A. It said that I. G. was now authorized to start licensing negotiations with regard to its foreign patents on buna excepting the countries Russia, Czechoslovakia, and Lithuania. It added that before any agreement was concluded the matter had to be again submitted to the Reichswirtschaftsministerium.

Q. So that at all times between the period of the prohibition of the Wehrmacht and the permit authorizing you to engage in licensing negotiations you were conducting negotiations with American companies with full knowledge that you would not divulge the information to the American companies. Is that it?

A. Well, we conducted only one negotiation with Goodyear in April 1937 and, as far as I remember, no other negotiations.

Q. Well, in regard to that negotiation you were not going to give them the know-how and Goodyear was never informed of the prohibition?

A. That is right.

Q. And, as a matter of fact when you conducted negotiations after 1938, after the permit had been given, you still could not give the know-how without the consent of the Wehrmacht?

A. So I understood it.

Q. Up to the outbreak of the war had tests in the United States proved successful to the extent that I. G. would have licensed American companies and given them the know-how in Buna?

A. No. I. G. had started to familiarize American companies with the processing technique of its Buna S and had sent over a rubber expert of Leverkusen to give them the information necessary for processing sample batches of Buna S. The first sample served to make the rubber companies familiar with the general technique of processing, but later in the year tires and tire treads were to be made from imported Buna S and these tires were to be tested in extensive road tests. These road tests had not yet taken place before the outbreak of the European war and for this reason, the tests had not yet been finished and it was not proven that they would be successful. Therefore, I. G. would not have given them the license or the know-how.

Q. Did Standard Oil ever ask I. G. for the know-how in regard to Buna S?

A. I believe that they asked for the know-how in Buna S in September 1939, when Mr. Howard asked for the know-how in Buna without naming the brand.

Q. Up to that time had Mr. Howard asked for the know-how in regard to Buna S?

A. I don't remember any such request. Before 1939 they asked for the know-how in Perbunan but not for Buna S.

Q. Is Buna S used for tires?

A. Yes.

Q. Did I. G. refuse to give Mr. Howard the know-how for Buna when he asked for the know-how in regard to Buna whereby you thought he meant Buna S?

A. It was refused.

Q. Have you got a copy of the memorandum which Dr. ter Meer drew up for the Ministry of Economics in 1938?

A. No.

Q. Was it destroyed?

A. No.

Q. Where is it?

A. I can't tell you.

Q. When did you send a cable to Standard Oil saying that you couldn't give them the know-how?

A. It must have been in October 1939.

Q. Did you send that cable pursuant to Howard's request?

A. Yes; it was sent pursuant to Howard's request.

Q. What reason did you give in the cable for the refusal to assign the know-how?

A. There was no reason given. It was just stated that I. G. was not in a position to give the know-how.

Q. Why wasn't I. G. in a position to give the know-how?

A. I. G. could not give the know-how because it would not have obtained the permit of the authorities.

Q. Did I. G. try to obtain the approval of the authorities?

A. The matter was discussed by ter Meer and Bueteffisch with General Thomas and when they returned they said the patents can be assigned but the know-how could not be given.

Q. Did you ask permission of General Thomas to give the know-how?

A. I was not present at that discussion. It was summarized in a letter. The copies of the letter were in the file of copies of the Standard Oil agreements together with all the cables.

Q. Did ter Meer request permission of General Thomas to give the know-how to American companies?

A. I can't say.

Q. What do you think?

A. I think he started on the assumption that no such permission would be given.

Q. Would I. G. have given an American company the know-how in Buna S in September 1939 if the permission of the Wehrmacht was not necessary?

A. No; because at that time the tests had not yet been finished which would prove them successful.

Q. Then why did I. G. have to discuss the matter with General Thomas at that time in order to get his permission to give the know-how?

A. The dealings with Standard Oil had to be discussed with General Thomas at any rate not only on Buna but on oil matters. If the assignment of patents had to be submitted to the authorities, the first question will be will the know-how be transferred or not and that is why those two questions were linked together.

Q. Did Mr. Howard in September 1939 realize that I. G. would not have given the know-how even if the Wehrmacht were not involved?

A. I don't know whether he realized it or not.

Q. Did he realize it in 1940 after the meeting in Basle?

A. At that meeting it was only said that it couldn't be done; no reason was given.

Q. Did Mr. Howard realize that marketable conditions had not been reached yet in regard to Buna in the United States?

A. I don't know; that subject was not mentioned.

Q. Then in all your discussions with Mr. Howard, you never discussed whether your product was marketable?

A. There was only one after 1939 in Basle, Mr. Howard at that time was anxious about patent assignments and then about certain patent difficulties which had arisen in the United States and in regard to the buna know-how question; the meeting at Basle was very short.

Q. Who handled the negotiations with the American Rubber Co. on behalf of I. G. Farben?

A. Dr. Hochschwender of Chemnyco.

Q. Who was Dr. Hochschwender?

A. He was an official of Chemnyco. Of course he was not entitled to make any commitments.

Q. Do you recall reading any correspondence between Chemnyco and I. G.?

A. I recall correspondence regarding the visit of Dr. Koch in United States in the spring of 1939.

Q. What was that correspondence about?

A. The correspondence related to experiments with Goodyear whether Goodyear could have Buna or not and then I recall that Dr. Beller gave some report on experiments with Buna to Leverkusen.

Q. Was Chemnyco supposed to conduct industrial espionage for I. G.?

A. No, that was not the purpose of Chemnyco.

Q. Did Chemnyco conduct industrial espionage for I. G.?

A. Yes.

Q. The position that the authorities prohibited I. G. from giving American companies the buna know-how was an excuse and I. G. itself would not give the American companies the know-how and Standard was completely aware of that.

A. That is right. We wouldn't have done it because the time was not ripe for us to give the know-how to the American companies and Standard Oil was informed of that.

(Signature) OSKAR LOEHR,

(Position in I. G.)

Witnesses:

Interrogated by:

Mr. WEISSBRODT.

Mr. DEVINE.

EXHIBIT No. 5

INTERROGATION OF VON SCHNITZLER ON STANDARD OIL

26 July 1945.

Thursday—10:00 A. M.

Q. In 1939 or 1940, were you present at a meeting in Basle attended by officials of Standard Oil including Mr. Howard and officials of I. G.?

A. Yes.

Q. Was it your impression that from the remarks of Mr. Howard at that meeting that Standard Oil did not intend to develop the synthetic rubber industry in the United States?

A. My impression at the time was that Standard Oil did not intend to develop the synthetic rubber industry in the United States.

Q. Is it not true that chemists of Standard Oil had spent months in the factories of I. G. and were fully familiar with the synthetic rubber process developed by I. G.?

A. The chemists of Standard Oil were frequently there and sometimes for months and as they were talking over all problems falling under the Jasco agreement I cannot imagine them being at Ludwigshaven without having talked over the rubber matters just as well, with Dr. Ambros and Dr. Reppe and the other men.

Q. Yesterday, you told us that you were certain that Standard Oil was fully familiar with the Buna process developed by I. G. Are you still of that same opinion?

A. My opinion is that Standard Oil was familiar with the synthetic rubber process developed by I. G.

I have read the record of this interrogation, and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine are true.

(Signature) G. v. SCHNITZLER.

(Position in the I. G. Farben) _____.

Interrogated by:

Mr. ABE WEISSBRODT.

Mr. NEIL DEVINE.

(Witness) _____.

(Witness) _____.

25 July 1945.

3:00 to 4:00 P. M.

INTERROGATION OF GEORG VON SCHNITZLER

Q. I want to review the rubber story with you again this afternoon. In approximately 1930, I. G. and Standard Oil entered into an agreement and formed a company called the Jasco Company. Is that right?

A. It must have been in 1929 or 1930.

Q. Are you familiar with the agreements reached in forming the Jasco Company?

A. I have never seen anything regarding this agreement.

Q. But you are familiar with the underlying considerations?

A. Yes.

Q. Now I. G. sought to arrive at some agreement with Standard Oil regarding the Standard Oil's participation in the synthetic rubber field?

A. Yes.

Q. Standard Oil was very anxious to get the oil processes developed by I. G., and was anxious to come to some agreement with I. G., regarding I. G.'s interest in the oil field?

A. That is right.

Q. Now, I. G. and Standard Oil had many agreements and many dealings regarding the oil industry as a whole?

A. We were always aware of the fact that oil companies could become the most dangerous competitors to the chemical industry in general, because it was to be foreseen that from oil derivatives one could extend themselves over the entire field of synthetic production of Aliphatics.

Q. Then I. G. in entering into the Jasco Company agreement wanted to restrict Standard Oil to the oil business, to the typical oil business and to keep Standard Oil out of the chemical industry including such products as plastics, synthetic rubber, resins, et cetera?

A. That is my view of the whole situation.

Q. Now, under the Jasco arrangement, all patents developed by I. G. in the oil field were to be turned over to Jasco, and on the other hand all developments by Standard Oil in the chemical field were to be turned over to Jasco?

A. Yes. That is so.

Q. And it was understood that Standard Oil would dominate the oil processes and I. G. would dominate the chemical processes?

A. As far as there were new developments; yes.

Q. Now, to your knowledge, was it the intention of I. G. and Standard Oil, within the purview of the Jasco agreement that I. G. should turn over the synthetic rubber developments to Jasco?

A. I don't know.

Q. Now, I. G. intended that if synthetic rubber was to be developed in the United States, it should be developed by and it was to the interest of I. G. that it be developed under the control of the Standard Oil Company; is that right?

A. If it should be developed under the Standard Oil Company, it would be all right from the beginning.

Q. And if synthetic rubber production in the United States was under the control of the Standard Oil Company directly, then it would be actually under the control of I. G. because under the provisions of the Jasco agreement, I. G. was to dominate the synthetic rubber field. Would that be the result of the Jasco agreement?

A. I think that would be the result.

Q. And I. G. and Standard Oil were partners in this arrangement; is that right?

A. Yes.

Q. From 1930 to 1935, during those years, I. G. itself had not developed the synthetic rubber industry to any great extent; is that right?

A. That is right.

Q. And it was in the interests of I. G. to have American firms experimenting with the production of synthetic rubber under license from the I. G.?

A. That is right. I think in 1933, for the first time in the autumn, to the best of my recollection, when we were to discuss more or less different types of questions along this line, and some other questions, we were shown for the first time a large round cake of neoprene which was ready to be marketed and from the discussions, we saw how strong Dupont was getting in that field. Of course, neoprene had quite a lot of starting points. It was a chlorene derivative.

Q. Did the negotiations in 1933 for experiments in synthetic rubber production under I. G. license come to any fruit?

A. No; ter Meer visited the American rubber companies. I think Firestone and Goodyear were asked as to how far they were interested in the product, which seemed to be better than the natural-oil product. But there were no results.

Q. Was Standard Oil itself interested in entering the synthetic rubber field?

A. I have not had that impression.

Q. Your impression was that Standard Oil did not want to enter the synthetic rubber picture, and that in agreeing with I. G. to suppress the synthetic rubber production in the United States or to keep it under Standard Oil's domination and thus, I. G.'s domination, Standard Oil was performing a service to its partner, I. G.; is that right?

A. I should say that is right, but it is only my opinion.

Q. When did I. G. begin to develop synthetic rubber in mass production?

A. Beginning about 1936, I should say.

I have read the record of this interrogation and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine are true.

G. V. SCHNITZLER.

EXHIBIT No. 6

INTERROGATION OF DR. LOEHR ON STANDARD OIL

26 July 1945.

Thursday A. M.

Q. When was the first time Mr. Howard of Standard Oil requested full details of the synthetic rubber developments by I. G.?

A. As far as I remember, Mr. Howard's chemists requested details in New York in October 1938. Mr. Howard up to that time did not request this information.

Q. Did you comply with the requests of the chemists?

A. No.

Q. But in 1938, you received full information of the Standard Oil Butyl processes?

A. Yes.

Q. So that Standard Oil was living up to the Jasco Agreement when it provided I. G. with information on the Butyl process, but I. G. was violating the Jasco Agreement when it refused to divulge the Buna process to the Standard Oil Chemists?

A. Yes.

Q. You told us before that all technical information in regard to Buna involving third parties passed through your hands?

A. As far as the United States is concerned, or at least I should have been informed, because that was the order of Dr. ter Meer.

Q. When was the first time you turned over the Buna process to the American company?

A. As far as I remember, we never did. By process, I mean, detailed information as to its manufacture.

A. And in general, you had always kept Mr. Howard informed of developments?

A. Yes.

Q. Mr. Howard never requested the full details until 1939 at the Hague Conference?

A. Yes.

Q. Did I. G. inform Mr. Howard of the Buna processes when he requested the information at the Hague?

A. No; we did not.

Q. Did you agree to inform him?

A. No; we did not.

Q. Did the Hague Agreement provide that Buna would be placed within the Jasco Agreement?

A. Yes; it did. But Buna was already within the Jasco Agreement.

Q. And that Jasco would have exclusive rights to its processes in the United States?

A. Yes.

Q. Then, was it not agreed at the Hague Conference that I. G. would provide Mr. Howard with full details of the Buna process?

A. Mr. Howard requested it, and it was refused.

Q. And yet you said that the Hague Agreement provided that Jasco have exclusive rights to the Buna process?

A. Yes.

Q. Then why did you say it was refused?

A. As to the patent process information, it was refused. It was agreed as to the assignment of the patents, but divulging the information was refused.

Q. What good was the patent without the know how?

A. Well, the patent opened the way to make and use the product.

Q. How did they make the product if they did not have the know how?

A. They could develop it themselves.

Q. So, what you are saying is that you assigned a patent to Standard Oil in order to protect your rights to the patent in the United States, but that you never divulged the know how which would have made the patents of use to the Standard Oil Company, is that right?

A. Yes.

Q. So, I. G. was able to suppress completely the synthetic rubber production in the United States, was able to use an American company, Standard Oil, to protect I. G.'s patents in the case of war between The United States and Germany, and in that way I. G. itself undermined the military potential of the United States, and I. G. itself was able to carry on industrial espionage in the United States using its representatives, its participations and its agreements with American firms, to carry on economic warfare against the United States. Is that right?

A. These are the conclusions which seem to disclose that I. G. impaired the military strength of the United States. Yes.

"I have read the record of this interrogation, and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine, are true."

(Signature:) OSKAR LOEHR.

(Position in the I. G. Farben Co.): DEPUTY OF THE _____.

Interrogated by:

ABE WEISSBRODT.
NEIL DEVINE.

Witnesses:

_____.

EXHIBIT No. 7

MEMORANDUM FROM DR. GOLDBERG TO DR. VON KNIERIEM DATED MAY 30, 1944,
ON PROCESSES OBTAINED FROM STANDARD OIL

JULY 10, 1945.

In an article entitled "American Business and Standard Oil's Blueprint for World Trade," which appeared in the *Petroleum Times* for December 25, 1943, Mr. R. T. Haslam of Standard Oil Company of New Jersey defended the Agreement which Standard Oil had negotiated with I. G. Farbenindustrie. He stated that the "secrets brought to America from Germany fifteen years ago by American scientists have been turned into mighty weapons against Germany."

Among the I. G. Farben files which had been evacuated from Division I at Ludwigshafen to Heidelberg, records have been discovered indicating that this article was the subject of considerable study by I. G. Farben scientists. There are three folders containing comments on the Haslam article and investigating the various claims which he made in that article. On May 30, 1944 these studies were summarized in a memorandum which was forwarded by Dr. Goldberg to Dr. von Knieriem, Chief Counsel in charge of legal and patent questions in Ludwigshafen and member of the Central Committee of I. G.'s Board of Managing Directors.

This summary was found in one of the three folders. All these folders were marked "to be destroyed," but they somehow escaped destruction.

In this studied and technical answer to the Haslam article it is set forth that I. G. Farben gained from America information far more important to Germany's war effort, through the medium of the Agreement with Standard Oil of New Jersey, than Standard Oil was able to obtain for the American war effort from Germany. This conclusion is reached after a detailed analysis of the development of four technical fields which Mr. Haslam has referred to as the "miracles" which Standard Oil received from I. G. Farben; namely, Iso-octane, Toluol, Oppanol and Buna.

The I. G. article goes on to describe the "many valuable contributions" which were received "as a consequence of our contracts with the Americans * * * above and beyond the Agreement * * * which just now during the war are useful to us"; namely, lead-tetraethyl; polymerization; de-waxing and de-asphaltization of lubricating oils, and Parafflow; and finally assistance in purchasing a large reserve stock of aviation gasoline and aviation lubricating oil, which I. G. obtained "on the basis of its friendly relations with Standard Oil", but acting in fact as "trustee to the German government".

Attached is a full translation of this summary. The three folders of documents are held in the 7th Army Document Center at Heidelberg. A microfilm of the entire contents of the three folders has been transmitted to FEA, Washington for the External Security Coordinating Committee, together with a carbon copy of the German document.

The folders were discovered in June 1945 by Aaron L. Tietelbaum and Eric L. Meyer, U. S. Army members of a CIOS Field Investigating Team.

DISTRIBUTION

FEA, Washington (incl. External Security Coordinating Committee, Original & 2 copies—microfilm).

(MEA) U. S. Embassy, London (incl. State) (2 copies).

U. S. Group CC (Political Division, 1 copy). (Finance Division, 1 copy).

CIOS Secretariat (2 copies) London.

Fiat (1 copy) Econ. & Finan. branch.

I. G. FARBENINDUSTRIE AKTIENGESellschaft

LUDWIGSHAFEN A. RH.

DIVISION I

To: Director Dr. von Knieriem.

MAY 30, 1944.

DEAR HERR DOKTOR:

May I submit to you in the attachment a revised version of the comments on Professor Haslam's article, which incorporates the results of further investigations. I should like to observe that the views of Dr. Pier and Dr. Zorn have been incorporated.

GOLDBERG.

OPPAU, May 30, 1944.

Division I.

COMMENTS ON PROFESSOR HASLAM'S ARTICLE IN THE PETROLEUM TIMES OF
12/25/1943

Standard Oil has been repeatedly and violently attacked in America because the cooperation between Standard Oil and I. G. Farbenindustrie A. G. allegedly worked out disadvantageously for America. The *Petroleum Times* published detailed articles on February 18 and May 16, 1942, in which Mr. Farish, President of Standard Oil, defends himself against such attacks levelled against Standard Oil. One realises on reading the above-mentioned article by Professor Haslam, that it is nothing more than another defense of Standard against the accusation that America had come off worst as a result of the cooperation between Standard Oil and I. G. Farbenindustrie A. G.

The cooperation between I. G. and Standard, initiated in 1927 and extended in 1929, was laid down in extensive agreements resulting from negotiations over a number of years. The closing of an Agreement with Standard was necessary for technical, commercial, and financial reasons: *technically*, because the specialized experience which was available only in a large-scale oil industry was necessary to the further development of our process, and no such industry existed in Germany; *commercially*, because in the absence of State economic control in Germany at that time, I. G. had to avoid a competitive struggle with the great oil powers, who always sold the best gasoline at the lowest price in contested markets; *financially*, because I. G., which had already spent extraordinarily large sums for the development of the process, had to seek financial relief in order to be able to continue development in other new technical fields, such as Buna.

The Haslam article now declares that the Americans received processes from I. G. which were vitally important for the conduct of war, and every reader of the article will ask if this is true, and if so if I. G. on its side has acquired correspondingly important war information from the Americans. The following explanations deal particularly with the latter question.

Mr. Haslam mentions the following principal products: Iso-octane, Toluol, Oppanol-Paratone, and Buna. The following observations may be made on each of these:

Iso-octane.—Professor Haslam's mention of aviation gasoline refers to Iso-octane. By reason of their decades of work on motor fuels, the Americans were ahead of us in their knowledge of the quality requirements that are called for by the different uses of motor fuels. In particular, they had developed, at great expense, a large number of methods of testing gasoline for different uses. On the basis of their experiments they had recognized the good antiknock quality of Iso-octane long before they had any knowledge of our hydrogenation process. This is proved by the single fact that in America fuels are graded in octane numbers, and Iso-octane was entered as the best fuel with the number 100. All this knowledge naturally became ours as a result of the Agreement, which saved us much effort and protected us against many errors.

The next step was to utilize Iso-octane as a motor fuel because of its good qualities and to search for suitable production processes; this was soon achieved in America. Through polymerization of the iso-butylene contained in cracked gases, di-isobutylene was produced and changed into Iso-octane through hydrogenation. Hydrogenation was at first carried out at low or only slightly increased pressure. It became clear that for this type of hydrogenation the catalytic pressure hydrogenation developed by us could also be used successfully. Both processes were used simultaneously. After plants were operating in America, they were also introduced, in the years just before the war, in several other countries, as, for instance, Rumania and Russia (2nd stage: low-pressure hydrogenation), Holland, Iran, and Venezuela (high pressure by hydrogenation). Therefore the statement by Mr. Haslam that the production of Iso-octane became known in America only through the hydrogenation process, is not correct.

Mr. Haslam further declares that the German aircraft industry, in contrast to the American and English, could not have changed over to the use of Iso-octane. From this the conclusion might be drawn that either we did not know the process for Iso-octane production, or that we could not produce it for other reasons, for instance, because of lack of raw materials. However, both reasons are wrong. Obviously our raw materials situation is different from that in America. They could draw on extensive sources of raw material, which were at their disposal in the largely unsaturated, butane fractions of natural gases, and the refineries and cracking plants of their petroleum industry. Since our fuel industry depends essentially on coal, these gases are not at first at our disposal in sufficient quantities.

For that reason we used other methods to produce Iso-octane and chose to proceed by way of isobutyl alcohol which is produced from carbon monoxide and hydrogen, that is to say, on a pure coal basis. Apparently this fact is unknown to the Americans. At any rate, we maintained the strictest secrecy in all negotiations about the fact that we produce Iso-octane on an industrial scale. When in the process of expanding our hydrogenation plants, we came to have sufficient butane containing gases at our disposal, these had still to undergo dehydrogenation prior to polymerization. Only then were we in a position to change the unsaturated gases into Iso-octane, in the same way that is used in America. This dehydrogenation process has been developed by us.

Especially in the case of Iso-octane, it is shown that we owe much to the Americans because in our own work we could draw widely on American information on the behavior of fuels in motors. Moreover, we were also kept currently informed by the Americans on the progress of their production process and its further development.

Shortly before the war a new method for the production of Iso-octane was found in America: alkylization with isomerization as a preliminary step. This process, which Mr. Haslam does not mention at all, originates in fact entirely with the Americans and has become known to us in detail in its separate stages through our Agreements with them, and is being used very extensively by us.

As a result of the quite different raw materials situation, we have occupied ourselves with aviation fuels with an Iso-octane base but particularly intensively with high performance fuels containing aromatics and with their production. We succeeded in producing high-performance fuels of 100-octane rating, in which aromatics are substituted for a large proportion of Iso-octane. In its basic features, the production of aromatic gasoline through hydrogenation was known at an early stage. The newer development, the new aromatization-catalysts, the development of the DHD process supplementary to hydrogenation, which will be discussed in detail under (2) Toluol, were, however, carried out as military developments without anything about them becoming known abroad.

In summary, it can thus be said concerning the production of aviation fuels, that we had to use methods which differed in principle from those of the Americans. The Americans have crude oil at their disposal and naturally rely on the products that are created in the processing of crude oil. In Germany, we start out on a coal basis and from there proceeded to utilize the hydrogenation of coal for the production of aviation fuel. As mentioned above, however, specialized information was not turned over to the Americans. Therefore, in contrast to Professor Haslam's assertions, hydrogenation proper was used in Germany, though not in America, for the production of aviation fuels. Beyond that it must be noted that particularly in the case of the production of aviation gasoline on an Iso-octane basis, hardly anything was given to the Americans, while we gained a lot.

2. *Toluol*.—In the case of Toluol, the facts are somewhat different insofar as it is a known fact that the process of hydrogenation through which aromatics are produced (and among those Toluol) originates with I. G. The production of aromatics through hydrogenation, the so-called aromatization, was technically carried out here as well as in the U. S. A. As a result of the poor yield, the process in its original form was suitable only for valuable specialized products. For instance, solvents were manufactured through aromatization in America.

It has been known since the first World War, before the development of the above-mentioned aromatization process, that it is quite generally possible to extract the individual aromatics from aromatic benzines. Meantime, the extraction processes, particularly the internationally known Edeleanu process, have been considerably improved. These extraction processes were at the disposal of the Americans and us, for the isolation of Toluol.

In Germany, then, the I. G. technically so improved the aromatization through the discovery of new catalysts, that the production of aromatic fuels became possible on a large scale. The Americans learned nothing from us about this. Immediately after the outbreak of war, I. G. suggested isolating Toluol from the aromatic mixtures. The fact that this suggestion was not followed was due principally to raw material considerations. In particular, it was desired to utilize hydrogenation at first only for the production of fuels and not to draw off certain quantities of hydrogenation products for the manufacture of Toluol, especially as other suitable sources for Toluol were at our disposal (low-temperature distillation of bituminous coal, synthesis from benzene and methanol). Moreover it was of decisive importance that the manufacture of high-pressure vessels necessary in hydrogenation caused for a long time quite a bottleneck in German production circles. For some time, however, Toluol has been produced in Germany also by way of hydrogenation.

In this, however, the above-mentioned aromatization, developed by us, is not being used any more, but instead the so-called DHD process, a benzene-dehydrogenating process which was discovered and technically developed by us in a similar way to the hydro-forming process which was developed in America and became known to us from there. The fact that we operate on a large scale by this process is unknown to the Americans, so far as we know. With the Americans, as far as we know, the hydro-forming process—in which petroleum-gasoline is treated under heat and low pressure in the presence of hydrogran over a regenerable catalyst—furnishes the raw material for Toluol production. In other words, actual hydrogenation is not employed for the creation of Toluol. Besides, a number of other processes are at the disposition of the Americans, as for instance the isomerization process of Heptan, and catalytic cracking of certain crude oil fractions, for instance, the Houdry process. The Americans have used this last process in Italy especially, as far as we know.

Therefore, when Mr. Haslam, in connection with Toluol, talks of a "miracle" which has fallen to the Americans through the hydrogenation process, his statement is not correct; for Toluol, as can be seen from the above, can be produced without hydrogenation and is in any case not produced by hydrogenation in America.

3. *Oppanol*.—In the case of Oppanol, Mr. Haslam's statement is incomplete. When we gave Mr. Howard an Oppanol specimen in 1932, we had already recognized its effect with regard to the improvement of lubricating oils. It now became apparent, however, that the flattening of the viscosity curve was an intensively investigated problem for the Americans, to which a solution was reached through our Oppanol. Its introduction into practical use was pushed ahead very quickly by the Americans, thanks to their large-scale operations, so that we also reached clear results regarding the applicability of Oppanol to the improvement of oil considerably more quickly than could have been done without the Americans.

The statement by Mr. Haslam about the Russian campaign, which is supposed to show that we had no Oppanol in our possession, in contrast to the Russians, is incorrect. On the contrary, immediately after the discovery of Oppanol we worked in very close cooperation with the Army Ordnance Branch. Out of this was developed first of all the Oppanol containing Army motor oil, in fact in the year 1936. Even today up to 0.7% Oppanol is added to our Army motor oil. It is evident here too, that the Americans were not properly informed about the development here, which is explained by the fact that we left them in ignorance of the fact that, using coal as a base, we ourselves produce the raw materials for Oppanol production.

4. *Buna*.—The conditions in the Buna field are such that we never gave technical information to the Americans, nor did technical cooperation in the Buna field take place. On the basis of the contractual Agreements, the Americans had only the right to reach a technical cooperation with I. G. at some undetermined date. Even the agreement reached in September 1939 and mentioned by Mr. Haslam did not give the Americans any technical information, but only that which was contractually their due, i. e., share in the patent possession. Moreover, at that time a different division of the patent possession was decided upon, which seemed to be in the interest of both partners. The Americans did not at that time receive anything important to war economy, besides, they could have procured the patents without our Agreements in wartime, for during war a State will never be kept from production by enemy patents.

* * * * *

A further fact must be taken into account, which for obvious reasons did not appear in Haslam's article. As a consequence of our contracts with the Americans we received from them above and beyond the Agreement many very valuable contributions for the synthesis and improvement of motor fuels and lubricating oils, which just now during the war are most useful to us, and we also received other advantages from them.

Primarily, the following may be mentioned:

(1) Above all, improvement of fuels through the addition of *lead-tetraethyl* and the manufacture of this product. It need not be especially mentioned that without lead-tetraethyl the present method of warfare would be unthinkable. The fact that since the beginning of the war we could produce lead-tetraethyl is entirely due to the circumstances that shortly before the Americans had presented us with the production plants complete with experimental knowledge. Thus the difficult work of development (one need only recall the poisonous property of lead-tetraethyl, which caused many deaths in the U. S. A.) was spared us, since we could take up the manufacture of this product together with all the experience that the Americans had gathered over long years.

It was, moreover, the first time that the Americans decided to give a license on this process in a foreign country (besides communication of unprotected secret experimental knowledge) and this only on our urgent requests to Standard Oil to fulfil our wish. Contractually we could not demand it, and we found out later that the War Department in Washington gave its permission only after long deliberation.

(2) Conversion of low-molecular unsaturates into usable gasoline (*polymerization*). Much work in this field has been done here as well as in America. But the Americans were the first to carry the process through on a large scale, which suggested to us also to develop the process on a large technical scale. But above and beyond that, plants built by the Americans according to their processes are functioning in Germany.

(3) In the field of *lubricating oils* as well Germany, through the contract with America, learned of experiences that are extraordinarily important for present-day warfare. One may recall the improvement of lubricating oils through dewaxing and deasphaltization by means of propane, for which we first received from America the experience necessary for large-scale application. We further received information about the pour-point reducing agents, such as Paraflow. Here it is apparent how advantageously the Agreement with America turned out for Germany, when one considers that the product was found in Germany, while its important application as pour-point reducer was first discovered by the Americans. Finally, it should be mentioned that our knowledge of certain materials which prevent the oxidation of unsaturated parts of motor fuels and oils, as well as sludge formation and piston ring sticking, is of American origin. Altogether we were quite thoroughly informed on a large scale of the behavior of lubricating oils in auto and aircraft motors, and thereby it became possible for us to develop our synthetic lubricating materials immediately according to practical standards, so that at the beginning of the war we were technically completely prepared. In this connection we obtained not only the experiences of Standard, but through Standard the experiences of General Motors and other large American motor companies as well.

(4) As a further remarkable example of the advantageous effect for us of the contract between I. G. and Standard Oil, the following should be mentioned: in the years 1934/1935 our Government had the greatest interest in gathering from abroad a stock of especially valuable petroleum products (in particular aviation gasoline and aviation lubricating oil), and holding it in reserve to an amount approximately equal to 20 million dollars at market value. The German government asked I. G. if it were not possible, on the basis of its friendly relations with Standard Oil, to buy this amount as I. G.—actually, however, as trustee of the German Government.

The fact that we actually succeeded, by means of the most difficult negotiations, in buying the quantity desired by our Government from the American Standard Oil Company and the Dutch-English Royal-Dutch-Shell Group and in transporting it to Germany, was made possible only through the aid of the Standard Oil Co.

EXHIBIT No. 8

INTERROGATION OF VON KNIERIEM AUGUST 25, 1945, ON METHODS USED TO STOCK PILE FOR GERMAN GOVERNMENT

3:00 to 4:00 P. M. Saturday.
25 August 1945.

Q. What are the facts concerning the 20 million dollars aviation-gasoline purchase that was made by I. G. on behalf of the German Government?

A. I made an explicit statement to this effect to Major Tilley and he has all that information in detail. The government approached us asking us to try to procure for them a rather great stock of oil and to try to purchase it from Standard Oil.

Q. What year was that in?

A. Well, in that statement which I made here, I cannot fix quite accurately the year. It must have been about 1936 to 1937. The government at that time through the Reichswirtschaftsministerium approached Mr. Krauch. Mr. Krauch was going to Ludwigshafen to tell it to us. Then, Krauch, Schmitz, myself, and Mr. Fischer went over to London. The explanation made by the government officials was as far as I remember that the government wanted to get Germany independent as far as possible from the oil supplies from abroad, and in fact we were to build up a lot of hydrogenation plants. But these hydrogenation plants

took a long time to build, and to bridge over this time, they wanted to have a stock of supplies. Then we approached Standard Oil in London about this question. The amount was about 20 million dollars, but afterwards I think only an amount like 14 or 15 million dollars was expended in the execution of the option concerned. When we approached Standard Oil, they said: "Well, in principle, we will agree, but after our general understanding with the Royal Dutch Shell group, we would have to communicate with Sir Henry Deterding. Then the Royal Dutch joined the discussion and they said that the Anglo-Persian, which was owned 50 percent by the British government, should be made a party. Then in the evening joint conversations were held between I. G. and Standard Oil and Royal Dutch and Anglo-Persian. We talked about procuring foreign currencies. My business in this matter was to draw up the contract and this contract on the face being merely just the selling of oil against cash, was a difficult thing, for the reason that we wanted some specific brands of oil, high-grade brands, and the Standard Oil people said that they could not give us that because their apparatus was not sufficient to produce all this stuff so quickly. They would have to put up new apparatus but afterwards, when the oil had been delivered, this apparatus would be superfluous, so that the amount of money which had to be paid was not only the market price for that oil, but also an additional amount for a very quick amortization, and this to figure out was not quite easy. Now, in which way the transportation was handled, that was the usual way, I believe. We did it in this way. I. G. handled the business and paid cash and got the cash back from the government without any profits or losses.

Q. Did I. G. have that much cash on hand to handle it?

A. Certainly not. This cash was procured for us by the government. Nobody could get any currency at that time without the permission of the government. Now, as to the details in which way this was handled, and who made transfer of the money, I couldn't tell you. This is just a routing business with us. Somebody in Germany had to pay this millions of dollars. I. G. got the foreign currency from the government and paid these companies.

Q. Did I. G. tell the parties to the negotiations that it was acting in a representative capacity for the German Reich?

A. We didn't go to Standard Oil and tell them that we ask them to do our government a favor. We didn't tell them that. But you see, something must have leaked out. It is quite unusual for I. G. to purchase oil to the amount of 20 million dollars. Our business is to make oil after the hydrogenation process and not to purchase gasoline.

Q. Were the specialized plants actually constructed?

A. Plants then running were located e. g. in Bayway in New Jersey and maybe one in Louisiana and with the Shell Oil Company maybe in Curacao. Some little things regarding specialized apparatus, especially for the purpose of making this high-grade stuff, had to be put into those places.

Q. Was the contract itself between I. G. and Standard Oil, Royal Dutch Shell and Anglo-Persian Oil?

A. Yes; I think the contract was between Standard Oil itself and a contract was made with Asiatic which is one of the three big subsidiaries of Royal Dutch. The other parties divided our requirements between themselves, so that it suited them, but Anglo-Persian stepped out. There was no contract with Anglo-Persian, and the reason was, in my opinion, that Anglo-Persian said this quality did not suit Anglo-Persian to fabricate for us now. The contract was made with Standard Oil as far as I can remember, and it was made with the big subsidiary of Royal Dutch Shell, Asiatic Petroleum Company.

Q. How did it happen that when the German government wanted to buy these products it asked you to do it for them rather than directly?

A. Well, the German government was certainly acquainted with our very friendly relations with Standard Oil. We had made with Standard Oil, as you probably know, a very big deal. And we had shown this agreement to our government. So that the government knew that we were having very friendly relationships with Standard Oil and the government probably thought that it would go more smoothly if we did it. Also there was no one in the government able to do this.

Q. Who in the government approached I. G.?

A. Well, in my remembrance, President Schacht. He was Minister of Economics, at that time, I don't quite recall the date exactly. At that time, he was Minister of Economics or the above given years must be wrong.

Q. Whom did Schacht approach in I. G.?

A. I can tell you from second-hand knowledge only. We heard, to the best of my remembrance, about this from Krauch that he was approached by the government.

He told us that he was approached by Blomberg, who was Minister for War and by Schacht, who was then Minister for Economics.

Q. Was Krauch plenipotentiary for the synthetic products division of the four-years plan at that time?

A. Well, I cannot tell you that quite correctly. You should certainly be able to find out the date from the other sections and from Krauch himself. I can't tell you, but in my opinion he was at that time having his domicile in Berlin.

Q. And that would mean that he was probably doing governmental work?

A. Yes. The thing would work in this way, that somebody in Berlin wanted to make this bridge over, and then probably they approached Krauch and said: "Well, you are in the I. G. and you are friendly with Standard Oil, and now would you not try to fix that up for us?"

Q. Now, if he was plenipotentiary, was he in a position at that time to direct I. G. to do this for the government?

A. Yes, I think so.

Q. In what capacity?

A. The chairman of the company was the old Mr. Duisberg, and the president was Mr. Bosch and then at a certain time, Mr. Duisberg died, and then Mr. Bosch was chairman and Schmitz was president and at that time Krauch was a member of the board and then Mr. Bosch died, and then Krauch was made chairman, Schmitz remaining president. So that in all probability Krauch was member of the board of I. G. having charge of oil things and hydrogenation.

Q. He remained a member of the board when he was plenipotentiary?

A. Yes. He remained chairman of the board afterwards.

Q. Did Schacht or von Blomberg make this request of Krauch?

A. To the best of my knowledge I feel pretty sure that he told us that he was approached by them.

Q. Then who was consulted in I. G.?

A. Schmitz probably. He would have been then president.

Q. Did you participate in any conversation between Krauch and Schmitz on this question?

A. I don't remember a specific conversation, but we surely have talked about the question on the trip. They took me with them to draft the contract. Krauch and Schmitz, Mr. Fischer and myself were in on the negotiations. Mr. Fischer at that time, did the selling questions with regard to oil.

Q. But as far as Krauch was concerned, he went as a representative of I. G. and not as a representative of the government. Is that correct?

A. Yes. That is correct.

Q. Now, was it customary for I. G. to perform missions of this type for the government?

A. I don't remember any other cases.

Q. This was a successful venture was it not and I. G. did accomplish what the government requested of them in this case?

A. Yes. I think so.

Q. Did the government ask you to try to do similar things for it later on?

A. I don't remember.

Q. I. G. obtained no profit on this transaction?

A. No; none.

Q. Was it simply regarded as a patriotic gesture?

A. I should think I. G. would not take any profit on this.

Q. Didn't I. G. take profit on other transactions with the government?

A. This was not the kind of usual deal. It is not the business of I. G. to purchase oil from Standard Oil, and to give it to somebody else. That would be a strange situation to take profit and I don't know whether the question has come up at all.

Q. You didn't consider it a commercial matter at all, only a patriotic duty on your part?

A. I don't remember. I just drafted the agreement and in drafting the agreement with the oil firms, this question did not come up at all. It was a question of fixing the prices and making provisions for transportation, and then it was a very difficult question. We had an option to take the whole amount or less. But in my opinion, we had some obligations to take some amount. I don't think that we were in a position not to take anything.

Q. Didn't it strike you at the time that this was an out of the ordinary transaction?

A. Yes. It was a kind of irregular transaction. But you must look at it in this way. I. G. in exploiting the hydrogenation plants had a certain responsibility in trying to purchase so much gasoline as necessary to meet the demands of Germany, since the plants could not be built so quickly. And so in picking the I. G. organization to effect the purchase of oil, it was just the same in effect as if we would have been in a position to build quicker.

Q. You felt obligated to supply the needs of the German government.

A. Well, all the people thought that our hydrogenation process would make Germany at least to a certain extent self-sustaining. It was a moral obligation, but it was part of our business, and we tried to, and now if the plants take a long time, the idea probably was that by this way we could reach the same effect as if we would have been in a position to build quicker.

Q. Would it be fair to say that I am correct in quoting you that the German government gave financial help in this development?

A. No; not in this way. We had developed this process quite out of our own means and this was a thing which, when we were telling this to Standard Oil to show them how much costs we had, they hardly believed that we had spent some hundreds of millions marks in developing the process which was at that time not so very certain to be a success. And we kept this figure very secret because we saw that there might be a lot of criticism. It went very far to the extent where it would have been nearly nonsense to do it, that is to say, to spend hundreds of millions of marks to develop a process for making the stuff for 25 pfennigs, when the costs "c. i. f." Hamburg without duty were about 8-12 pfennigs.

Q. Why was it done? To make Germany self-sufficient?

A. No; not at all at that time. This is difficult to explain. To understand this you would have to know how I. G. divided its real profits in a year. There was a very small amount which I. G. gave to the shareholders in comparison with the total profits, and all the other profits were put into the business again to develop the new things. When we developed these synthetic indigos we had spent a lot of money for the time and we had made rather high profits, and these profits were put into another field of experimental work in the nitrogen field which was expensive. We developed the Haber-Bosch process. We had very great revenues out of that, and then we put that back into the hydrogenation of coal because we took the position that here is a chemical process which only I. G. can develop, nobody else. And it is our duty to touch on this problem.

Q. Do you think the reputation of the company would be improved by making 25-pfennigs oil to sell in competition with other-priced oils?

A. Yes. Because in developing such a process, you have a lot of side lines and issues where you are learning a lot and making new things. One thing comes out of the other. It was a development of the high-pressure process with catalysts. This process might be necessary for future things. You must touch such a thing. You cannot leave it to somebody else. It was one of the big problems which had to be handled.

Q. Then when you did get into this process and had developed it to a point for commercial exploitation, and the German government became interested in it, then you somehow began to feel an obligation to supply the government and to help it bridge over the period concerned. What was the nature of that obligation, in your mind?

A. We considered it to be our business and to our own interests, with regard to the standing of the company, not to be a failure, and to develop it quickly, and this might have been in our minds, to bridge it over to a certain extent. I told you that the government did not give one farthing (pfennig) to develop this process, but afterwards when we built some hydrogenation plants, we got, in some cases, a kind of guarantee that in selling the stuff, if the actual cost would surpass the amount which we could charge to the customers, then the government would take over the difference, that is, indemnify us.

Q. Did you not have the duty and obligation to so complete your process that it would be available to the government and the Wehrmacht?

A. No. The government did not use the process. This process was used by ourselves and by licensees who were the other German companies. In some cases they were companies with which we were not participants at all, and in some cases it was with companies in which we had some participations.

Q. If you were not able to meet the commercial prices, how did you meet the competitive conditions?

A. Germany had a very heavy duty on imported oil. This tariff was made a financial tax. We had always this tariff, and it was a big revenue for the government. It was designed to procure money and not for protection of oil production. But afterwards, it was a protection for us. At one time, when the oil companies were fighting very hard the cost of gasoline "cif" Hamburg was three pfennings per litre, whilst the usual price was eight and up, and then came the duty, amounting to about 15 pfennigs per litre. When we started, our cost price was about thirty and then went down to something like twenty-two, so that it was not so bad, if you count the duty. The fact was that using gasoline which was home-made, the government lost the duty income, but saved foreign currency.

Q. The government did not mind that, did it?

A. But this development was started rather early. Our process was completed, I should say at that time, when we made the first big transaction with Standard Oil. This was in 1927 and 1929.

Q. Wasn't it true that Bütefisch went to Hitler in 1932 to find out whether or not it was desirable for I. G. to continue with synthetic gasoline and hydrogenation?

A. The only remembrance I have, and this is not sure, is that he was once together with Hitler, but I can't find out in which year that was, and I don't know anything about the conversations between them.

Q. Isn't it true that I. G. considered the desirability of dropping experiments in hydrogenation because of the terrific losses sustained by the company, without government support?

A. Well, it might. I remember that I myself with some other gentlemen figured out whether it would be bearable to go ahead with these things. I remember at that time that I figured out with an associate of mine and I admit that at that time, in my opinion it was absolutely ripe for discussion whether it would not be the right thing to drop the whole thing altogether.

Q. Maybe with that in mind, you obtained the indemnity from the government in reference to these particular plants?

A. Well, it might be.

Upon further questions:

I seem to remember now, that the actual contracts on our behalf were formally signed not by I. G. but by Ammoniakwerk Merseburg G. m. b. H., a 100% subsidiary of I. G. I do not remember which persons signed for I. G., because the question by whom the actual executing of a contract took place is not considered as being of any importance; whoever is just at hand and has the right of a signature may sign; in this case Fischer probably signed and the second necessary signature may possibly I have given. I do not know where the contracts are at present; they must be on one of those places I have indicated to Major Tilley; most likely they are in Heidelberg at the office of the legal department, Klingentor. Fischer certainly has a copy, since he was the one, who was working on that deal. I cannot give any detailed statement on the time of the option or the delivery, but the option will have certainly been limited by a period of time. As far as I remember each party (Standard Oil and Asiatic) signed an individual contract. The kind of payment probably was: "cash against documents" which would have been the usual way. I do not know anything about I. G. getting a long-term credit and I do not believe that was the case. The development of the hydrogenation process took place without any help of the government. The bulk of the gasoline demands during the war was, if one does not count the exports from Roumania, probably derived from the hydrogenation process, but since I am not acquainted with the exact figures, you had better ask Buetefisch, who at that time was in charge of the oil business of I. G.

This interrogation took place without my having an opportunity to refresh my memory by looking into my files. A long time has gone since the events in question took place, I may therefore have been incorrect as to details. I have read the record of this interrogation and swear that the answer given by me to the questions of Mr. Glaser are to the best of my present knowledge.

(S) A. v. KNIERIEM,
Member of Board of I. G.

EXHIBIT No. 11

STATEMENT BY MAX ILGNER DATED JUNE 18, 1945 ON ASSISTANCE GIVEN
WEHRMACHT, S. D., GOVERNMENT, AND PARTY BY FARREN ABROAD

STRUCTURE OF THE REPORT

A. General remarks:

- I. Organisation and functions of I. G. Berlin N. W. 7.
- II. Administration of the sales organisations of I. G. abroad.

B. O. K. W. (Wehrmacht):

I. Wehrwirtschaftsstab (General Thomas):

- (1) Economic Dept. of I. G. (Volkswirtschaftliche Abteilung).
- (2) "Vermittlungsstelle W" (Wehrwirtschaft) of I. G.

II. Abwehr-Abteilung (Admiral Canaris):

- (1) "Abwehr Organisation" of I. G.
- (2) Office of the commercial committee of board of directors
(Büro des Kaufmännischen Ausschusses).
- (3) Economic Dept. of I. G.
- (4) Other contacts.

C. S. D. (Sicherheitsdienst):

- (1) "Abwehr Organisation" of I. G.
- (2) Reports of trips abroad and reports from abroad.
- (3) Bayer organisation.
- (4) General contact asked in summer 1944.
- (5) Other contacts.

D. Assistance asked by other organisations of government and party:

I. Governmental organisations:

(1) Foreign office:

- (a) Economic Dept. of Foreign Office.
- (b) Staatssekretär Keppler.

(2) Ministry of propaganda:

- (a) Expert committee on foreign matters ("F.-Kreis").
- (b) "Vereinigung zwischenstaatlicher Verbände" (incl.
foreign office too).
- (c) "Werberat der Deutschen Wirtschaft."

(3) Ministry of economics and ministry of armament:

- (a) Foreign department (Länder-Abteilung) of R. W. M.
- (b) Working committee for foreign trade-questions of
the federations of industry and commerce (Arbeitskreis für Aussenwirtschaftsfragen der Reichs-
gruppen Industrie und Handel).
- (c) Imports of Molybdän and Wolfram and leather.
- (d) Imports of oil from Rumänien and raffination in
Pressburg.
- (e) Petsamo-Nickel.

(4) Other ministries or governmental institutions:

- (a) Ministry of aviation: Norway light metal.
- (b) Reichskommissar Norway: chemical industry.
- (c) Militärbefehlshaber Frankreich: chemical industry.
- (d) Militärbefehlshaber Italien: chemical industry.

II. Auslandsorganisation der N. S. D. A. P. (A. O.):

- (1) I. G. contacts with A. O. in Germany.
- (2) I. G. organisations abroad.
 - (a) Members of the A. O.
 - (b) Presidents of German clubs, etc.
 - (c) Presidents of Chamber of Commerce, etc.
 - (d) Other contacts.

A. GENERAL REMARKS

I. ORGANISATION AND FUNCTIONS OF I. G. BERLIN N. W. 7

About this precise matter I have made a report, dated June 7th, which I rendered to Mr. Weiss. To show, what I can contribute to this matter as well for myself, as for my organisation, I may state the following: I. G. Berlin N. W. 7, resp. their departments (9 chief departments and 35 subdepartments) exercised help functions for the sales organisations and partly also for the factories; no decisions on sales as well as on fabrication were made by I. G. Berlin N. W. 7. The 9 chief departments were headed by dept. directors or procurists or persons in the same rank (like Krüger—up to the middle of 44—Fahle, Terhaar, Reithinger, M. Passarge, and others). I, myself, had a largely extended knowledge of I. G. but—as too much—not going myself to details (except those matters I handled personally (see report of 7-6-45), also because since 1928 normally half of the year being outside of Germany or—once—being a long time ill (1939/40)).

II. ADMINISTRATION OF THE SALES ORGANISATIONS OF I. G. ABROAD

About this matter I have reported in my report of 26-5-45. I only will repeat the most important facts, as far as this report is concerned. The administration of the sales organisation abroad belonged to the field of activity resp. responsibility of the chiefs of the "Verkaufsgemeinschaften" (sales organisations of I. G.), the sales directors, and the counsels of the sales organisation. The names are the following:

Dyes: v. Schnitzler, Kugler, Köhler, Overhoff, v. Brünig, and others—Küpper.

Chemicals: v. Schnitzler, Haefliger, Borgwardt, v. Heider, and others—Stein.

Pharmaceut.: Mann, Märtens, Grobel, Zahn, and others—Brüggemann.

Agfa: Otto, van Beek, Uhl, and others—Deissmann.

Nitrogen:¹ Oster, Hanser, Krüger (since middle of 44)—Nitrogen-Synd.

Oil:² Bütefisch, Fischer (until he entered the Min. of Economics)—Silcher.

B. O.K.W. (WEHRMACHT)

I. WEHRWIRTSCHAFTSSTAB (GENERAL THOMAS)

This contact is an old one and goes back to the "Heereswaffenamt," which existed before the "Wehrwirtschaftsstab." In the year 1930 (?) Geheimrat Lederer introduced me to the chief of the Heereswaffenamt, General v. Bockelberg, Thomas then being a captain. The introduction of Leunagasolin in the German market in the years 1930/32 was strongly supported by this organisation. After Bockelberg left, General Liese came whose aide-de-camp Thomas was then, and afterwards the Wehrwirtschaftsstab under Thomas' command was formed. When I became a Wehrwirtschaftsführer in 1938, Thomas asked me the specific support of the Economic Dept. of I. G., but it was only done in 1939 (when I was absent on account of a serious heart trouble) by my substitute Dr. Krüger. Krüger made in 1939 his reserve-officer practice in the organisation of Thomas (as well as Dr. v. d. Heyde, the Abwehrbeauftragte for my organisation; but it is possible that the practice of v. d. Heyde was only during the war.) Krüger established the contact between the Wehrwirtschaftsstab and Dr. Reithinger, resp. the economic dept. of I. G.; v. d. Heyde was also introduced by Krüger, resp. automatically concerned in this contact.

(1) *Economic Dept. of I. G. (Volkswirtschaftliche Abteilung) (Dr. Reithinger)*

All reports and interesting information had to be given to the Wehrwirtschaftsstab; these reports—how the selection was made in detail, I don't know—based on all foreign reports, which I. G. Berlin N. W. 7. received in the current course of business, incl. the reports of the I. G. Verbindungsmänner, other statistical Dept., Chemnyco (see my report Versailles, 10.5.45: "Die Reiseberichte von Dr. M. Ilgner, die Volkswirtschaftl. Abteilung und die Pressestelle der I. G.") and also on the material of my own reports on foreign trips. In addition to this I had given to Reithinger freedom of disposition—also to a certain extent financially—to secure himself foreign collaborators outside I. G. as the "Institut für Weltwirtschaft" in Kiel (Prof. Predöhl), and the "Institut für Konjunkturforschung" (Prof. Wagemann) in order to save time as well as to get more material; especially during the war, when the organisation of the economic dept. became

¹ Mostly used the dyes and chemicals sales organisations of I. G.

² No export from Germany, but purchases in Rumania and sales in C. S. R.

always smaller by men going to army, this was a certain help. By giving Reithinger and his associates in their work free hand in every respect, the high standard of the independent work was reached; This naturally had on the other side the consequence that all authorities were very keen to get the reports and the cooperation of the economic dept. In the beginning of the war there were four ministries resp. governmental organisations, they wanted to take over the economic dept. as a whole, but as there was only *one* economic dept. of I. G., it had to stay with I. G. The four were: Economic dept. of the Foreign Office, Ministry of Economics (foreign dept.), Ministry of Agriculture, and "Wehrwirtschaftsstab." During the war all kind of statistics, economic information, etc. came in by help of Bayer organisation in Portugal and partly by the Pressestelle of I. G. Reithinger, from time to time, sent me a list of those reports he resp. the economic dept. had made—during the war—on demand of the Wirtwirtschaftsstab.

(2) "*Vermittlungsstelle W*" (*Wehrwirtschaft*), Berlin S. W. Kochstr. (Dr. Dieckmann, Dr. Gorr)

The following directors of I. G. were responsible for this department: Sparte I (nitrogen, gasolin) Schneider, Bütetisch, Sparte II (dyes, chemicals, buna, pharmaceuticals) ter Meer, Hörlein, Ambros, Wurster, Sparte III (Agfa-film, photo, fibres, artificial silk) Gajewski, Kleine.

This organisation originally was formed to avoid that important technical know-how and patents from the point of view of armament were given to foreign countries ("*Industrierverschleppung*").

What precise contact this organisation had later on to the Wehrwirtschaftsstab resp. Ministry of Armament, especially during the war, I do not know.

II. ABWEHR-ABTEILUNG (ADMIRAL CANARIS)

I made the acquaintance of Major Bloch (then he was a captain) by the general secretary of the Mitteleuropäischen Wirtschaftstag Dr. Hahn, who was a friend of Bloch (in 1931 or 32?). I saw Bloch in the following years occasionally especially at the general meetings of the Mitteleuropäische Wirtschaftstag (president Baron v. Wilmowsky, myself becoming a vice president in 1938); after Hahn died in 1939, Dr. Dietrich became general secretary, but I don't know in which specific contact he was with Bloch. Baron v. Wilmowsky, I know, stood in a friendly relation to Col. Piekenbrock, whom myself met only once on occasion of a dinner party arranged by Dr. Krüger and Dr. Fahl, short before Piekenbrock and Bloch—both being at present, also a third officer (name forgotten)—left the "Abwehr-Abteilung" and took over military commands in the army (1943 or 44?). The other men (except one (see 4.) but name forgotten (page 6) especially Canaris, I never met.

(1) "*Abwehr-Organisation*" of I. G.

Originally, before 1933, there was an "Abwehr-Organization" in Leverkusen but after 1933 the party did not consider this sufficient and in the I. G. as well in the whole of business life in Germany a new "Abwehr-Organisation" was introduced.

In every factory as well as in every other organisation—also in mine—Abwehrbeauftragte were nominated in resp. appointed by the party resp. S. D. This was in my own organisation v. d. Heyde, Rüdiger later on taking his place when v. d. Heyde went to the army. As I. G. was so great and there were so many "Abwehrbeauftragte" of I. G., the Abwehr-Abteilung of the O. K. W. (and S. D.?) wanted a so-called "Hauptabwehrbeauftragte" who should be on the top of all "Abwehrbeauftragte". At this time, Fahl told me that the men of dept. Canaris would like to see him as Hauptabwehrbeauftragter and I communicated this to v. Knieriem, as I knew that this matter would be discussed in the executive committee of the board of I. G., v. Knieriem being a member of the executive committee. But the executive committee, after the whole matter was delayed by Schmitz for months to the vexation of the O. K. W., did not accept this proposition, deciding it should be a member of the highest institution of I. G. (as it was a very delicate mission), that means of the executive committee of I. G. and Dr. Schneider, Leuna, was proposed to the Abwehr by Schmitz and later on accepted (I do not know whether also by S. D. but presumably). Schneider organized the "Abteilung A" (Abwehr) for his current contact to the "Abwehr"; this department was located in the same house, as the "Vermittlungsstelle W", Berlin S. W., Kochstr. In this department Dr. Dieckmann was in charge of all technical matters and Dr. v. d. Heyde of all commercial matters, Dr. Rüdiger being his substitute. About the work of this department I have no knowledge.

(2) *Office of the commercial committee of board of directors. (Büro des Kaufmannischen Ausschusses.)*

All interesting reports of the I. G. Verbindungsmänner had to be given to the Abwehr and Major Bloch once asked me to make the personal acquaintance of the I. G. Verbindungsmänner, if one or the other should be on a trip in Germany. I told Bloch—this must have been in 1935 or 1936?—that the commercial committee of I. G. had the greatest hesitations of every kind of cooperation, if not strictly asked and also then only in the very field of current business reports and matters coming up in the normal course of affairs; Bloch understood this and agreed. I informed the office of the commercial committee (Fahle, G. Schiller, Schwarte, Saxer, and others) which took over contact with Bloch on this line; whether Bloch has seen I. G. Verbindungsmänner, I can't remember besides Mr. W. Schmidt from Siam.

(3) *Economic Dept. of I. G.*

The Abwehr wanted to have, like the Wehrwirtschaftsstab all interesting reports from abroad and they also were interested in the questionnaires of the Econ. dept. as already before the Economic Dept. of the Foreign Office as well as the A. O. I repeated to Major Bloch—it was the same conversation concerning the above-mentioned questions to the office of the commercial committee—that he could get only informations, they came to us in the current business organisation and that I. G. would not be able—in respect to the standing of I. G. abroad—to cooperate in any other way. It was a matter of fact that I. G. informations—only in the current way of reports—were so complete, that I. G. could avoid to leave the line of current business information. That this high standard of information of the Economic Dept. was also a great advantage for the business decisions, I have shown in my additional report of the 23rd May 1945 re "The Economic Dept. and the devaluation of the \$ in 1933." The Economic Dept. of the I. G. was the best and most complete private economic dept. in Germany—this can be assumed—and how rich was the material of this department has been shown by the publication of the Econ. Dept. of I. G. in the years 1929/32 (four volumes): Elementary comparison between the United States of America, England, France, Italy, and Germany); in this work Prof. Richard von Moellendorff—the economic adviser of the Economic Dept. of I. G., was largely participating and it can be considered in some way as a standard work.

(4) *Other contacts with the Abwehr-Abteilung*

(a) *W. v. Flügge*.—Flügge was on a retainer basis with I. G. since 1931/32 (Wagemann Plan); he was a promoting man in the Balkan (soya bean culture in Rumania and Bulgaria and minerals.) As a half-Jew it was difficult to protect him in the Balkan and so Krüger arranged with him in 1939 to go to Turkey (export-fostering); Flügge made large reports to the Economic Dept. which went consequently amongst others also to the Abwehr-Abt. which in this way became particularly interested in his reports. Flügge was in contact with von Papen. 1944 he was put in concentration camp by the Gestapo; he was visited by Saxer, but we could not get him free.

(b) *Baron v. Lersner* was already since long years before 1933 on a retainer basis of I. G. (this being arranged by the late president of I. G. Geheimrat Bosch who was a good friend of Lersner). Lersner being also a half-Jew went also to Turkey in order to be protected and—I guess—because his close friend, von Papen, became an ambassador in this country. This all was arranged by Krüger during my illness in 1939. Lersner sent monthly reports (Stimmungsberichte)—more to do something for the money—and these reports went—if I remember right—to Weizsäcker of the Foreign Office and by him to the Abwehr and the Economic Dept. of the Foreign Office (?); I. G. got a copy.

(c) *Oeckl* was an employee of my organisation, and during the war—as a soldier (Sonderführer)—got for a while a command to the Abwehr. One day he came to me and told me that a Col. Lieutenant of the "Abwehr-Abteilung" (see page 5) (name forgotten) wanted to speak to me on account of Portugal; even I did not know Portugal at all, I saw this man; he wanted to know about I. G. organisation in Portugal, but as I knew really nothing—even the I. G. Verbindungsmann in Lisbon Ösenberg I only met once at lunch in Berlin—the conversation had—as far as I remember—no result. Whether somebody else afterwards has been asked, I do not know resp. I cannot remember. I tell this all because in Versailles I have been asked on account of Mr. Ösenberg, but I couldn't tell more.

(d) *Kugler* was also an employee of my organisation and later on I. G. Verbindungsmann in Bukarest. During the war he became a soldier and also got a command to the Abwehrabteilung. But later on he partly was free of duty, so

he was always at my disposition if I was on business—or industrial—committee—questions in Bukarest. One day Kügler asked for a leave and as he was going to Turkey, he had to confess to me for the first time that he had an special order of the Abwehr concerning Turkey; as he was under parol, I won't like to insist to ask him precise. This was the only time that Kügler missed his functions with me.

(e) *Hungarian officer (captain ?)*.—Once—about 1942/43—at a meeting of the Mitteleuropäische Wirtschaftstag, Major Bloch came to me and asked me whether I could give a job in private business in Budapest that means in the I. G. organisation to an Hungarian embassy in Ankara and who was helpful to him; but now this men had to leave Ankara and it would be neither agreeable for him to stay in Berlin. On my next stay in Budapest, I asked Mr. Deyhle of the Budanil whether he could give this man a chance to settle down, but there was none; so I asked Prof. Surany-Unger of the Hungarian group of the Mitteleuropäische Wirtschaftstag, but there was also no possibility. In the meantime I was informed that it was no more necessary because this man got some other job. Then I have never heard of this matter; the name I can't remember.

C. & S. D. (SICHERHEITSDIENST)

(1) *Abwehr-Organisation of I. G.*

This was the same organisation as for the O. K. W. There was a double organisation in government and party, which were put together after the 20th of July 44, the O. K. W. coming under the command of the S. S.

The Abwehrbeauftragte, who was appointed by the S. S. for my own organisation was, as already mentioned, Dr. v. d. Heyde; he belonged in the same time to the dept. A (Hauptabwehrbeauftragter). v. d. Heyde himself was an S. S. man and member of the S. D.; the latter fact I never was officially told, but I am sure, he was. I also am sure that v. d. Heyde was ordered to watch he, like some others, and to report on me; but about all these things, it was absolutely impossible to see quite clear.

(2) *Reports of trips abroad and reports from abroad*

So far as I remember, the S. D. was the first, who asked reports to get from trips abroad, if exit permit was wanted as a *conditio sine qua non*; later on practically all authorities concerned did it, if they thought it was worth while to ask for such reports. In my organisation, v. d. Heyde and later on Rüdiger were the men, who got the order from the S. D. to look after these things, especially also to look after all other reports coming in from abroad (I. G. Verbindungsmänner, reports from me like Flüge and others) to be rendered to the S. D.; I passed the order to my associates resp. the different departments concerned.

(3) *Bayer-sales organisation abroad*

I was told together with some other colleagues from Bütefisch in summer 1944 (see 4), that on his recommendation the S. D. had made an attempt of cooperation with the I. G. abroad and—as Bütefisch regarded Bayer to have the best organised sales organisation abroad—this attempt was made with Bayer. As Bütefisch told us, this whole question came up, when again in the S. S. circles—Bütefisch was member of the S. S. and belonged to a circle of businessmen, which was called "Himmeler-Kreis" and to whom belonged men like Flick, Rasche, Rostey, and others and whose manager was a man named Kranefuss—heavy attacks on I. G. were brought up, especially of noncooperation with the S. S. and S. D. The result of this attempt with Bayer organ. was said to be a failure or at least not that, what the S. S., resp. S. D. expected. As I otherwise have never heard of this cooperation—also Mann has never said anything about it—I can't say, how the cooperation was made. Only during the war all kind of newspapers and other informations came in by the Bayer organisation in Portugal as already mentioned and this might have been connected with the aforesaid.

(4) *General contact asked by S. D. in summer 1944*

On the same occasion, when Bütefisch told us in Heidelberg—Schmitz, Schneider Oster, and myself—the aforesaid matter concerning Bayer, he rendered the desire of Schellenberg of the S. D. to Schmitz, to have a general talk with him. Schmitz tried to escape and—as it had been spoken of contacts abroad and general economics—he asked me, to take up contact with Schellenberg in Berlin (Schmitz always remaining in Heidelberg). I ordered my secretariat to wring up the office of Schellenberg (whom I never have met or talked to) and tell him, that Schmitz had asked me on his behalf to talk to him (in order to find out, what he really

wanted). I got no answer; as time past and next I. G. meetings were expected to take place in Heidelberg in short time, I wrote a short note to Schellenberg, repeating my instruction received by Schmitz; no answer again. Then the I. G. meeting took place and Bütefisch very concerned, reported that the S. S. people resp. Schellenberg were furious about the whole. They wanted to see Schmitz and they did not want to see me at all (perhaps my economic department was considered to be interesting) and now they asked ultimatively, whether Schmitz was ready to see him or not. Schmitz did not want to be alone, when Schellenberg would come and wanted to have Bütefisch (for patent-questions) Schneider (as Hauptabwehrbeauftragter) and me (for foreign economic questions) with him; but Bütefisch was already told, that Schellenberg wanted definitely to see Schmitz alone, perhaps together with Bütefisch; later on there might be an conversation including us others. Bütefisch at the end was asked to tell Schellenberg, that Schmitz was not in the position to come to Berlin and that he was willing to receive Schellenberg in Heidelberg. In the meantime came the 20th of July 1944 and the S. D. was tied up in this matter, so the I. G. question never came up again and nothing was done.

(5) *Other contacts with the S. D.*

(a) In a new report: "My position to the national socialism and to the international cooperation," who will be ready in two days, I will report in an article: "*personnel difficulties* by the party and the S. S." about contacts I had with the *Gestapo* resp. the S. D., in order to get the exit permit for my wife, to visit her mother in Sweden, both being Swedish, resp. Swedish born. In this connection I asked also, when nothing helped, my former associate in the I. G. Neubacher to write to Kaltenbrunner, as I had no contact, in order to help me after two years of refuse to get the permission for my wife, especially as my mother-in-law was seriously sick, quite alone and became 70 years old; but nevertheless: no result. I also talked to Dr. Jury with whom I had to do occasionally on account of the Donau Chemie A. G., Vienna and he promised to write to Kaltenbrunner, also no result. In the meantime the German minister in Stockholm had on demand of my mother-in-law by Swedish friends—without myself knowing it—also written to the S. D. by the way over the foreign office; again no result. Then I was advised, to see Prof. Schmidt, whom I knew from Vienna, as he still was Gauwirtschaftsberater to Jury, and who now was in the department of Schellenberg. When I saw Schmidt, he told me that I had a very bad atmosphere in the S. D. and he could not make me any hope. When I left the house of the S. D. in which Prof. Schmidt had his office, Dr. Ruperti of the Allianz came to me—I knew Ruperti from the F.-Kreis (ministry of propaganda in the years 1933/34)—and told me, that he knew about my difficulties and he was willing to try to help me. He came to me and told me that the S. D. suspected me in every respect on account of my engaging former generals, half-Jewish having left official positions, because I was not willing to cooperate and so on. My "Abwehrbeauftragter" Rüdiger (v. d. Heyde being at this time with the army) was too small caliber and they wanted to have a bigger man. Nevertheless also Ruperti made a hopeless impression (this was early in the beginning of 1945) and even if he promised to help me to get the exit permit for my wife and our two daughters, I had no great hope more and nothing was done, neither in the private thing as in the other, as I let things go and two months later, all was over.

(b) *Max Unz, Ankara*.—When Unz, the former I. G.-Verbindungsmann in Ankara was put—after his return in Germany—in concentration camp at Oranienburg, my organisation wrote to v. Papen, who was also back in this time, whether he could help. Papen wrote that he regretted, he could do nothing but we should write to Staatssekretär Kaltenbrunner. We did this, but no answer.

(c) *Prof. Gross, Wien*.—As I have been asked on behalf of Professor Gross, the chief of the branch office of the economic dept. in Vienna, although I do not know at all what kind of contacts he had to the S. S. or S. D. and as it seems to me that his name has been connected in the questions put to me re the Abwehrstelle Ost in Breslau (of which I never heard before this name was mentioned in the questions put to me) I want to report all of him, I know. Gross was in the same time professor of national economy on the Hochschule für Welthandel in Vienna and I arranged with the rector of this university-institution, that Gross should be free half the time in the I. G. for his work in his institution (I was interested by economists like Reithinger, Fürst, Gross, and others to continue closely contacts with science and universities). As Prof. Knoll, the rector of the aforesaid institution was member of the S. S. and possibly (?) of the S. D. there might have been the contact I have been asked, but I am not sure at all.

(d) *Prinz Rohan*.—There is as an other man, with whom I. G. people—especially Mr. and Mrs. von Schnitzler were connected already long years before 1933—Prince Rohan who was retained by I. G. as an agricultural and publicity adviser. Rohan was connected with the “Europäische Revue” which was in the beginning financially and generally helped by I. G. In my industrial conferences in Budapest during the war, Rohan assisted me, as well as the Mitteleurop Wirtschaftstag, if difficulties came up in these negotiations and discussions, as he had an excellent position and first-class contacts in Hungaria, his wife being a daughter of the well-known late Count Appony. I know that Rohan had contact with Kaltenbrunner and that is why I report. Rohan sent reports to Kaltenbrunner, especially from western countries like France, where he was more at the end of the war; from these reports he gave me as well as v. Schnitzler occasionally copies. This contact of Rohan with Kaltenbrunner had neither to do with the I. G. as well as with my field of industrial activity in Hungaria, but I know that Rohan had informed Kaltenbrunner that he was in an advisory capacity to I. G. and myself.

D. ASSISTANCE ASKED BY OTHER ORGANISATIONS OF GOVERNMENT AND PARTY.

I. GOVERNMENTAL ORGANISATIONS

(1) *Foreign office*

(a) *Economic department of the foreign office*.—This was the oldest contact of my organisation, especially of the economic dept. of my own organisation. This contact was installed by the late economic adviser of I. G., Professor Richard von Moellendorff, with whom I made my first trip to U. S. A. in order to study, how to build up an economic department (1928) and by Professor Wagemann. Ritter was at this time chief of the economic dept. of the foreign office and he was very fond of the cooperation with our economic dept. so that he often preferred our elaborates and reports to those of the Statistische Reichsamt as being quicker at his disposition and more living. The consequence was, that he made the “green reports” of our economic dept. well known and by and by more organisations were asking for them. But at this time Reithinger used this fact to follow as far as possible a “do ut des” politic and I. G. received in this way a great many valuable informations. Naturally after 1933 also this contact changed from year to year in another direction.

(b) *Staatssekretär Keppler*.—This man asked me several times to send him interesting reports during the war and from time to time he remembered me, because it was often forgotten by my organization and myself, as Keppler was no important man (as I saw it, he had not much to do with current business questions).

(2) *Ministry of propaganda*

(a) *Expert committee on foreign affairs (1933/34) (F. Kreis)*.—About this cooperation I reported already in my report Paris, 5. V. 45 re. my biography and activity as well as I will report in my new report “My position to the N. S. and to the international cooperation,” which will be ready, as I already mentioned, in two days.

Here I only want to state, that this committee (called “F-Kreis”=“Wirtschafts-Führer-Kreis”) was a fair attempt of leading business people to influence the min. of prop. to make a fair “publicity” instead of an unfair “propaganda.” Something could be done, but in the long run unfortunately nothing; the committee shortly after the 30th June 34 ended by himself.

(b) *“Vereinigung zwischenstaatlicher Verbände.”*—About this question I referred already complete in my report: Paris, 8.5.45: The contacts of I. G. with Ivy Lee and with the “Propaganda” and the activity of the Vereinigung Carl Schurz.” Long years before 1933 I. G. and her leading men were assisting all these international organisations both by active cooperation as financially. The international position of I. G. and I. G. people in the world made it self understanding, that we had to assist all these efforts of international cooperation and better understanding. This was also the reason, why I accepted the presidentship of the Vereinigung Carl Schurz/ or what I never was asked by any party organisation but only from people belonging to the circle of original creators of the Vereinigung Carl Schurz in the year 1928. My sincere wish and hope in accepting the presidentship was to assist to my part to a better understanding between the American and the German people and to do this attempt on the basis of fair principles as the: “come and see” or by a fair publicity, where we were following the lines of American advises. It was further on the line of the V. C. Sch. to keep separated

from the so-called "Nazi Propaganda" and we could do a lot, even if always the N. S. authorities tried to interfere. I. G. and I personally assisted in the conviction, that it was our duty, to prevent, that things run to the worse. This was the opinion of that time, but naturally today all looks in a different way. I have written about this problem also in my new above-mentioned report: "My position to the national socialisme and to the international cooperation."

(c) "*Werberat der Deutschen Wirtschaft*."—This was also an organisation in a mere advisory capacity re. international exhibitions a. s. o.; I. G. was represented in this organisation by v. Schnitzler, Mann, Uhl and others.

(3) *Ministry of economics and ministry of armament*

(a) *Foreign department ("Länder-Abteilung") of R. W. M.*—This contact—similar as the contact to the economic dept. of the foreign office—existed also already long before 1933 with men like Posse, Sarnow, Waldeck, and later on Warmbold (Brünings minister of economics, who formerly used to be a member of board of directors of I. G.).

All reports from abroad—if interesting for the ministry—were given and naturally it was difficult in any way, to stop things after 1933, which we had done voluntarily before 1933. Besides that the contact with the ministry of economics was still more important for the I. G., as most of the wishes of I. G. concerning governmental authorities ended in the ministry of economics. During the war the contact with the foreign dept. of the min. of economics was still closer by the cooperation in the industrial committee and the working committee for foreign trade questions, in both of which I was cooperating personally (see my report: "My position to the N. S. * * *").

(b) *Working Committee for foreign trade questions of the federations of industry and commerce (Arbeitskreis für Aussenwirtschaftsfragen der Reichsgruppen Industrie und Handel)*.—About this committee, which I just mentioned a few lines ago, I also reported in the Paris report of 5. V. 45: "My biography and activities." In this committee I was asked to elaborate reports on the following raw materials in respect to the time after the war: Nitrogen, chemical fibres, buna, and light metals (magnesium). These elaborates were made by Reithinger and Fürst, resp. our economic dept., Reithinger being himself appointed as a member of the staff of this working committee. For the above-mentioned reports also statistical material of the ministry of economics was given and used.

(c) *Imports of Molybdän and Wolfram and leather*.—I mention this, because I have been asked, to tell all supports given by I. G. to authorities and as these imports were to the benefit not of I. G. only, they might be mentioned. The I. G. people or depts. concerned with this matter were: Meyer-Küster (Chemical dept.), central purchasing dept. (Klatt), and the dept. for foreign exchange/imports (Gierlichs, A. Müller). This was something concerning both the min. of economics and the min. of armament and was some business like this handled by Krüger and Gierlichs: imports of leather from Portugal against peas from Hungaria, a compensation business, which—to my knowledge—never succeeded.

(d) *Imports of oil from Rumania and reffination in Pressburg*.—This business was handled by Bütetisch, E. Fischer, Conzen, Willig (?) and with the assistance of the following organisations, in which I. G. participated indirectly: Sardep, S. A. R., Bukarest, Stad, Bukarest, and Apollo-Mineralöl-Raffinerie, Pressburg.

(e) *Petsamo-Nickel*.—This business was done by a consortium, in which Metalgesellschaft, Krupp, and I. G. took a share. The men of I. G., who had to do with this business—to furnish the German armament with Nickelmatte—were Haefliger, Brendel, Fahle, Schubarth (?) and other people in Finnland and Oppau (Müller-Cunrady the resp. techn. member of board). On the Finnish side was a Baron Wrede.

(4) *Other ministries or governmental institutions*

(a) *Ministry of aviation: Norway—lightmetal*.—The whole program was ordered by Göring and started by his man Koppenberg, who gave definite instructions to Krauch and Schmitz. I. G. was already since long years, as well as Norsk-Hydro A. S., Oslo, with which firm I. G. was friendly connected since 1907/resp. 1927, planning to erect a magnesium factory in Norway. But now this old and solid plan was mixed up with the fantastic plan of Koppenberg and it was very hard to bring our own matters along in a reasonable way and in the same time respecting the interests of Norsk Hydro and the old friendly relation, which at least we succeeded. But the whole program was a failure as many. (See report: "My position to N. S. * * *").

(b) *Reichskommissar Norway: chemical industry*.—Von der Bey of I. G. Bitterfeld was appointed by the government to this job. He had to look after the

necessities of chem. business in Norway and as far as I know, he succeeded in doing this job objectively and getting the confidence of the Norwegian people concerned.

(c) *Militärbefehlshaber Frankreich: chemical industry.*—The I. G. Verbindungsmann in France, Krauch, was in a closed contact to Min. Dir. Michel, the chief of the economic dept. of the Militärbefehlshaber in resp. to chemical industry, but I have no precise knowledge of the position he had.

(d) *Militärbefehlshaber Italien: chemical industry.*—Ter Meer of the board of I. G. was appointed by the government to this post, but I have no particular knowledge, what he had to do, resp. he did.

II. AUSLANDSORGANISATION DER N. S. D. A. P. (A. O.)

(1) *I. G. contacts with A. O. in Germany*

I have reported about this matter already in my report: Paris, 8.5.45: "The relations of I. G. to Ivy Lee and to the "Propaganda" and the activity of the Vereinigung Carl Schurz" in chapter II.3.) On account of the many and permanent difficulties of I. G. with the A. O., on desire of the A. O. a member of board of I. G., Waibel, was nominated to deal all matters with A. O. Waibel kept contact with me, resp. my organisation; especially Krüger and Gierlichs had to deal very often with the A. O., but also Terhaar, Müller, and others; half of all questions concerned Jewish employees, resp. agents.

So far reports are concerned, the A. O. as well as the S. D. asked for these, especially in connection with trips abroad and the system: "no exit permit if no report" was later on a general, naturally depending from the person who was travelling and on what matter.

(2) *I. G. organisations abroad*

As to the responsibility of these organisations, I referred to the beginning of this report: "A. General remarks: II. Administration of the sales organisations of I. G. abroad."

Owing to the fact, that I. G. business in all countries of the world was always in comparison with other German exports—at one of the first, if not at the first place, the German I. G. representatives or agents were always—already long years before 1933—playing a leading role in the German colonies, schools, and other kinds of clubs or organisations. After 1933 there were always troubles with the A. O. organisations in the various countries and not only on Jew questions, but also of non- or not sufficient co-operation, not granting sufficient financial help, not assisting at party meetings or "Deutsche Tag" or "1. Mai" or something like that, or not showing the "swastica" on occasions whatever or the employees not contributing sufficient to the Winterhilfswerk—altogether endless complaints. This was the reason that the A. O. specifically demanded, if leading men of I. G. went abroad, to visit the Landesgruppen and Ortsgruppenleiter. In this way I visited these people in my various trips abroad and trying to come along with them or to report at home to my colleagues responsible for the organisations concerned.

As to the leading men of I. G. sales organisations abroad, who kept leading posts as members of the "Auslandsorganisation der NSDAP" or as presidents of German clubs or as presidents of German chambers of commerce or something similar, I will bring, as to the best of my knowledge, these names, not knowing always how close they were connected with the party:

(a) Members of the A. O.:

Empting (Dyes): Landesgruppenleiter Jugoslawien.

Huber (nitrogen): Wirtschaftsberater of A. O. in Spain or something like that. I have no specific knowledge.

de Margerie (Bayer): Landesgruppenleiter Venezuela.

Peter (dyes): Ortsgruppenleiter Sofia.

Pilling (Agfa): Partei, Richter, Norwegen.

Urchs (Bayer): Landesgruppenleiter Brit. India (but as far as I know, was dismissed years ago on account of party-troubles).

(b) Presidents of German clubs etc.:

H. M. Fischer (dyes): President of German club Mexico-City(?).

C. Gadow (dyes): President of German club, Shanghai (?).

Kluthe (Dyes): President of German club, Milan (?).

About these three functions I am not sure.

v. Humboldt (N. W. 7): Assistant to Mr. H. M. Fischer, Mexico-City; kept contact to the Humboldt society, later on stepped out of I. G.

(c) Presidents of German chambers of commerce etc.:

Birk (dyes): President of German chamber of com., Madrid.

H. Bosch (nitrogen): President of German chamber of com., Tokyo.¹

Deyhle (dyes): President of German chamber of com., Budapest.

Kaelble (Bayer): President of German chamber of com., Rio.

Unz (dyes): Economic adviser to the German embassy, Ankara.

Zeber (Bayer): President of German chamber of com., Milan.

(d) Other contacts: Sometimes A. O. people abroad approached us to give a job to jobless Germans, they wanted to have settled down. I remember one case, where I was asked personally to give to a German press man a (small) retainer in Kopenhagen and he would give our local agencies press-informations or make reports on specific matters; but I have no particular remembrance or knowledge of this man.

(Signed): MAX ILGNER.

FRANKFURT/M., June 18th 1945.

EXHIBIT No. 12

INTERROGATION OF VON SCHNITZLER, JULY 21, 1945, ON SURVEYS PREPARED FOR LUFTWAFFE

21 July 1945

2:00 to 2:40 P. M.

Q. What was the M-question?

A. The M-question contained everything with regard to personnel questions connected with the war.

Q. Will you please explain it?

A. For instance, it started in the year 1940, that the Reich permitted that the years 1906 and 1907, if they were occupied in a "Wehrwichtige" organization, could stay with their firms. Later on from time to time, the question how far one could ask people to be what we call *uk-unabkömmlich*, free from army service, was dealt with. Then it contained the regulations to the Wehrmacht, generally spoken but not "Abwehr" questions—sometimes *Abwehrfragen* too (i. e., C. I. C. not active but the passive defense against enemy espionage), the inner organization of army questions as far as of interest to us, which ministry was competent for what purposes, always only as far as the commercial side of the problem was concerned.

Q. What does "M" mean?

A. "M" is an abbreviation of "Mobilmachung." (Even I had a yellow slip stating that in case of Mobilmachung to be at the disposal of I. G.)

Q. In respect to I. G. "M" meant what I. G. must do in regard to the war program?

A. But mostly from the standpoint of organization and to put people into disposition for military authorities. For example, we would not have discussed the erection of a new magnesium plant under "M" questions.

Q. What kind of discussion would you consider that?

A. That would be a separate point of business at the same time of military interest. Under "M" we did not take altogether what has to be done and should have to be done in connection with war but mostly the personal side.

Q. Were espionage questions "M" questions?

A. Yes, as well as counterespionage. Generally the circle was too great in the Kaufmännischer Ausschuss. We would have not spoken of things like that.

Q. To whom would you speak about things like that?

A. Only between 2 or 3 men.

Q. Which men?

A. Possibly I and Ilgner, Kugler, and Frank-Fahle. I with von Heider or Kugler, the three of us. Ilgner, Frank-Fahle and I have made statements for Mr. Glaser as regards the relation to the Wehrmacht.

Q. In regard to the actual military phases you and Fahle and Kugler and Ilgner discussed those?

A. If they came up.

A. Did they ever come up?

A. Yes. For example, the discussions which we had with officials of the so-called Kanaris staff.

Q. What is that?

¹ Later on dismissed on account of government troubles.

A. The Kanaris staff was the head of the Intelligence Department of the Wehrmacht. The men I knew in this staff were Oberst Piekenbrock and Major Bloch.

Q. What did you discuss with them?

A. They were interested to get news of an economic character out of neutral and axis countries.

Q. They were not interested in getting news from enemy countries?

A. They were, of course, interested.

Q. Did they speak to you?

A. Yes. They applied for our help to get news out of neutral and axis countries eventually.

Q. We were speaking about countries hostile to Germany. Did they ask for news in regard to those?

A. Not from me.

Q. From whom did they ask information?

A. I can't tell you.

Q. Don't you want to tell us, or you don't know?

A. I don't know it.

Q. Whom did they ask in regard to the U. S.? Who made reports on U. S. production?

A. If, or instance, Col. Piekenbrock would have asked me what I know of U. S. A.—before 1937—of course, I would have told him.

Q. Did he ask any other I. G. officials?

A. We never spoke with one another. All was under strictest secrecy, when we had to deal with those matters.

Q. Is it not true that before the invasion of France, I. G. officials sat down with the Wehrmacht and planned the invasion in respect of the matters which I. G. knew?

A. I remember in the first years of the war I was once to visit a department of the Wehrmacht, head was an Oberst Becker, and he asked me what I knew of the different plants of the Imperial Chemical Industries.

Q. When was this?

A. In the first years of the war, 1939/1940. I would not call that a sort of espionage or whatever it is.

Q. Prior to the invasion of each country that Hitler attacked, I. G. officials were called in by the Wehrmacht and planned the part of the military attack with which I. G. —

A. I am sure they have asked what we knew about the factories, say, of I. C. I. in England.

Q. Whom did they ask?

A. Different people.

Q. Did they ask you?

A. I can remember only as far as England is concerned. There was only an occasion in Berlin when Oberst Becker showed me a map of England which was much more complete than my knowledge. He asked me whether I knew something of the British Magnesium plant in Coventry. I said, "No. I have never been there."

Q. Who else were called for to give this information?

A. They asked most technical people of I. G. All these people who were technicians and specialists in the chemical field, and then our Volkswirtschaftliche Abteilung under Dr. Reithinger in Berlin which belonged to Ilgner's organization, did a lot of work for the Wehrmacht as well as for the government. They succeeded in getting so many men free of military service only on account of the work they made.

Q. I show you a biography of the Aussig-Heyden Company. Is that an example of the type of report about which you are speaking?

A. Yes. The ministries, the foreign office, et cetera, based their knowledge on these biographies.

Q. In regard to the purely military aspects of the campaign against France, Russia, et cetera, didn't I. G. experts sit down with members of the Wehrmacht and plan the chemical aspects of that campaign?

A. Not to my knowledge. I know we made up those biographies as correct as possible and, of course, we made them for ourselves and we made them at the same time for the Wehrmacht and the ministries.

Q. When did you begin to make them?

A. This department is nearly over 10 years old.

Q. Is it not true that prior to an invasion and in planning that invasion, I. G. experts and technicians were called in to assist the Wehrmacht on the purely

military aspects? And to locate the plants, to be exactly informed where the plants were located, for example?

A. For all European countries they made up plans. Every plant of chemical interest was indicated in a complete map.

Q. Prior to the attacks on France, Russia, et cetera, did I. G. experts and technicians assist the Wehrmacht in making its plans?

A. I don't think so. I never heard it. I know that technicians helped the Wehrmacht to prepare a map. I object to "prior to an attack."

Q. Before they attacked France, they sat down and made out their military plans, in Holland, Belgium, and all the conquered countries? Isn't it true that before these plans were carried out, I. G. officials and technicians sat down with the Wehrmacht and planned those campaigns insofar as they touched the chemical industry?

A. I am sure that they asked our technicians about any and every chemical installations and factories, whatever is fabricated in those countries, but if they sat together with technical people of ours to make real plans what has to be destroyed, that I can't tell you.

Q. Who would know that?

A. A lot of our technical people could tell you. You must ask ter Meer and Bütensisch, Schneider and Gajewski perhaps, then Wurster and Müller-Cunradi, he is an expert on all kinds of nitrogen.

Q. Isn't it true that, by the M-plans I. G. meant every aspect which was of military nature?

A. Yes; this is absolutely true.

Q. Under what heading would they discuss it?

A. They have had fancy names.

Q. So that in its commercial meetings the military methods were discussed under the heading "M"? In regard to the other committee, like the technical committee, what were the military plans known as?

A. I think they called it also "M" questions.

Q. So I. G. at all times since the beginning of Hitler's wars had a separate section which was called the M section or some other letter section?

A. You know in Berlin the Vermittlungsstelle W. It is rather complicated. We had to centralize our commercial activities as far as this domain is concerned at Berlin. In the commercial field, M. Fragen handled partly by Volkswirtschaft A. B. T. and partly by Frank-Fahle. Under M. Fragen, were discussed the military domain, personal defense against espionage, eventual working in neutral countries. With the technical people, it was more complicated because they did not have that unification. They had in Berlin an organization which they called Vermittlungsstelle W. They dealt through this Vermittlungsstelle W. with the different departments, etc., of the Wehrmacht. It seemed that the 3 Sparten inside I. G. never were in full agreement about this Vermittlungsstelle and so Sparten and I made use of Vermittlungsstelle W. and did it only partly, and Dr. Gajewsky of Sparte III did not want to have to deal with the Vermittlungsstelle W. and did it on his own. So, for instance, say when it came to Agfa film of highest value in competition with Kodak, Gajewski dealt those questions personally with the Wehrmacht and did not go through the Vermittlungsstelle. I think they used different names on the technical side of I. G. It was not so concentrated as on the commercial. The man for the Vermittlungsstelle in Frankfurt who was the superior of 3 or 4 chemists, is Dr. Struss. He did that for Dr. ter Meer. Of course, they were in constant contact with the different military authorities. For example: When Russia was invaded, a staff of chemists was kept together—of Buna chemists—to be at once on the spot. They were sitting there. And then when the farthest point was reached, near Kaluga or so, there in a town they found a great Buna plant and they were able to stay there for 6 hours and they came back with the impression that the Russians were able to make buna from alcohol, not as we do from carbide. Under that heading our technicians would for instance, have called this buna action for Russia, I don't know. I think that goes much further than "M" questions.

Isn't it true that I. G. maintained, in regard to the chemical industry, its own warfare planning section which was of service to the Wehrmacht and used by the Wehrmacht in a commercial sense, in an economic sense, in the technical sense, and in a military sense, whether it was known under the name "M" or by some other letter it devoted itself to all military matters, and it handled military matters?

A. That is true.

Q. When was the M plan founded?

A. I think the real M plan in such a way, was only founded when war broke out, I think in September 1939 and then very quickly.

"I have read the record of this interrogation and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine, are true."

Witnesses:

Interrogators:

Mr. WEISSBRODT.
Mr. DEVINE.

(Signature:) G. v. SCHNITZLER.
Position in I. G. Farben: _____.

EXHIBIT No. 16

LETTER REGARDING SHIPMENTS OF DYESTUFFS TO ARGENTINA, JULY 21, 1943

[Translation]

I. G. FARBENINDUSTRIE AKTIENGESellschaft, FRANKFURT (MAIN) 20

POLITICAL ECONOMIC DIVISION

82 Unter den Linden, Berlin N. W. 7

Attention Mr. Gase (or deputy)

SECRET

Latin America.

L/D
JULY 21, 1943.
23

Re: Shipments of Dyestuffs to Argentina.

We beg to refer to your memorandum of the 14th inst., in which you hold out hope for a decision following your discussions with Ambassador Moraht.

In the mean time, the undersigned has had a discussion with the local Argentine Consul, C. Joos, who has just returned from Switzerland where he had various talks with the Argentine Ambassador at Bern. Mr. Joos informed me confidentially that the officers' revolution in Argentina had the purpose of thwarting efforts made by politicians under the influence of the North American and English Embassies in Buenos Aires to bring about a popular-front government at the impending presidential election. [He also stated] that the present military government would be in favor of maintaining neutrality and that it had taken energetic measures in order to suppress any political incitement in the country. He also said that the ministries had been purged of persons who had been controlled or were subject to bribe. Consul Joos assured (me) that, according to statements made by the Argentine Embassy at Bern, confiscation of German property need no longer be feared and that certain burdens, which had been imposed on nationals of the Axis powers by the previous government, would be removed. [He added that] a former Minister—his name also appeared in the local press here—had been arrested because he was responsible for these measures, and that this Minister had been exposed as a paid agent of the enemy powers. [Consul Joos stated further that] energetic measures were also being taken against Jews engaged in grain trade (Alfred Hirsch) and that, in general, outgrowths of capitalism were being heavily opposed.

[According to Consul Joos] the controlling officers of the new government are in sympathy with Germany as a result of their former service in the German army; but strict neutrality in every respect would be the principal rule [of their policy].

Perhaps you will see fit to convey this information to Chief Government Advisor Koppelman. Since we are not making any headway with the A. A.¹ in connection with shipments to Argentina, he may possibly be in a position to bring about a speedy decision, after much valuable time has been lost.

We do not wish to let this opportunity go by without mentioning that, recently an urgent telegram was sent by our agency to Barcelona, requesting that further shipments be made, since, up to now, everything had been settled smoothly and payment was made for shipment III which has meanwhile arrived. This telegraphic request of our agency in Buenos Aires is probably related to the improvement in the Argentine atmosphere following the overthrow of the government.

¹ The translator believes that A. A. Stands for "Auswärtiges AMT," i. e., the German Foreign Office.

We should also like to mention that, according to official records received, the Swiss dyestuff factories shipped 37,000 kg. aniline dyes to Argentina during the first 5 months of this year.

LATIN-AMERICAN DIVISION,
(S) A. LANGENSIEPEN.

P. S.—We are conveying the above information of the Consul without guaranteeing ourselves the accuracy of the statements.

(S) L.

EXHIBIT No. 17

LETTER TO DR. E. VAN DER HYDE FROM DR. VON SCHNITZLER, APRIL 3, 1940,
CONCERNING ACTIVITIES OF DUMMY CORPORATION TO CLOAK ESPIONAGE
ACTIVITIES

[Translation]

APRIL 3, 1940.

Dr. E. VON DER HEYDE,
82 Unter den Linden, Berlin NW 7.

MY DEAR MR. VON DER HEYDE: The contents of your kind letter of March 30, were the subject of discussion of our special Committee on Chemicals and Dyes. Afterwards I also had the opportunity of speaking of same with Dr. Frank-Fahle, who happened to be here. We are not aware of any cases here in Frankfort which might have occasioned the displeasure of the two offices mentioned in your letter. It is true that up to now we have been dealing directly only with military agencies. I recently had occasion in Berlin to discuss with Major Bloch of the OKW another matter pertaining to this subject, i. e., whether and to what extent the OKW wants to use the services of the "Gesellschaft für Verkaufsförderung" (Association for Sales Promotion) which is under the management of Messrs. Kunzler and von Puttkamer. This company is particularly well suited for the intended camouflaging maneuvers, since the failure of one of its emissaries will never lead to a catastrophe; if worse comes to worse this company might have to cease operating in some particular country, and would have to confine its activities to the other neutral countries. While I am in Berlin next week there will be an opportunity of discussing this matter orally in detail as well as a whole; if the occasion arises I shall be very glad to have you meet Mr. von Puttkammer. This matter is always difficult for I. G. since all its agencies abroad are under the strictest control and every activity of its employees is closely supervised in order to determine whether such activity is of a strictly business nature or whether it is in the interest of third parties.

(Signed) v. SCHNITZLER.

EXHIBIT No. 17-A

CORRESPONDENCE REGARDING FARBEN'S RELATIONS WITH CHEMNICO, DATED
AUGUST 3, 1940

1. Letter I. G. Berlin NW 7 of June 24, 1940, signed by Dr. Krüger and Gerlichs to:

Legal Department, Ludwigshafen.
Patent Department, Ludwigshafen.
Office Division I, Ludwigshafen.
Tea-Büro, Frankfurt/M.
Management Dept. Chemicals, Frankfurt.
Volkswirtschaftliche Abt., Berlin.

I. G. had a general permit to pay within a limited amount foreign exchange to different companies. Within this permit since 1938 20,000 dollars were paid monthly to the Chemnyco. In order to make a saving in foreign exchange, the Minister of Economy reduced the total amount, thus forcing the I. G. to make an application for individual payments, therefore also for the payments to Chemnyco. I. G. negotiated with the Chemnyco through the I. G. Chemie, Basle, and the Chemnyco agreed to the reduction of the cooperators fee to \$16,000 per month for May-September. The grant of this permit would only be given if the I. G. gives "explicit statement on the work of the Chemnyco in our interest and the importance for the safeguarding of our interests in U. S. A. We would like to ask you to explain to us immediately in the form suitable to be passed on to the Minister of Economy what the importance of the collaboration with the Chemnyco for your department is and what fields are covered."

2. Letter Dr. Hofeditz to Dr. Ringer of July 20, 1940.—Dr. Hofeditz encloses a copy of a reply of Division I to I. G. Berlin to the letter of 24 June:

"According to your wish I have avoided up to now to discuss this matter with other offices, but I have been asked already several times by Dr. Heintzeler. If you are agreeable with this draft please let me know whether I should send a copy of the draft to Dr. Heintzeler and also Dr. Wetzel to hear their point of view."

3. *Draft*.—The I. G. made a contract with the U. S. and Transatlantic Service Corporation New York, which later changed its name in "Chemnyco" in which the latter company took over certain obligations which are laid down in the contract.

The Chemnyco takes over to—

(1) Give on request of the I. G. information on financial conditions in the U. S. A., especially the business development of American companies of the chemical and related industries.

(3) To make on request of the I. G. visits, examinations, investigations, and estimations of technical, financial, industrial, or economic nature of each planned or existing industry which special regard to the financial structure, the management, the cost of production, the products manufactured, the used processes, trade names, the value of the business and the value of the contents and further interesting points in this connection and to give, if wanted, a thorough report with respective propositions and instigations.

(4) Customs questions, taxes, and other questions in connection with import and export of products.

(5) To take up connections with American companies with the aim to arrange contracts between these companies with the I. G.

(6) * * * to negotiate on questions in connection with contracts between I. G. and American firms. * * *

(8) * * * to work together with I. G. lawyers in all legal questions. * * *

(9) To prepare material for advertising for I. G. products.

(11) To examine on request of the I. G. American patents, processes, or inventions from the scientific, technical, commercial, and practical point of view and to report to the I. G. thereon and to negotiate on license questions.

(12) To act as proxy of the I. G. whenever it is asked and in cases where the I. G. has shares of an American company to safeguard the interests of the I. G. and to investigate the financial status of the companies as far as this is permitted by law for the shareholders.

(14) If the interest of the I. G. make it necessary, to take over the mentioned tasks for Canada.

(15) Chemnyco is prepared to supervise and further the endeavours of the I. G. regarding the return of property of the I. G. which is still in the hands of the American Alien Property Custodian, using suitable legal and governmental channels.

The Chemnyco has further a few special tasks resulting out of the supervision and transactions of several contracts which the I. G. has with American companies: With *Standard Oil*, November 1929.

* * * Furthermore Chemnyco must inform I. G. on the technical standing on the contract field and to draw the attention of I. G. to important points in this development; if wanted, it must prepare the necessary documents of scientific, technical, calculating, and patent nature on the processes of the contract field.

Jasco contract.

Oppanol and Paraflow Agreement.

USAC Contract.

On July 29, 1940, the office of Division I sent a circular letter to Dr. Krauch, Dr. Schneider, Dr. v. Knieriem, Dr. Bütetisch, and Dr. Boldermann, together with the final wording of the statement wanted by the I. G. Berlin for the Minister of Economy.

This final wording incorporates the main points of the draft, mentioning that—

"Dr. Karl Hochschwender, Dr. Karl Muller, and Dr. Rudolf Ilgner have been appointed as managers of the Chemnyco with the American. Compelled by different reasons the Chemnyco is a pure American independent company which has merely the function to advise the I. G. The mentioned gentlemen left the I. G. and have no contact with it any longer."

The different fields covered by the contracts with Standard Oil etc., are explained at length.

(5) "A special kind of the work of the Chemnyco is the collecting of statistical material on fields on which we are interested.

We would not fail to mention that the Chemnyco was several times examined by the Authorities in the U. S. A. on its work and its connections with the I. G. and we would like to point out the confidential character of the above-mentioned fact.

August 3, 1940.—Letter I. G. Berlin to Minister of Economy.

The I. G. made the application for the permit to pay \$16,000 a month from May till September 1940 giving at the same time the reasons in detail as wanted by the Ministry.

(1) *Volkswirtschaftliche Abteilung*.—Extensive information which we receive continuously from the Chemnyco about the American company, is indispensable for our observations of the American conditions, especially with a view to the technical development, the possibilities for export and the competition of foreign countries and companies, especially England. Moreover, this material is, since the beginning of the war, an important source of information for governmental, economical, and military offices. Also in view of the later revival of the trade with America these informations are of importance for us.

(2) *Patent Dept., Ludwigshafen*.—The service of the Chemnyco is very valuable for the negotiations and valuation of our American patents and contracts, especially our contract partners Standard-I. G. etc.

(3) *Sales Combine Chemicals*.—Primarily we make use of the Chemnyco to get information on the patent and convention field and it has rendered us already valuable services. In the war the keeping up of its activity on this field is necessary for us on account of the difficult mail and travel conditions. Especially on the Magnesium field, on which we work in America together with the Magnesium Development Corporation, the Chemnyco plays an important part as trustee for us. We have asked the Chemnyco a few days ago to take up negotiations with the MDC and the American Magnesium Metals Corporation on the Carbo-thermic field, which development we want to transact in common with the Österreichische Magnesit Gesellschaft, Radenthein, a company dominated by the American Magnesium Metal Corporation.

(4) Of deciding importance is the activity of Chemnyco on the field of Division I, Oil and Nitrogen. The respective office of the Division has made a separate statement (reference to this statement is made above).

EXHIBIT No. 18

MINUTES OF MEETING OF FARBE's BUSINESS COMMITTEE, SEPTEMBER 10, 1937, LIMITING FARBE's FOREIGN REPRESENTATIVES TO ACTIVE NAZIS

The following gentlemen were present: von Schnitzler, Chairman, Fischer, Haefliger, Ilgner, Krueger, Mann, Muehlen, Oster, Otto, Weber-Andrae, Frank-Fahle, Secretary.

Part of the time there were also present: Privy Counsellor Schmitz and General Manager Philipp, D. A. G., Vienna.

(1) PROBLEMS IN REGARD TO SOUTH AMERICA

(a) *Introduction*.—In connection with the discussion which took place during the last meeting Dr. von Schnitzler reported on measures taken by the Sales Syndicate "Dyes" [Verkaufsgemeinschaft Farben] to increase the staff of the South American agencies. Mr. Haefliger welcomed [the adoption of such] measures as being equally advantageous to the chemical business.

Dr. Frank-Fahle reported on the increasing activities of the U. S. A. in South America. Such activities may be traced not only to those reasons which are generally well known but also to the domestic policies pursued by the USA. Higher taxes, the prevailing hostile attitude toward trusts, grumbling and greed on the part of labor have forced firms such as du Pont, etc., to distribute their capital and investment risks by making investments abroad on an increasing scale.

Mr. Haefliger reported on Dr. Weiss's trip to Ibero-America, the results of which will be determined after Dr. Weiss's return.

Dr. von Schnitzler pointed out that the Dyes Branch believed Brazil to be the only South American country of interest from the point of view of manufacture, at least for the time being. He discussed briefly our plans in this respect.

(b) *Cooperation with the Matarazzo Syndicate, Brazil*.—Messrs. Weber-Andrae, Otto, and Haefliger reported on negotiations with the Matarazzo Syndicate in regard to the construction of an installation for the production of hydrogen sulphate and of plants producing acetate silk and cell wool. It was agreed that co-operation with the Matarazzo Syndicate would afford I. G. a favorable position for participating in the industrialization of Brazil.

(c) *Powder projects in Argentina and Brazil*.—Dr. Ilgner reported that the Branch "Chemicals" drew his attention to the two above-mentioned projects.

shortly before his departure for Latin-America, as this branch had an indirect interest in these projects although they were of primary interest to the Powder Group only.

With the consent of the Powder Group, Dr. Ilgner and later on Dr. Frank-Fahle took up these projects. Consequently the Koeln-Rottweil A. G. submitted a bid for the construction of a state-owned powder plant in Argentina and for the installation of modern machinery in the Brazilian powder plant, "Piquete," which is also owned by the state and which is already in operation. It was agreed that a participation in these invitations for bids would be of great value to the whole Syndicate and, generally speaking, to the German economy.

(d) *Bunge & Born, Buenos Aires.*—This firm originally dealt in grain, which is still its main activity, although during the last few years it has ventured into the field of chemical production. However, as this firm's objective is apparently one of a purely speculative nature and is not concerned with a systematic development of and constructive cooperation in this field an association between us and this firm seems undesirable.

Dr. Ilgner reported on the experiences which I. C. I. had with this firm. Bunge & Born had not kept the agreements concluded with I. C. I. Pointing to these unfortunate experiences I. C. I. has asked I. G. not to assist this firm any longer. Taking into consideration this request as well as the above-mentioned facts, we agreed that we accede to I. C. I.'s request.

(2) PROBLEMS CONCERNING EAST ASIA

(a) *Nitrogen hydrogenation projects.*—Dr. Ilgner reported that a preliminary contract had been concluded with Dr. P. N. Woo, delegate for the National Resources Commission, Nanking (Nareco). According to this contract a combined hydrogenation and nitrogen plant is to be constructed having a capacity of 50,000 tons of motor fuel (25,000 tons of gasoline for automobiles and 25,000 tons of gasoline for aeroplanes) and 13,000 tons of ammonia to be converted into 50,000 tons of ammonium sulphate. The price for the entire project is approximately 46,856,000 RM. For this I. G. is to furnish materials amounting to about 28,706,000 RM. The preliminary contract expires the end of February 1938.

(b) *War-risk insurance.*—In connection with the discussions which took place during the last session Dr. von Schnitzler reported on the attitude taken by Central Insurance, Department T, with regard to the insurance situation in the Far East. After this report was received the suggestions made by this department in its letter of September 7, 1937, addressed to the members of the Business Committee were discussed. The proposals made by Central Insurance, Department T, were accepted.

(c) *Transfer and/or clearing of gold certificates in Japan/China.*—Discussion of this matter was postponed until after Mr. Weibel's return.

(3) I. C. I.-I. G. ASSOCIATION

Dr. Ilgner reported on negotiations with I. C. I., the purpose of which was the joint establishment of a company to assure permanent cooperation between the two companies on all matters connected with the construction of nitrogen plants and the financing of same. These negotiations resulted in the establishment not of a "Limited Company" but of an "Association." It was provided that this association should also take in the third member of the D E N group, the Norsk Hydro Elektrisk Kvaestofaktieselskab.

(4) PROBLEM "M"

Dr. von Schnitzler reported on the situation at present and asked Dr. Ilgner to arrange, together with the Director of the Division on Economic Policy, for a conference at the Ministry of Economics, which has jurisdiction over the above-mentioned matter, and to report on the outcome of these discussions at the next meeting.

(5) CIRCULAR 132

Dr. Frank-Fahle reported on our discussions with officials of the Reichsbank, in the course of which we pointed out that our foreign agencies and the firms abroad in which we have interests are in no position to transfer any amount of foreign currency except for proceeds from their current sales. Their operating funds are kept at a minimum and cannot be reduced any further. Thereupon the Reichsbank officials requested us at least to float a long-term loan abroad and

to deliver the foreign currency thus received to the Reichsbank. We replied that this suggestion had no connection with the contents of Circular 152 that it touched upon an altogether different field of authority in which we had extended the greatest possible assistance to the Reichsbank over a period of years.

(6). PLANT INSPECTION

It was agreed that visitors to our plants, who come to us in connection with special projects or who want some general information, which might be the basis for future business relations are to receive preference over less important persons who are interested in our plants and especially over groups of visitors. In addition to this, it would be desirable if the respective plants would inform one another as early as possible in regard to visitors to be expected.

(7) THE SYNDICATE'S IRON SUPPLY

Dr. Ilgner reported on a conference which took place in the office of the Administrator for Iron and Steel on September 1, 1937, and submitted to the members present the minutes of this discussion, the wording of which has been approved by Reichsbankoberrat [General Counsel of the Reichsbank] Solven. In connection with this he told of a discrepancy, as yet unexplained between the figures quoted in our letter of August 18, 1937, in regard to our demand for iron and the figures submitted to the Administrator by the Economic Group (Chemicals) on the same day.

Mr. Haefliger mentioned the report which Mr. Jaehne made on the same subject at a meeting of the Technical Committee.

(8) CONVERSION OF "ANILINCHEMIE"—COOPERATION WITH D. A. G. AND SKODA WETZLER

Mr. Weber-Andreas reported on measures now under consideration with regard to Austria which are to establish closer relationships between I. G. and Skoda Wetzler (SWW) on the one hand and between the Czecho-Austrian Group of the D. A. G. and the SWW on the other hand. These measures are [intended] to prevent Mr. Pollak, the general manager of SWW, from attempting to ally his company with other chemical industries, in particular with Aussig or Montecatini and thus to make it impossible for him to continue with his plans for further industrialization of the Austrian chemical industry.

The firms of SWW, D. A. G., and the I. G. Group are each to acquire one-third of the stock of the Anilinchemie A. G. amounting to 300,000 Austrian Shillings and Messrs. Philipp and Pollak are to be taken into the board of directors of the Anilinchemie. In this way a permanent contact will be assured and a committee will be set up to examine all questions pertaining to developments in Austria.

Although D. A. G. and SWW at present sell a large part of their output through Anilinchemie the sale of goods produced by the above-mentioned three companies is to be made through Anilinchemie to a much greater extent than heretofore. The large assortment of goods which can thus be assembled will serve as additional protection against competition on the part of Aussig and other firms.

In this connection Dr. Oster gave his ideas as to what extent the marketing of nitrogen, which is at present done by DETAG may possibly be transferred to Anilinchemie.

It was agreed that all these problems should be thoroughly discussed with Mr. Philipp who was at that time in Berlin. On this occasion Mr. Philipp was also to be asked to represent our interests in other matters concerning Southeastern Europe, as for instance in the projected construction of an Austrian nitrogen plant. Privy Counsellor Schmitz then asked Mr. Philipp to attend the meeting. He thanked Mr. Philipp for the assistance which he had extended to the I. G. interests not only in Austria but in all the countries of Southeastern Europe. Dr. von Schnitzler mentioned in particular the assistance given in connection with the Aussig case and asked Dr. Ilgner to explain our viewpoints to Mr. Philipp.

After a prolonged discussion Mr. Philipp agreed to cooperate with us in the realization of our plans.

(9) MEETINGS OF I. G. MIDDLEMEN ABROAD

Mr. Mann suggested that the I. G. middlemen invite the managers of marketing companies entrusted with the local sale of I. G. products to attend regular informal

discussions on economic problems of a general nature which are of interest to I. G. This suggestion was adopted.

(10) REPLACEMENT OF THE PERSONNEL OF OUR AGENCIES ABROAD AND COOPERATION WITH THE FOREIGN ORGANIZATION

It is understood that in no case will men be sent to our foreign companies who do not belong to the German Labor Front and who do not possess a positive attitude toward the New Order. The men who are to be sent should make it their special duty to represent National Socialist Germanhood. Especially are they to be instructed that upon entering our companies they are to make contact with the Ortsgruppe of the respective Landesgruppen (organizations of the Nazi Party within the various countries) and regularly participate in their meetings as well as in the Labor Front. The sales departments should also see to it that an appropriate amount of National Socialist Literature is given to them. The cooperation with the A. O. [Auslands Organisation] must become more organic. It appears practical, together with the A. O., to work out a uniform plan for the purpose of detecting defects still existing in our foreign companies to the end that they can be eliminated.

(11) ESTABLISHMENT OF A JOINT STUDY GROUP INVESTIGATING YUGOSLAV ORE DEPOSITS

Mr. Weber-Andrae reported on a discussion between Dr. Keppler, Mr. Meyer-Kuester and several other gentlemen of I. G. which took place in Nuremberg on September 6, 1937. The purpose of this meeting was to explore the possibilities of an exploitation of Yugoslav ore deposits by investments on the part of German firms. In this connection the suggestion was made that I. G. should contribute 55% of the capital necessary for the establishment of a society for the study of Yugoslav ore deposits the capital of which was to be 2,000,000 dinars. It was agreed that a report of this proposal be made to the working committee with our recommendation.

(12) REORGANIZATION OF SCHERING-KAHLBAUM

Messrs. Fischer and Mann reported at length on the changes in personnel at Schering-Kahlbaum and on the relationship existing between Schering-Kahlbaum and Dupont. Privy Counsellor Schmitz suggested submission of an analysis of the balance sheet of the Schering A. G. as it stands at present to the next meeting of the business committee.

(13) REDUCTIONS IN PRICES OF BRANDED ARTICLES

Mr. Mann reported on his negotiations with the Economic Group—Chemicals [Wirtschaftsgruppe Chemie] which made it clear that reductions in prices will have to be made regardless of the possible consequences which this might have for our exports. Dr. Fischer reported on the measures which the Price Administrator intends to take—if necessary as early as January 1938—in regard to existing cartel agreements.

(14) COOPERATION WITH THE DIVISION ON ECONOMIC POLICIES

Problems connected with the Four-Year Plan, rearmament, exports, and the foreign exchange situation are constantly increasing. In order to assure a uniform attitude on the part of I. G. on all these problems it is absolutely necessary that all I. G. offices remain in close touch with the Division on Economic Policies during negotiations and discussions with authorities, organizations, and political bodies. Dr. von Schnitzler will report on this matter to the Central Committee. The cooperation between the Division on Economic Policies and the intermediary office "W" was discussed in this connection.

(15) AGREEMENT WITH RUHRCHEMIE CONCERNING THE FISCHER-TROPSCH PROCESS

Dr. Fischer reported at length on the plans for an agreement covering Germany, the USA, and the rest of the world. Ruhrchemie is in accord with these plans in principle.

(16) USE OF THE I. G. LETTER STAMP FOR FOREIGN MAIL

It was agreed that the use of the I. G. stamp should be continued in respect to foreign mail.

(17) I. G. YEARBOOK

Mr. Mann reported on a decision taken by Proko [Propaganda Commission] according to which mailing of the regularly published Proko material is to be discontinued. In its place I. G. will distribute a yearbook to all I. G. associates once a year containing descriptions of the more important I. G. products. The main purpose of this yearbook is to promote the sale of I. G. products among I. G. associates.

This proposal was accepted with the reservation that the yearbook must contain advertising only and must not include any propaganda hints of a social or political nature.

(18) SUNDRY MATTERS

Privy Counsellor Schmitz asked Dr. von Schnitzler to report to the working committee on problems of a general nature which had been discussed by the business committee.

The next two meetings of the business committee will take place on

Thursday, October 7, 1937 at 9:30 a. m. and on

Friday, November 5, 1937 at 9:30 a. m.

in Berlin NW 7, Unter den Linden 82.

(Signed) VON SCHNITZLER.

(Signed) FRANK-FAHLE.

F. F./Ed. 2/37.

EXHIBIT No. 19-A

MEMORANDUM REGARDING SUBSIDY FOR REMODELING GERMAN SCHOOL AT SANTIAGO, CHILE, JUNE 13, 1940

[Translation]

I. G. FARBENINDUSTRIE AKTIENGESELLSCHAFT

To: I. G. Farbenindustrie A. G., Dye Sales [Farbenverkauf], Grüneburg, Frankfurt/m.

Our Ref.: Leverkusen.

Division: Management, I. G. Work.

JUNE 13, 1940.

Re: Subsidy for Remodeling German School at Santiago, Chile.

Confirming the telephone conversation which we had with you yesterday, we wish to state that we are willing to contribute toward the fund for the remodeling of the German School at Santiago de Chile. In view of the fact that the German School in the Chilean capital plays an important part in the struggle for the preservation of German nationalism there, we are in favor of the original suggestion of our agencies to grant Chil. \$50,000¹ for this purpose, and hereby state willingness on our part to furnish, in that event, one-half of this amount. You said that you wanted to bring this matter once more to the attention of the management, and that, following its decision, you would cable pertinent instructions also to us.

We are looking forward to your communication.

Cordially yours,

BAYER,

I. G. FARBENINDUSTRIE AKTIENGESELLSCHAFT.

(Two signatures.)

(Penciled insertion:) Copy to Dr. Hoyer, Office of the Central Committee
June 24, 1940.

¹ Chilean pesos.

EXHIBIT No. 19-B

LETTER THANKING AGFA-PHOTO, RIO DE JANEIRO, FOR PROJECTOR AND CAMERA
DONATED TO THE NAZI PARTY IN RIO DE JANEIRO BY MAX ILGNER

[Translation]

AGFA-PHOTO

WESKOTT & CIA

Rio de Janeiro, Rua Dom Gerardo, 42-A, Post Office Box 560.

Air Mail

Copy (Fr.)

National Socialist German Labor Party, Local Group, Rio de Janeiro.

RIO DE JANEIRO, September 3, 1936.

AGFA-PHOTO,
Weskott & Cia., Rio de Janeiro.

We hereby wish to acknowledge with thanks the receipt of the

Agfa Camera for narrow film
Agfa Projector for narrow film

which have been donated by Dr. Max Ilgner, Director of I. G. Farbenindustrie A. G., Central Finance Administration.

As we have already written to Dr. Max Ilgner, his gift will make it possible for his party to retain pictorially the work of our local group here and likewise to transmit part thereof to the Homeland.

This equipment will be entrusted only to one gentleman who is familiar with such apparatus. We shall communicate with you once more briefly in connection with this matter.

Heil Hitler!

(Signed) WAHLE, Personnel Division.

[Translation]

REGIONAL GROUP BRAZIL OF THE FOREIGN ORGANIZATION OF THE NAZI PARTY

THE REGIONAL GROUP LEADER

Postal Address: H. H. v. Cossel, S. Paulo, P. O. B. 1061

SAO PAULO, September 15, 1936. ■

Re: Your letter of August 31 from S. Paulo.

In reference: B-1/5980/Sp./Sch.

DR. MAX ILGNER,

Member of the Information Committee of I. G. Farbenindustrie A. G.

At present South America.

MY DEAR MR. ILGNER: It is only today that I am in a position to acknowledge with thanks the receipt of your letter referred to above. I have gathered from your comments that you were pleased with the manner in which you were received here in Sao Paulo by the National Socialist Official Agencies and the National Socialist comrades. I wish to thank you most cordially for the books which you have given me as well as for the prospects of making the 3 Movex Cameras and projectors available to us in order to support our activities. Since said books are particularly nice, I have decided to use them as prizes for young and old German friends who are outstanding with respect to cooperation and work in the field of German nationalism.

The photo equipment which you have announced will be transmitted, upon arrival, to the schools for which you have intended them. In any event I wish to thank you once more for these valuable gifts.

I immediately wrote to Mr. Hamers the day after you left, in accordance with what had been agreed upon, and I trust that we may soon count on a notification from your Central Office in Berlin in order to proceed with the publication of the amounts spent as an enticement for remaining stragglers. I am likewise in a position to inform you that Mr. Alfred Weiszflog has personally committed himself for 100 contos.

Tomorrow I am leaving for Rio and shall gladly avail myself of the opportunity to call on Mr. Hamers.

Trusting that your trip may continue to be successful, I remain with best regards.

Heil Hitler!

(Signature.)

P. S.—My collaborators whom you know have asked me also to convey to you their kindest regards and best wishes for the continuation of your trip.

EXHIBIT No. 19-c

LETTER TO KARL HUEBNER, OCTOBER 4, 1936, CONCERNING FARBEN'S CONTRIBUTIONS OF NAZI BOOKS AND LITERATURE TO THE GERMAN SCHOOLS IN CHILE

[Translation]

AT PRESENT: SANTIAGO DE CHILE, October 4, 1936.

MR. KARL HUEBNER,
Regional Group Leader of the Nazi Party,
Moneda 1054, Santiago.

MY DEAR MR. HUEBNER: Before leaving Chile I do not wish to miss the opportunity of expressing my sincere thanks to you and to the members of all the organizations of the Nazi Party in Chile, for the hospitality and assistance with which I have been received.

May I, as a token of my appreciation, hand you herewith the book of the Führer, and, at the same time, three additional copies of the Führer's book, with the request that you use them as prizes within the Regional Group and in the German Schools. I am likewise enclosing the work *The Great Germans* [Die Grossen Deutschen] for the library of the Regional Group.

Since I would like to contribute to the completion of the libraries of both the Regional Group and the German schools in Chile, I should appreciate it if you were good enough to let me know sometime at my address in Berlin what German works are lacking in particular. I shall then be glad, upon my return, to send a collection to you here.

In order also to give the Regional Group as well as the local groups in Chile an opportunity of recording their activities on films and to transmit some of them to the offices at home, I have asked Mr. Siering, head of the Quimica "Bayer" Weskott & Cia. and simultaneously confidential agent of the Berlin organization of I. G. Farbenindustrie A. G., to send you, for each, two Agfa Movex cameras and two Movector Film Projectors. The second set of cameras and projectors should be utilized for the German school in Chile which, for material reasons, is not in a position to afford them.

With best wishes for the work which you and the Regional Group are carrying out, I remain with kindest regards and Heil Hitler!

Very truly yours,

(No signature visible.)

EXHIBIT No. 19-d

LETTER FROM MAX ILGNER, DECEMBER 23, 1937, CONCERNING FARBEN'S CONTRIBUTIONS OF NAZI BOOKS AND LITERATURE TO THE GERMAN SCHOOLS IN SAO PAULO

[Translation]

(Text appearing below on left-hand side.)

Director, Dr. Ilger (sic), member of the Management Committee of I. G. Farbenindustrie, had a large collection of books handed to the Regional Group administration of the Nazi Party. The picture shows the acting Regional Group leader Pg. Müller with Mr. Heinrich Homann, head of "La Quimica Beyer S. A.," who handed over the books on behalf of Director Ilgner.

(Right-hand side.)

(Insertion in ink:) DECEMBER 23, 1937.

HA/Pr.

TO THE REGIONAL GROUP OF THE NAZI PARTY,
Sao Paulo via Foreign Organization of the Nazi Party,
4 Tiergartenstr., Berlin W. 35,

I was pleased to be able to visit your Regional Group during my South American trip. On that occasion we discussed the fact that the library was still

lacking certain works on New Germany's literature and I promised you that I would see to it that I. G. Farbenindustrie A. G. cooperate in filling this gap. I have not forgotten this promise, but frequent trips in recent years have delayed my selection those books.

I trust that the friendly relations which were then established may be continued, and I am glad, therefore, to know that it was possible, in cooperation with the "German Foreign Book Exchange" (Deutsche Ausländischen Bushtausch) to assemble a small book collection which has now been shipped (to you) as a commemorative token of appreciation. This collection of books will be handed to you by the manager of our agency in Rio de Janeiro, Mr. Max J. H. Hamers. I trust that the books of the Regional Group may provide many a pleasant hour of entertainment and remain with best wishes for the New Year, and

Heil Hitler.

Yours very truly,

(Penciled insertion (S) MAX ILGNER.

EXHIBIT No. 20

EXTRACT FROM MINUTES OF BAYER "DIREKTIONS BESPRECHUNG" ON ADVERTISING IN JOURNALS HOSTILE TO GERMANY, FEBRUARY 16, 1938

Date: February 16, 1938.

Page: 2.

Par.: 84.

Subject: Advertising in Journals Hostile to Germany.

This shall on all terms be avoided. Commercial and advertising considerations have to be put in the background as compared with the more important political point of view.

From files of Direktions Abteilung, Leverkusen, 9/5/45.

German original retained in bound volume "D B 1938," Leverkusen (British zone).

Translation by S. Sgt. William Freundel.

H. K. DREMAN.

FRANKFURT, Sept. 15, 1945.

EXHIBIT No. 20-a

TELEGRAM, DATED FEBRUARY 9, 1939, CONCERNING CONTRIBUTION OF FARBEIN FIRMS TO GERMAN LEGATION IN MEXICO

[Translation: Dobbek/Hild]

From: Cia. General de Anilinas, Mexico.

Telegram: Words: 33. Dated: 2.9. Received on: 4.9.1939.

In case of war
Legation
asks German firms Mexico
to let them have monies
on a loan basis
amounts
shall be refunded by German Government stop
Please authorize monthly payments
Pes. 10,000.—
on behalf of all I. G. agencies stop
Mexico press
must be influenced
Proposed monthly amount
all I. G. agencies
Pesos 200.—
please wire

Board agreeable
Dr. Overhoff informed:
5/9 V. L.

EXHIBIT No. 21

LETTER TO FARBE FROM AUFKLÄRUNGS-AUSSCHUSS, AUGUST 24, 1939, ON
ANTI UNITED STATES CAMPAIGN IN SOUTH AMERICA

[Translation]

AUFKLÄRUNGS-AUSSCHUSS

Hamburg-Bremen

(Beauftr. Dienststelle verschied, Reichsministerien)

Hauptgeschäftsstelle Hamburg

[Information Committee, Hamburg-Bremen (Official Agency of Various Reich
Ministries), Main Office—Hamburg]

Hamburg 11

(Stock Exchange Bldg., 3d Floor)

August 24, 1939

Mr. HERMANN WAEIBEL,

Commercial Counsellor, I. G. Farbenindustrie A. G.,
Frankfurt a. Main

MY DEAR MR. COMMERCIAL COUNSELLOR: One of the subject matters which
constantly recur in the series of Spanish articles of the Information Committee,
Hamburg-Bremen, is the

Fight against USA in South America

We have been in a position to secure in the *entire Ibero-American Press* current
publication of a great number of articles, news, and notices relative to this subject
matter.

A compilation encompassing the reprints which appear in all the South American
states would be too voluminous in order to give a *partial survey* of the results of
our endeavor in this special field, we have, therefore, compiled in the attached
list, all the publications which we were able to secure in the press of

ARGENTINA

on the strength of material connected with the topic "Fight against U. S. A. in
South America" from November 1, 1938, to March 31, 1939.

This long list shows in its first section a synoptic review of publications directed
against the United States in the papers of *Buenos Aires* whereas the second section
covers reprints in the *Argentine Provinciäal Press*.

We also wish to call attention to the fact that the enclosed list includes, of
course, only part (even though an important part) of the publications which
during such period could be effected by the Information Committee in Argentina.
In addition to the copies relative to the topic "Fight against USA" which serve
as documentary evidence and are mentioned in said list, we have in our files
numerous additional reprints of general political, economic, cultural, and technical
essays the publication of which has been caused by us in Argentina.

Heil Hitler!

INFORMATION COMMITTEE, Hamburg-Bremen.
(Signature)

Business Manager.

(A pencil notation, which is not clearly legible, reads in translation as follows:
Director Dr. Overhoff, does this involve outstanding newspaper(?) followed by
initials.)

EXHIBIT No. 22

LETTER FROM FARBE TO AUFKLÄRUNGS-AUSSCHUSS, SEPTEMBER 22, 1939, ON
ANTI UNITED STATES CAMPAIGN IN SOUTH AMERICA

[Translation]

FRANKFURT ON THE MAIN, September 22, 1939.

Dr. JOHANNSEN,

Information Committee, Hamburg-Bremen,
Main Office, Hamburg, Stock Exchange Building,
Third Floor, Hamburg 11.

MY DEAR DR. JOHANNSEN: I hereby wish to thank you cordially for your letter
of August 24, and for the proofs, enclosed therewith, of publications which ap-
peared in Argentina.

In connection with this particular matter I should like to state that, according to our information here, the Argentine papers which were chosen for these publications have, in comparison with the major daily newspapers, a very small number of readers, and consequently are not particularly effective. Especially in view of the attitude of a large number of Argentineans and Argentine publicity, I doubt that these channels would lead to the desired result. Among the newspapers which, in view of their circulation, appearance, etc., have a decisive influence in Argentina on the trend of public opinion, I wish to mention the following:

"La Prensa,"

"La Nacion,"

"La Razon," and others.

As to "Prensa" and "Nacion" I am inclined to think that—in contrast to the vast majority of the remaining papers of the Latin-American press—they have their own foreign correspondents in Berlin. It would certainly be very important to provide these foreign correspondents with the pertinent news material currently, if this were not already being done by the appropriate agencies.

If, as I can readily imagine, it were difficult to establish contact with the major newspapers in Argentina, I should venture to suggest that your confidential agent get in touch with ours,

Mr. Heinrich Homann,

La Quimica "Bayer", S. A.,

3102 Calle Cervino,

Buenos Aires 1/69,

in order to discuss what further steps should be taken. Anyhow, as far as I know, Mr. Homann is a member of the Central Press Committee of the German Chamber of Commerce.

With kindest regards and,

Heil Hitler!

(Signature.)

EXHIBIT No. 24

STATEMENT BY G. HANSEN, DATED SEPTEMBER 5, 1945, ON PAYMENTS TO GERMAN DIPLOMATIC AND NSDAP REPRESENTATIVES IN FOREIGN COUNTRIES

In accordance with arrangements made by the Zentral-Finansverwaltung (Central Finance Dept.), Berlin, and relayed to the agencies by Leverkusen, Bayer firms abroad made payments to German Embassies and to representatives of the NSDAP, as follows:

Country and date	Amount in foreign currency	R.M.	Paid to—	By—
Chile:				
11.3.40.....	Chil. \$ 400.000	49.079.80	Deutsche Botschaft, Santiago de Chile.	"Bayer" Santiago de Chile.
4.4.40.....	" \$ 400.000	49.079.80	do.	Do.
Mandschukuo: 20.5.40.....	Yen 67.918	39.800.—	Deutsche Gesandtschaft, Hsinking.	"Bayer" Hsinking.
Brasilien:				
15.2.40.....	Ctos. 4.000	655.737.60	Deutsche Botschaft, Rio de Janeiro.	"Bayer" Rio de Janeiro.
11.3.40.....	" 2.000	327.868.80	do.	Do.
5.4.40.....	" 1.000	163.934.40	do.	Do.
9.5.40.....	" 1.000	163.934.40	do.	Do.
11.6.40.....	" 1.000	163.934.40	do.	Do.
11.7.40.....	" 1.000	163.934.40	do.	Do.
1.8.40.....	" 1.200	196.721.31	do.	Do.
19.2.41.....	" 1.800	295.081.92	do.	Do.
7.4.41.....	" 3.000	491.803.21	do.	Do.
21.5.41.....	" 1.000	163.934.40	do.	Do.
17.7.41.....	" 500	81.967.20	do.	Do.
22.7.41.....	" 500	81.967.20	do.	Do.
26.8.41.....	" 200	32.786.90	do.	Do.
16.1.42.....	" 1.000	163.934.40	do.	Do.
Voucher missing.....	" 3.000	491.803.21	do.	Do.
Total.....	22.200	3.639.343.75		
Argentinien: 19.4.40.....	Arg. \$ 180.000	118.677.40	Deutsche Botschaft, Buenos Aires.	"Bayer" Buenos Aires.

Country and date	Amount in foreign currency	R.M.	Paid to—	By—
Spanien: 11.12.42.....	Pts. 212.000.—	50.000.—	Aual. Organisation der NSDAP, Ma- drid.	La Quimica, Bar- celona.
5.3.43.....	" 5.200.000.—	1.226.415.09	Deutsche Botschaft, Madrid.	Do.
8.3.43.....	" 1.000.000.—	235.850.—	do.....	Do.
8.3.43.....	" 5.500.000.—	1.297.175.—	do.....	Do.
22.3.43.....	" 62.000.—	14.622.64	do.....	Do.
9.4.43.....	" 7.500.000.—	1.768.875.—	do.....	Do.
9.4.43.....	" 3.115.000.—	734.672.75	do.....	Do.
13.4.43.....	" 5.002.148.71	1.179.756.75	do.....	Do.
J.	" 27.379.148.71	6.457.367.23		
	" 3.115.000.—	734.672.75		
	" 24.264.148.71	5.722.694.48		

For each such payment abroad, I. G. received the countervalue in R.M. in Germany from the German Foreign Office, and from the NSDAP in the case of the one payment to the A. O. in Spain.

I hereby certify that the above list is complete and correct to the best of my knowledge, and includes every payment made to or for the account of any representative of the German Government and NSDAP.

LEVERKUSEN, 5.9.45.

(S) G. HAUSEN, *Chief of the Bookkeeping Dpt.*

CHAPTER V¹

EXHIBIT No. 1

STATEMENT BY DR. VON SCHNITZLER, DATED AUGUST 15, 1945, ON FARBE's
POLICY OF AGGRESSION

AUGUST 15, 1945.

Beginning with the peaceful conquest of Austria and Czechoslovakia (Sudetenland) and continuing with the military conquest of the remainder of Czechoslovakia, Poland, Norway, Holland, Belgium, and France (with the peaceful conquest of Denmark following in between) and also in regard to the Southeastern countries, it is the primary purpose of the German government to incorporate the economies of those countries to the purposes of Germany. This undoubtedly meant that these countries must work for the German war machine. The principle from the first was "Führer" but that these countries must do it themselves. I remember that Mr. Schlotterer, Ministerialdirigent of the Reichswirtschaftsministerium announced this principle, in a meeting of the Beirat (advisory committee of the Reichsgruppe Industrie) after the conquest of France. I. G. also acted in accordance with this slogan.

The rapid accommodation of the Austrian industry to Goering's 4-year plan was amazing. Based on the water power of Austria which, of course, was relatively expensive, a substantial industry of manufacturing products in the metallurgical field was at once started. There were at least three big enterprises between Vienna and the Czechoslovakian frontier erected for the manufacturing of processed goods in the metallurgical field, and I. G. itself was planning in last summer in connection with the Moosbierbaum plant of magnesium to become interested in one of them. 12,000 t. of magnesium being projected for Moosbierbaum, that should mostly be converted in finished goods in Austria itself.

Furthermore the oil production in Austria was developed and at a certain time one had hopes that the oil fields in the north of Vienna could become a second Pennsylvania with the yield of 6-7 million tons of oil. I. G. took certain interest in that field too in the form of participations on which Dr. Bütetisch at once reported in the Vorstand. He can give every detail about it. Later on the excessive hopes did not materialize and, I think, the Austrian production remained at somewhat at 1 million tons. I. G. in Moosbierbaum did erect a hydrogenation plant which was destined to transform this Austrian oil and eventual oil coming from the Southeast up the Danube into highly octane gasoline for aviation purposes.

In the nitrogen field a plant of 50,000 ton was built up in Linz which was financed in the form of an "Umlage," taken from the producers in accordance with their participation in the turn-over of nitrogen.

Still the Austrian industrialization in such a sense was only at the beginning because for the future one expected to get cheap coal from upper Silesia. This, of course, only could be materialized after the construction of the Oder-Donau Kanal. In Austria water power and coal was very expensive because of the high costs of transportation and, of course, the water power was not yet written off. But for the future one expected that both items for an extensive industrialization would be obtainable at competitive costs to the other German "Industrie-Revier". The highly skilled Austrian population offered a labor potential which the government had decided to use to its full extent. The contribution of Austria to the war machine was very substantial, more in finished goods than in so-called commodities. Goering became very unpopular in Austria because when delivering there his first speech in Spring 1938, he said: "Now it's over with the 'Gemütlichkeit' (comfort), you must spit in your hands and go to work," which was resented because in Austria a highly developed finished industry has always been existing.

I. G. took the newly founded Donau-Chemie A. G. as an "overcoat" to buy huge land property in the so-called Tulln field which was a small city about 20-30

¹ Exhibits 3, 4, 5, 6, 8, 9, 10, 11, 14, 15, 16, 17, 18, 23, 24, 25, 30, 31, 32, 33, 34, 35, 40, 43, 45, 46, and 48 are on file with the Committee.

km. up the Donau from Vienna and was excellently situated for industrial development. Goering-Werke erected iron and steel plants, I think, in Linz which were connected with the nitrogen plant.

In general one always wanted in Austria to have Austrian companies on the spot and that was the reason, too, that I. G. took Donau-Chemie as an overcoat, but under that overcoat the big manufacturing plants in Moosbierbaum should be run directly and were run directly by I. G., so for instance the hydrogenation plant and the projected plant of Moosbierbaum.

The German industry tried to penetrate and generally did it in the same way as I. G. did. "Reichsdeutsche" were not popular in Vienna, generally speaking, and it was interesting to observe that most of them had left Austria again when war came to its end.

In Czechoslovakia the private industry in general was not allowed to develop an industrial activity, all the available lignite mines being taken over by Herman Goering Werke, and so was the huge plant in Brüx where more oil was produced than in Leuna. They wanted to achieve 700,000 tons. All of this was done by the Goering works, and this was based on the lignite districts of Brüx and Dux, where some 16-18 million tons of lignite were mined.

The Skoda works were developed enormously. Herman Goering Werke took a participation in the Skoda Werke as well. The Czechoslovakian contributions in the direct "Rüstungsindustrie" were very important. A part of Skoda, Prager Eisen, Ringhoffer, and then the famous iron works near Morava Ostrava in which the Rothschilds held 50% which were also taken over by Goering Werke, did supply an enormous contribution to the war machine.

The way by which these different Nazi governmental instrumentalities like the Goering Werke and the S. S. entered Czechoslovakia's industrial economy was highly to be blamed as it materialized practically as a looting of private interest.

I. G. did not participate in this whole domain and remained solely on its 50% participation on Chemische Werke Aussig-Falkenau. These works developed only modestly because their coal and power basic was too small to allow strong development, and a part of that Chemische Fabrik von Heyden was neither willing nor able to make money investments. Goering took everything over for himself so that there was no opportunity of the I. G. technicians to develop anything in Czechoslovakia.

In regard to *Poland* at first Goering wanted to take everything. He laid hand on the whole mining industry as far as it was not German private property or American one. He did not want the so-called big industry to be participated. A word is reported of him: "Natürlich Giese's Erben, die wollen wieder erben, aber daraus wird nichts, und die I. G. bekommt schon garnichts." But at least things developed in quite another way as I. G. was asked by the government or by Krauch to start in an enormous industrial development in creating two entirely new works, one in Heydebreck, in an old German territory, that means a territory which was allotted to Germany by the plebiscite in 1931, near the frontier, and the second in Auschwitz between Kattowitz and Krackau on Polish territory. The industrial conditions because of favourable location were so promising that we could not decline the invitation to start new industries in these places. The two biggest items in it were the buna in Auschwitz and then, of course, the hydrogenation in Heydebreck and in Auschwitz. Heydebreck is practically another Oppau.

I have already made a statement regarding I. G.'s taking over of the Polish dyestuff industry.

In *Norway* two big enterprises were planned for the Luftwaffe, one through the Reichsgesellschaften called first NORDAG and later on HANSA Light Metal for Aluminium, and the second NORDISK LETMETALL, a joined factory of I. G., Norsk Hydro, and Luftwaffe. The first was given up and never materialized, but after having spent hundreds of million marks for the plant of which I. G. was interested, it was destroyed by air raids and never came to work.

The idea was to use the Norwegian water power which offered still great possibilities, and the clay necessary for the production of aluminium was of Norwegian origin just as well.

In regard to *Holland* and *Belgium*, there is no doubt that the industries of those countries were also used for the German war machine.

The *French* contribution to the German war machine was tremendous. First in the agricultural domain it was said that from France to Germany more cereal products came than from all the eastern territories together. But the industrial performance of France was also very important mostly in such finished articles

where not much coal and power were used. In France the contribution of the chemical industry for the aforementioned reason was more or less modest. I would cite especially the tire industry and the motor-car industry, especially the Renault Works, for their tremendous contribution to the German war machine. In the first part of the war textile industry based on important stocks could also give a substantial contribution.

In regard to the *Southeastern countries* the same principle of the complete accommodation of their industries to the German war machine was aimed. But the industrial capacities of those countries being relatively poor, the main concentration was in regard to agricultural products and certain raw materials, like pyrites from Mindebor in Serbia, and then chrome ore from Bulgaria and Greece, and, of course, oil from Roumania.

The different Dynamit-Nobel participations in those countries supplied the axis army with powder and explosives.

Side by side with Germany's tremendous utilization of the industries of the conquered countries for the German war machine there came to be a great German penetration of the economy of the conquered countries largely by such governmental instrumentalities as Goering and the S. S. I. G. played an important part in adapting the economy of the conquered countries to the purposes of the German war machine. Also I. G. acquired companies, increased its participations in other companies, and made important new capital investments in the conquered countries.

G. VON SCHNITZLER.

(Signature:)

(Position in I. G.):

EXHIBIT No. 2

STATEMENT BY MR. ILGNER ON FARBE'S POLICY OF AGGRESSION

AUGUST 15, 1945.

The general policy of the Nazi government in respect to the conquered countries was to take as much out of those countries as possible. At all times the prime objective of the Nazi government in regard to the conquered countries was to utilize the economics of those countries for the purposes of the Nazi war machine. In practically all of the conquered countries, such Nazi institutions as the Hermann Göring Works and the S. S. seized valuable properties of tremendous importance in the armament field. In my opinion what they did was poor and pure loot. For example, I know, that in regard to the Manfred Weiss Corporation in Budapest, the S. S. compelled them to sign an agreement transferring all of the properties to the S. S. This is an outstanding example of loot. I mention it because I heard of it in Budapest. In regard to the chemical and related industries of the conquered countries, I. G. played an important role in adapting the industries of those countries to the purposes of the Nazi war machine of all German chemical firms. I. G.'s part in adapting the chemical industries of the conquered countries to the purposes of the Nazi war machine was by far the most important. I. G. acquired new companies, augmented its participation in other companies and made a tremendous amount of new capital investments in the conquered countries.

(Signed) M. ILGNER.

EXHIBIT No. 2-A

SPEECH BY DR. VON SCHNITZLER IN VON WERK ZU WERK, JUNE 1939, ON FARBE'S POLICY OF AGGRESSION

[Translation: Tldow/Spies]

My comrades: When I spoke to you one year ago, just a year had passed since the return of the "Ostmark" (Austria) to the Reich. The last 1st of May was therefore for us all a happy day, on which we celebrated for the first time together with our brothers in Austria, in the new created Greater Germany, the "National Labor Day."

Now another year has passed, a year in which other great events took place, the historical importance of which we cannot yet really estimate. The Sudetes and the Memel district, both regions formerly of German folklore, have become again a part of our country, and in Bohemia and in Moravia the political good

eye of the Führer has, by the creation of the "Reich's Protectorate," made an arrangement which, instead of troubles and political tensions, has brought order and peaceful conditions, and with them new economical possibilities. In the same way as at the return of Austria to the Reich, we have now again to incorporate what our politics have won into the economical life of Greater Germany, and to make use of it for all parts of our whole economics. The German industry, and specially our chemical line, receive thus again big tasks. As to the chemical industry in the Sudetenland the "Aussiger Verein" which is very up to date in all branches of the chemical production, has the greatest importance. Besides this the "Aussiger Verein" has developed a certain activity in the most modern chemical lines, as the manufacture of synthetic rubber and casein wool, as well as the liquefaction of coal. It will be particularly interesting for you to learn that a German group, in which our I. G. has a 50% participation, has taken possession of the two big "Sudeten-German" undertakings of Aussig and Falkenau. Many other "Sudeten-German" establishments will too work from now for the "Four-Years Plan," and new plants will give new life and new work to this productive industry district. First of all the common export must be taken into consideration, the "Greater German" industry, especially in the Southeastern part having in view to increase the number of its customers. Also the creation of the "Reichs Protectorate" over the countries Bohemia and Moravia has important economical effects.

By the cession to Germany, Hungary and Poland, neither the unhappy geographical form nor the economical structure of formerly Czecho-Slovakia had grown healthier. This long-stretched state in the heart of Europe was a wedge between two so important parts of the "Greater German" Reich as are Austria and Silesia. The change brought about by the Protectorate, makes it on the other hand possible that the territories which had been separated in autumn 1938 complete each other again, and there is no doubt, that their economical union will, in the long run, be favourable for the Czechs too. The population of Austria, of the Sudetes and of the territory of Bohemia-Moravia attains only a quarter of the population of the "Old Reich," the consumption of chemical products is, however, less than $\frac{1}{10}$, and the production nearly $\frac{1}{10}$ of that of the "Old Reich." The consumption in the new districts has thus to become about the triple of what it has been, if the state in the "Old Reich" shall be reached. This is especially the case for the agriculture. The consumption of fertilizers amounted in Austria only to $\frac{1}{2}$, in Bohemia and Moravia only to $\frac{1}{4}$ of the average consumption of fertilizers in the "Old Reich." The additional consumption of fertilizers and insecticides can easily be supplied by the already existing plants in the "Old Reich." The union can thus in a short time bring an increase of the agricultural production. As to the industry, a great part of work has to be done by the chemistry in order to supply the relative large requirements of raw materials in the new district. In the same way as for cellulose and spun rayon, it will be necessary also in the lines of synthetic rubber and new plastic materials that the German chemical industry produces sensibly more than before in order to supply the industries of the Central European territories. If this task is carried on successfully, and if the standard of life is improved by the delivery of goods to the new districts, the German chemical industry will have furnished a very important constructive assistance. We all have to contribute to the success of this constructive work, and that our Greater German house will be such that it stands fast and firm for all times. It will be necessary in future that we endeavour, as we did already these last years, and continue our efforts to fulfil these tasks entirely.

Special efforts will in future perhaps sometimes be necessary, for you know all, my comrades, that we are in Germany already now short of workmen, owing to the many problems which have to be resolved for the best of our people. Unemployment which was some time ago a big trouble in our economical life and in the life of a great number of our fellow workmen, has disappeared. The bold projects of our Führer have created unforeseen possibilities of work so that the procuring of work is no longer the question; on the contrary, the serious trouble is at present how to find enough men securing by their capacities and their zeal the execution of the tasks of the German industry. It will therefore not always be possible in future in the German economy to compensate more work in employing more men. It is indispensable that the efforts in general must be increased. This has even become a question of life in Germany. But I know that you all, as ever, will readily fulfil all coming requirements, in order to contribute by your acts to the further growing of our industry.

My comrades, if you think on this 1st, of May of our work of these last years, you will see that also in our firm here the German economical development since

1933 is plainly reflected. The improvement of the capacity of consumption and the new gained confidence brought particularly on the home market good business successes. The export offered, however, as you know, many contrarieties and difficulties. But our departments for the sale of dyestuffs and chemical products have, notwithstanding all difficulties, always considered the furtherance of our export as their first task, and they endeavoured also last year again and again to attain the highest possible export figures. If our sales departments are so seriously conscious of their task, they fulfil thus, in my opinion, one of the principal duties vis-à-vis the German people and our whole economy. The wish to replace the up to now imported raw materials, if possible by German goods, has, chiefly in the line of chemicals, caused the development of many new products. I name as instance only the wide field of plastic materials. Sometimes it was also necessary to establish new departments or to take other measures of new organization according to the change in the sales requirements. Also in the line of dyestuffs and auxiliaries for dyeing new important products were started, and the refining of the quality and the enriching of the assortments progressed considerably. A particularly good illustrative picture of the increase of the work volume and the positive development since 1932 also in our firm—1932 being the time of the greatest economic depression—results from the fact that the personnel of our house was increased by about 900 employees on April 1st, of this year compared with January 1st, 1933; the 3,000 men limit has thus been sensibly exceeded.

My comrades, if the success is welcome and important for business, it is at least as important that there reign in the firm the right principles, and I am glad to be entitled as the manager of our firm to say that also during the passed year there was always in our house a good national-socialist spirit, a spirit of confidence and understanding among the personnel and of the personnel towards the business management. Such an absolute confidence is the basis for every cooperation, for the joyous working of everybody, and finally also for the professional progress of every employee. That every able employee will make his way is the wish of the business management. We understand fully the justified desire, to advance by ability and zeal into a better position, I think even it is one of the most important duties of the business management to take care that under no circumstances able employees will be hindered to get on. To defend this is not only a requirement of social justice, but also of good sense, for only an undertaking in which by selection of the best the business management is always completed will be, in the long run, successful. No means can better serve this purpose than the trial of the employees by a practical competition in the "Reichsberufswettkampf." In this competition of abilities neither birth nor protection are looked upon, but only the self-done work. The "Reichsberufswettkampf" gives every employee the possibility to examine this knowledges and prevents that he becomes one-sided and loses thus the necessary mobility for an eventual other employment. It is thus in the interest of all those who desire to get on—and I think that most of you have this wish—to take part in the future competitions and to prove by the result their abilities. In future, as I said already, we shall make depend the improvement of the position of our employees also on their having participated in these competitions. In order to make things quite clear, I want to point out that the results of the competitions will not be to the disadvantage of anybody, but will be taken into consideration only in the interest of those who have shown good capacities.

I am glad to state that my appeal of last autumn to take part in the "Reichsberufswettkampf" of this year has had a nice success, and that this time about 1,200 persons have sent in their names, that is to say about three times the number of last year. All our apprentices took part for the first time without exception. The result of the competition is, if we consider that this is only a beginning, to be called satisfactory. Among the participants 56 were the best of our town (Ortsbeste), 13 best of the district (Kreisieger), best of the "Gau" were Miss Margrit Lins of our "Casino" and the apprentice Theodor Schäfer. This morning I learnt that Miss Lins has become national winner (Reichssiegerin). In the name of all our firm I offer her our best congratulations. As reward for the winners the business management, together with the "Vertrauensrat" (Advisory Board of personnel), has resolved to enable the district and "Gau" winners to participate in a voyage with "Strength through Joy," the "Gau" and national winner, Miss Lins, will get moreover a special training allowing her a quicker professional development. We shall dispense the "Gau" winner Theodor Schäfer furthermore with 6 months of his three years' apprenticeship.

Dear Comrades, a year, rich in work, but also rich in nice successes has passed. I want to thank you all very much in the firm's name for your ready cooperation

during this year. I want to say also many thanks to our "Betriebsobmann" Grosch and to all cooperators of the "Vertrauensrat" (Advisory Board of personnel), who by their disinterested and unselfish activity have so much contributed that the work in our firm has always been so harmonious. We all will endeavour to do our work also in future in the same spirit, for it is thus we'll thank best our beloved Führer Adolf Hitler. Heil Hitler!

EXHIBIT No. 7

STATEMENT BY DR. VON SCHNITZLER, DATED AUGUST 21, 1945, ON THE RESULTS OF FARBEN'S ACTIVITIES

On order of the Nazi Government with the annexation of Austria and Sudetenland and later on with the annexation of Bohemia and Moravia in these newly conquered countries the economic system applied in Germany at once was introduced.

Rearmament production had to replace the normal production for peace consumption and in a very short time the stocks were exhausted which in both countries were still available when the German troops entered into them.

The German troops themselves and dealers following them tried to acquire as much as possible of whatever was available in imported goods—textiles, coffee a. s. o. which had yet become scarce in Germany—and the domestic production was transformed from a platform of highly qualified export industry into goods serving the rearmament purposes. This process developed with a rapidity which even surprised the economic circles themselves which were acquainted with the preceding development in Germany, and it was also surprising, how quickly the standard of living in these countries was adapted to the one existing in Germany. And this not only happened in the industrial field, but in the agricultural just as well. Butter and "ham of Prague" disappeared from the market as quickly as coffee and chocolate and even meat in a short time became meager because the foreign-imported fodder was exhausted.

The workmen for instance in Aussig realized very soon that their nominally higher income represented in buying capacity a step backwards and the hardship of daily life to the population very soon became apparent.

The rearmament process materialized in such a way that first the capacities not entirely employed became used in full; for Austria as well as for the Sudetenland huge plans for war production were at once set up, for Austria the Hermann Goering Werke at Linz, in connection herewith a Nitrogen plant for 50,000 tons N, the utilisation of water power and the enlargement of the many different metallurgical works in Vienna, Wiener Neustadt and Steyr—in Sudetenland the great hydrogenation plant in Brüx set up for 700,000 tons of oil-gas, which were nearly completed at the end of 1940. I. G. participated in this development with the great factory in Moosbierbaum near Vienna, which of course only made very slow progresses and was far from being terminated when war came to an end.

For my opinion one cannot speak of a displacement of industries from the West to the newly conquered countries, the industrial capacities and the industrial possibilities of these countries were used as an additional asset to the existing potential.

FRANKFURT, 21.8.45.

(Signed) G. VON SCHNITZLER.

EXHIBIT No. 12

REPORT ON AUSTRIA FOR THE MEETING OF THE MANAGEMENT COMMITTEE ON OCTOBER 21, 1938

[Translation]

Confidential

[Penciled insertion:] Incorporate into files of Donauchemie.

1931/32.—Insofar as individual I. G. agencies are concerned, Austria and more particularly Vienna had already for a few years, and especially since the beginning of the currency and exchange difficulties in 1931/32 occupied a unique position

in relation to Southeast Europe. This unique position was essentially reflected by the two following facts:

1. The sales organization for chemicals in Austria, i. e., "Anilinchemie," Vienna, handled not only the Austrian market but was likewise called upon to attend to certain assignments in Southeast Europe.

2. The head of "Anilinchemie," Vienna, was competent [to act] in his capacity as "Zefi"¹ confidential agent, and simultaneously had jurisdiction in said capacity (particularly with respect to matters of export and transfers of sales proceeds) over the remaining Southeast European countries jointly with the respective local representatives.

1936.—As a result of a suggestion which has for years been made by the head of "Anilinchemie" to bring about closer ties with "Skodawerke-Wetzler A. G." (S. W. W.), coupled with the necessity of changing the personnel and organization of "Anilinchemie," (Mr.) G. Schiller, Berlin NW 7, is being sent to Vienna.

March 13, 1938.—The assignments inherent in the reorganization of the personnel of "Anilinchemie" (Aryan problem), entrusted to Schiller by the "Verkaufsgemeinschaft Chemikalien" [Sales Syndicate Chemicals] and I. G. Berlin NW 7, and the liquidation of the transactions initiated by Roth in line with the promotion of exports, were carried out essentially or in principle, at the time of the political change (Umbruch).

The negotiations conducted since 1936 with a view to acquiring a controlling interest in S. W. W. have not as yet been concluded definitely since various I. G. agencies have had interests of varying scope. The conclusion of said negotiations, however, is close at hand.

March 13 to May 5, 1938.—The management officials of both the "Creditanstalt" and S. W. W. with whom the negotiations for the acquisition of shares have hitherto been conducted, are being changed. We are facing a new situation.

In addition, a great many members of the management of the enterprises of "A. G. Dynamit Nobel Pressburg," which are located in Austria—especially Philipp—are resigning.

In order temporarily to continue the business of both S. W. W. and the Austrian enterprises of Dynamit Pressburg, and in concurrence with the appropriate authorities, I. G. and D. A. G. Troisdorf are making available G. Schiller.

May 5, 1938.—(Mr.) Rafelsberger, State Commissioner for Private Industry in Austria, places Administrators (commissioners) von Odelga and K. O. Schiller in charge of all the enterprises and sales organizations of I. G. and Dynamit Pressburg, which are located in Austria.

May 7, 1938.—Ilgner, Krüger, Gattineau, and G. Schiller carry on discussions with President Kehrl and Chief Governmental Councillor (now Ministerial Councillor) Bergemann at the Reich Ministry of Economic Affairs, and submit information to State Secretary Brinkmann.

May 9, 1938.—Ilgner is authorized by I. G. and D. A. G. Troisdorf to conduct negotiations with State Commissioner Rafelsberger in Vienna.

May 10–13, 1938.—Ilgner, Haefliger, Kugler, Meyer (D. A. G.) Gattineau are in Vienna. Negotiations and discussions with all agencies entering into consideration, and more particularly with Reich Commissioner Bürckel, Economics and Finance Minister Fischböck, Mayor Neubacher, State Commissioner Rafelsberger and the latter's Field Director Dr. Bilgerie, President Kehrl and the latter's collaborator Dr. Veesenmayer, and with German Labor Front Administrator Nemeš in Austria.

The principal reason for the appointment of the administrators (commissioners), in addition to many other essentially psychological reasons, turns out to be a marked dissatisfaction among the workers and employees of the individual Austrian enterprises, especially (among the workers and employees of) Deutsch-Matrei and Österreichische Dynamit with respect to social and personnel matters (Aryan problem). Considerable tension developed among these workers and employees, as a result of the fact that during the years 1933 to 1938, I. G. and D. A. G. practically did not exert any influence on the business management because the interest held through Czechoslovakia barely amounted to a majority of shares. All these reasons in conjunction with the negotiations concerning S. W. W. which, from a technical point of view, had become very difficult, aroused in the State Commissioner the impression that I. G. pursued objectives contrary to the general guiding principles and more particularly that I. G. intended to shift the Austrian enterprises to the Old Reich instead of developing the same and to replace the available Austrian employees by German nationals.

¹ [I. G. abbreviation for "central finance."]

May 13, 1938.—On May 13, 1938, the administrators (commissioners) are withdrawn after clarification and disposal of all acute cases and on the strength of an agreement with the State Commissioner for Private Industry, pursuant to which changes in leading positions shall be made only by mutual agreement, and according to which furthermore a representative with full powers of I. G. for Austria, who shall be in permanent contact with him, is appointed for the duration of the political reorganization [Umstellung].

In connection with the acquisition of S. W. W. approved, in principle, by the authorities, I. G. undertakes to modernize and develop the existing enterprises in Austria, and, if possible, to provide a more elaborate basis for production by establishing new plants. The formal document by which the State Commissioner expresses approval among other things of the acquisition of the S. W. W. shares, is attached hereto as Exhibit 5.¹

In concurrence with State Commissioner Rafelsberger, former Administrator (Commissioner) von Odelga is assigned to us at our request in order later to handle personnel and social matters of "Donau Chemie A. G.," which is to be [newly] established, and at the same time to act as head of the branch office of the Politico-Economic Division (NW 7) in Vienna.

May 24, 1938.—Ilgner's report is submitted to the Business Committee. Ilgner is appointed with full powers to act on behalf of the Business Committee in Austria and Southeast Europe and Fischer—temporarily represented by Gattineau—is appointed with full powers for Austria with temporary headquarters at Vienna.

June 17, 1938.—Ilgner's report is submitted at the meeting of the Management Committee. Acquisition of the S. W. W. shares is approved on the basis of a report to be drawn up by "Deutsche Revisions- und Treuhand-A. G.," to exclude the Austrian enterprises of Dynamit Pressburg [from membership]. It is decided to set up "Donau Chemie A. G." by combining the following enterprises into one manufacturing company: the enterprises of Skoda-Wetzler (Moosbierbaum Plant and subsidiary Wagenmann, Seybel & Co. with the Liesing Plant) and Carbidwerk Deutsche-Matrei A. G., which belongs to the Dynamit Pressburg group (with Brückl and Matrei Works (not in operation) and subsidiary "Österreichische Kunstdünger-, Schwefelsäure- und chemische Fabrik A. G." with the "Deutsche-Wagram" [Plant]. The interest of Carbidwerk Deutsche-Matrei in "Continental Gesellschaft für angewandte Elektrizität" shall be transferred as interest in "Donau Chemie A. G." Donau Chemie A. G. will also take charge of the operational and administrative management.

The enterprises of Dynamit Pressburg which are located in Austria and which fall within the scope of activities of the Explosives-Powder Group, shall also be excluded [as members] and shall in the future be administered directly by D. A. G. Troisdorf.

Subsequently Kühne and Bütefisch report at the meeting of the Management Committee on the status of technical development of the plants and on the present intentions to carry out new projects and/or develop and improve existing production facilities.

REMARKS OF DR. KÜHNE

The status of the technical development of the Moosbierbaum, Liesing, Brückl, and Landeck plants is not bad. The management of the same is likewise in order. These plants and their production are, of course, small in comparison with I. G. plants. It seems possible, however, to operate these plants profitably even on the basis of today's production provided that the vast general expenses which were inherent in the administrative organization at Vienna are considerably reduced and that a few manufacturing operations which result in losses will be discontinued.

Of course, the operational costs of the plants will at first increase considerably due to the fact that, in contrast to the Viennese administrative agencies, the officials at the plants have received small salaries. In this respect, as well as in part with respect to the workers (in the latter instance, however, only through trustees) improvements will have to be made. It is further necessary to improve and/or provide rest rooms, baths, etc., which in part are quite insufficient, unpleasant, or even lacking. In addition, living quarters for the workers are required which should possibly be built in cooperation with housing companies.

At the beginning, all these measures will certainly not result in a pleasant picture on the balance sheet. It is expected, however, that in line with the industrial revival of Austria manufacturing will expand and new types of produc-

¹ Not available to translator.

tion will be brought about (expansion of SO3 facilities is already being contemplated) so that the increased operational costs can also be borne.

Appointment of Kühne and Bütefisch as authorized agents for all basic technical matters in Austria within the framework of new tasks while the services of Sauer are engaged for matters involving hydraulic power.

June/July 1938.—Negotiations with "Creditanstalt" with a view to closing the deal relative to the acquisition of the Skoda-Wetzler shares. The opinion of "Deutsche Revisions- und Treuhand A. G." which was secured at the request of State Secretary Keppler and State Commissioner Rafelsberger, included an appraisal amounting to 210%. Considering especially the reduction in value resulting from the decrease of prices for chemicals, and the investments which are still to be made, the negotiations reveal that a transfer price at the rate of 180% seems to be justified.

July 4-10, 1938.—Müller, Ilgner and Fischer are negotiating in Budapest with the "Pester Ungarische Commercialbank" [Hungarian Commercial Bank of Pest] (which holds a 30% interest in Dynamit Pressburg and [with] Philipp (Dynamit Pressburg) in regard to the acquisition of the Austrian enterprises of Dynamit Pressburg, [to wit]:

(a) 100% Carbidwerk Deutsch-Matrei A. G.—with subsidiary interests
100% Österreichische Kunstdünger-, Schwefelsäure und chemische Fabrik A. G., 68.3% Continentale Gesellschaft für angewandte Elektrizität.

(b) 100% Österreichische Dynamit Nobel A. G.—with subsidiary interests
37.9% Enzesfelder Metallwerke A. G., 12% Ipari A. G. für industrielle Sprengstoffe Budapest, 20% Erste Rumänische Sprengstoffgesellschaft Bucharest.

The preliminary contract of I. G.-Dynamit Troisdorf-Dynamit Pressburg is signed: The purchase price amounting to approximately 2.9 million RM, which is considerably below the value resulting from the balance sheets of the companies thus acquired, shall be paid in 25 annual installments by way of clearing against the Pressburg dividends accruing to D. A. G. Troisdorf on the strength of its 51% interest subject to approval by the German and Czech authorities.

In order operationally to coordinate all the enterprises located in Austria (excepting the powder/explosives field) even prior to the definite acquisition, Dynamit Pressburg agrees to the conclusion of a pool agreement between said enterprises and those of S. W. W., with the inclusion of I. G.

July-October 1938.—Renewed difficulties are being encountered in connection with the acquisition of the S. W. W. shares as a result of objections raised by the Army Munitions Office with respect to Sprengstoffwerke [plants producing explosives]. Blumau A. G. in which the Reich holds a 50% interest through the Austrian State, while S. W. W., as well as a private group (former directors of S. W. W.) hold a 25% interest each in the same. The Army Munitions Office wishes prior to the acquisition of the S. W. W. shares by I. G. to have the State (secure full [100%] ownership of) in view of the latter's production of military explosives.

Sept. 5, 1938.—Müller negotiates with the private group of Blumau shareholders. The shares are acquired.

The negotiations conducted subsequently thereto by Fischer, Meyer, and Gattineau with the Army Munitions Office, have finally led to the following result:

After taking over the 25% of the Blumau shares which are in the possession of S. W. W., I. G. will sell the same, together with the 25% interest acquired from said private group, to the German Reich (State of Austria) at the rate of RM. 200,000. Sprengstoffwerke Blumau A. G. will in the future produce explosives and powder only for military purposes while the civilian quota of explosives will be filled by D. A. G. Troisdorf. I. G. undertakes to see to it that Blumau will also in the future be supplied with the necessary amounts of oleum and that technical advice will be made available to D. A. G. In consideration thereof, I. G. will receive a lump-sum compensation of RM. 300,000. Considering the fact that the 25% Blumau interest was valued at RM. 800,000 on the basis of the acquisition of the S. W. W. shares, I. G./D. A. G. enter into Blumau's rights to the civilian quota of explosives at a reasonable rate i. e. RM. 400,000.

Sept. 21, 1938.—Ilgner, Meyer, and Gattineau negotiate with the Austrian Ministry of Finance in regard to the Blumau contract. A basic agreement is reached.

Oct. 4-6, 1938.—The Blumau contract is signed at the Austrian Ministry of Finance. The contract notes covering the acquisition of S. W. W. shares are signed by Buhl and Ilgner at the "Creditanstalt."

I. G.'s interest in S. W. W. now amounts to a total of 93.1385%. The equivalent of the shares acquired from the "Creditanstalt" amounting to RM. 7,424,130 will be paid in five approximately equal, irrevocable annual installments bearing interest at the rate of 5%.

Oct. 6, 1938.—Ilgner and Gattineau negotiate with State Commissioner Rafelsberger in regard to management staff appointments for "Chemikalien Verkaufsgesellschaft [sales company for chemicals] Donau G. m. b. H. and for "Donau Chemie A. G." which still remains to be established. The approval which we have received gives us more liberty of movement, and makes it possible for us to fill the positions in accordance with the requirements of the business interests. The binding obligation assumed in principle pursuant to which all matters of importance concerning personnel have to be discussed with the State Commissioner, continues in effect.

Oct. 7, 1938.—Business Committee approves the appointments for the Board of Directors and the Management Committee of Donau Chemie A. G., following the approval already given by Dr. ter Meer on behalf of "Tea" on the strength of consultations with Dr. Kühne.

In this connection it appears advisable to combine the appointments made at the meeting of the Management Committee on June 17, 1938, under which Kühne and Bütefisch were entrusted with the handling of technical matters in Austria, with the appointment of Ilgner for the handling of general business matters in Austria and in Southeast European States (Business Committee [meeting] of May 24, 1938 and June 16, 1938), in such manner that this group will, in the future have jurisdiction, subject to consultation with the I. G. agencies concerned—especially Kugler in matters relating to dyes—over all general matters of interest to I. G. in Southeast Europe. Kühne conveyed also in this connection, the approval of ter Meer on behalf of the persons having jurisdiction over technical matters.

In connection with all these personnel matters the approval of the Central Committee and of the Management Committee shall be secured at the respective meetings.

Oct. 14, 1938.—The agreement with the Hungarian Commercial Bank of Pest and Philipp (Dynamit Pressburg) covering the acquisition of the enterprises of Dynamit Pressburg which are located in Austria, is signed by Meyer (D. A. G.), Gattineau, and Kersten at Budapest. The Reich Ministry of Economic Affairs has given its approval in principle. The approval of the Czech National Bank is still outstanding. Since the acquisition of both the S. W. W. shares and the Austrian interests of Dynamit Pressburg by I. G. has been agreed to in principle, the pool agreement which has been repeatedly discussed will now immediately be concluded in order to provide a centralized management for the different enterprises without delay. At the same time, the necessary steps preparatory to the establishment of "Donau Chemie A. G." are being taken; the absorbing firm is S. W. W.

Fundamental Observation

Considering the particular circumstances in Austria which, by reason of their experience all those entrusted with the conducting of the negotiations recognize in principle, it appears advisable, despite the existing distribution of ownership, not fully to coordinate forthwith the management of the two "Donau" [Danube] companies with the internal organization of I. G.

The "Chemikalien Verkaufsgesellschaft Donau G. m. b. H." will, therefore, not have the status of a mere sales agency, for it will have added to its regular activities a number of additional assignments, primarily because it is in this way that the close relationship between Vienna and the Southeast European sphere can best be utilized to good advantage. The sales of products manufactured by the companies which are parties to the above-mentioned pool agreement (later "Donau Chemie A. G.") shall be conducted in conjunction with the sales of products originating in I. G. plants proper—possibly also including products of firms which are not members of the syndicate—by the "Chemikalien Verkaufsgesellschaft Donau G. m. b. H." which—similarly as before in the case of "Anilinchemie A. G."—shall handle not only the Austrian market but at the same time certain assignments inherent in the sale of chemicals also in the remaining Southeast European countries.

It did not appear advisable to convert "Anilinchemie A. G." into said "Chemikalien-Verkaufsgesellschaft Donau G. m. b. H.". On the contrary upon the advice and in concurrence with the Austrian agencies, it was decided to liquidate "Anilin-

¹ Translator's Note: Probably "Technical Committee."

chemie A. G." and to establish "Chemikalien-Verkaufsgesellschaft Donau G. m. b. H." as a new enterprise. In order to emphasize the Austrian character of the company, 30 percent of the corporate capital was taken over as trustee for "Donau Chemie A. G." by His Excellency Riedl, who is to become Chairman of the Board of Directors of "Donau Chemie A. G."

For similar reasons a formal appointment of a board of directors for the "G. m. b. H." [Ltd. Company] appeared advisable.

In the case of the manufacturing company, i. e., "Donau Chemie A. G.," the mere fact that I. G. does not control the different enterprises 100% results in the necessity of providing a business management which to the outsider appears to be more independent, not to mention the fact that a company so set up as an outwardly independent organization is a much more appropriate partner in many respects within the framework of the development potentialities in Southeast Europe.

In view of similar considerations, social matters shall likewise be handled independently.

Plans concerning the filling of positions for both the manufacturing company and the sales company were worked out in consultation with the appropriate I. G. agencies. In this connection, overstaffing of individual agencies could not be avoided, since it was necessary to take over all the workers and employees of the firms to be merged, including those of "Anilinchemie" which was to be liquidated.

This overstaffing was in part offset by the release of the non-Aryan employees, and will be further offset in the future by the fact that positions which become vacant will not be filled.

Exhibits I and II, which are enclosed herewith, shows the status of personnel (Governing Board or Board of Directors and Management Committee) of both "Donau" [Danube] companies in the following states: [first] the original status (i. e., prior to the political change), [second] the interim status (immediately after the political change), and [third] the status as it should be in the future.

Exhibits III and IV are graphic illustrations of the original organization of the S. W. W. and Dynamit Pressburg syndicates. A similar chart will be prepared for "Donau Chemie A. G." as soon as the preliminary work inherent in the foundation of this firm is completed.

Dr. I/Du

BERLIN NW 7, October 19, 1938.

EXHIBIT I. DONAU-CHEMIKALIEN-VERKAUFSGESELLSCHAFT M. B. H.

I. Organization prior to the political change ¹	II. Interim status	III. Final appointments
ANILCHEMIE-AKTIENGESellschaft		
GOVERNING BOARD	GOVERNING BOARD	BOARD OF DIRECTORS
Hermann C. A. Seeböhm, Vienna; chairman.	Ludwig Hopfgartner, Vienna.	Eduard Weber-Andrae, Frankfurt; chairman.
Comm. Coun. Wilhelm Roth, Vienna; vice chairman.	Günther Schiller, Vienna.	H. E. Richard Riedl, Vienna; vice chairman.
Ludwig Hopfgartner, Vienna.	Hermann C. A. Seeböhm, Vienna.	Walter Horstmann, Frankfurt.
Erwin Philipp, Vienna.		Dr. Max Ilgner, Berlin.
Günther Schiller, Vienna.		Dr. Hans Kühne, Leverkusen.
MANAGEMENT	BUSINESS MANAGEMENT	BUSINESS MANAGEMENT
A. O. Moos v. Seiller, Vienna; manager.	Dr. E. v. Pongratz, Vienna; business manager and operational head.	Dieter v. Consbruch, Vienna; business manager and operational head.
Dr. Salomon Unterberg, Vienna; manager.	A. O. Moos v. Seiller, Vienna; business manager.	A. O. Moos v. Seiller, Vienna; business manager.
Joseph Guthner, Vienna; authorized representative.	Dieter v. Consbruch, Vienna; assigned to the management.	K. O. Schiller, Vienna; manager and operational head.
Gustav Rössler, Vienna; authorized representative.	K. O. Schiller, Vienna; manager and deputy operational head.	

¹ Umbruch.

EXHIBIT II. DONAU CHEMIE A. G.

I. Organization prior to the political change ¹	II. Interim status	III. Contemplated final appointments
<p>1. PULVERFABRIK SKODAWERKE-WETZLER A. G.</p> <p>GOVERNING BOARD</p> <p>Dr. Franz Rottenberg, Vienna; chairman. Josef Reither, Langenrohr; vice chairman. Baron Dr. Max Allmayer-Beck, Vienna. Marcell Goldarbeiter, Vienna. Rudolf Haas, Vienna. Ernst Heller, Vienna. Dr. Anton Petschann, Vienna. Felix Stransky, Vienna. Julius Simels, Vienna. Friedrich Frhr. v. Tintil, Schloss Pöchlarn (Lower Austria).</p> <p>MANAGEMENT COMMITTEE</p> <p>Com. Coun. Eng. Otto Englaender; Vienna, general manager. Eng. Isidor Pollak, Vienna; general manager. Eng. Julius Domaschintzky, Vienna; manager. Rudolf Frank, Vienna; deputy manager. Dr. Eugen Kerenyi, Mossbierbaum; operational manager. Eng. Theodor Engel, Vienna; authorized representative. Erwin Robitschek, Vienna; authorized representatives.</p>	<p>1. PULVERFABRIK SKODAWERKE-WETZLER A. G.</p> <p>GOVERNING BOARD</p> <p>Baron Dr. Max Allmayer-Beck, Vienna. General Art. Eng. Gustav Geng, Vienna. Com. Coun. Otto Faltis, Vienna. Graf Herbert Hardegg, Vienna. Eng. Franz Menzel, Vienna. Dr. Rudolf Pfeffer, Vienna. Philipp von Schoeller, Vienna. Walter Weissshaeupl, Vienna.</p> <p>MANAGEMENT COMMITTEE</p> <p>Eng. Julius Domaschintzky, Vienna. Com. Coun. Eng. Otto Englaender, Vienna.</p>	<p>DONAU CHEMIE A. G.</p> <p>BOARD OF DIRECTORS</p> <p>H. E. Richard Riedl, Vienna; chairman. Dr. Bernhard Buhl, Frankfurt vice chairman. Dr. Heinrich Bütefisch, Leuna. Dr. Franz Fattinger, Vienna. Dr. E. R. Fischer, Berlin. Paul Haefliger, Frankfurt. Dr. Max Jigner, Berlin. Dr. Paul Müller, Troisdorf. Attorney-at-law Richter. Dr. Edmund Veesenmayr, Vienna. A representative of the Österreichische Credit-Anstalt [Bank]. One post for a representative of Austrian industry still vacant.</p> <p>MANAGEMENT COMMITTEE</p> <p>Dr. Hans Kühne, Leverkusen; gen. mgr. Dr. Ernst Hackhofer, Vienna; member of management committee and operational head. Dr. E. v. Pongrats, Vienna; member of management committee.</p> <p>LABOR COMMITTEE</p> <p>Dr. Hans Kühne, Leverkusen. Dr. Heinrich Bütefisch, Leuna. Paul Haefliger, Frankfurt.² Dr. Max Jigner, Berlin.</p>
<p>2. CHEMISCHE FABRIK WAGENMANN, SEYBEL & Co. A. G.³</p> <p>GOVERNING BOARD</p> <p>Dr. Franz Rottenberg, Vienna; chairman. Com. Counclr. Engr. Otto Englaender, Vienna. Dr. Anton Petschann, Vienna. Engr. Isidor Pollak, Vienna. Emil Seybel, Vienna. Com. Counclr. R. Uhling, Vienna.</p> <p>MANAGEMENT</p> <p>Engr. Julius Domaschintzky, Vienna, manager. Rudolf Frank, Vienna; manager. Max Kellner, Vienna, deputy mgr. Alfred Neurath, Vienna; authorized representative. Eng. Alfred Schäfer, Liesing; authorized representative.</p>	<p>2. CHEMISCHE FABRIK WAGENMANN, SEYBEL & Co. A. G.</p> <p>GOVERNING BOARD</p> <p>Baron Dr. Max Allmayer-Beck, Vienna. Engr. Julius Domaschintzky, Vienna. Com. Counclr. Engr. Otto Englaender, Vienna. Emil Seybel, Vienna. Com. Counclr. Erwin R. Uhlig, Vienna.</p> <p>There is no separate management or business management.</p>	<p>Donau Chemie A. G.</p>

¹ Umbruch.² Inserted in pencil.³ Chemical works.

EXHIBIT II. DONAU CHEMIE A. G.—Continued

I. Organization prior to the political change ¹	II. Interim status	III. Contemplated final appointments
<p>3. CARBIDWERK DEUTSCH-MATREI A. G.²</p> <p>GOVERNING BOARD</p> <p>Erwin Philipp, Vienna; chairman. Dr. Max Bachmann, Cologne. Dr. Fritz Foregger, Vienna. Dr. Hugo Koller, Vienna. Otto Wacker, Munich.</p> <p>MANAGEMENT</p> <p>Eng. Karl Platzer, Vienna; gen. mgr. Ludwig Hopfgartner, Vienna; manager. Siegfried Kann, Vienna; manager. Wilhelm Ehrenstein, Vienna; deputy mgr. Engr. Max Spitzer, Vienna, deputy mgr. Emil Käufer, Vienna; auth repr. Leopold Klaar, Vienna; auth. repr. Robert Philipp, Vienna; auth. repr. Dr. Sandor Spitzer, Vienna; auth. repr. Engr. Paul Steinschneider, Vienna; auth. repr.</p>	<p>3. CARBIDWERK DEUTSCH-MATREI A. G.</p> <p>GOVERNING BOARD</p> <p>Dr. Max Bachmann, Cologne; chairman. Dr. Fritz Foregger, Vienna. Dr. Ernst Hackhofer, Vienna. Dr. Hugo Koller, Vienna. Dr. E. v. Pongratz, Vienna. Otto Wacker, Munich.</p> <p>BUSINESS MANAGEMENT</p> <p>Ludwig Hopfgartner, Vienna; auth repr. Engr. Karl Platzer, Vienna; auth. repr.</p>	Donau Chemie A. G.
<p>4. ÖSTERREICHISCHE KUNSTDÜNGER-, SCHWEFELSÄURE-, UND CHEMISCHE FABRIK A. G.³</p> <p>GOVERNING BOARD</p> <p>Erwin Philipp, Vienna. Engr. Felix Feest, Vienna. Engr. Albert Fround, Vienna. Ludwig Hopfgartner, Vienna. Com. Councilr. Josef Korinek, Vienna.</p> <p>MANAGEMENT</p> <p>Samuel Messinger, Vienna; managing dir.</p>	<p>4. ÖSTERREICHISCHE KUNSTDÜNGER-, SCHWEFELSÄURE- UND CHEMISCHE FABRIK A. G.³</p> <p>GOVERNING BOARD</p> <p>Ludwig Hopfgartner, Vienna. Dr. Ernst Hackhofer, Vienna. Engr. Karl Platzer, Vienna. Dr. E. v. Pongratz, Vienna. K. O. Schiller, Vienna.</p> <p>There is no separate management or business management. Current transactions will be handled by Kula, authorized representative.</p>	
<p>5. CONTINENTAL GESELLSCHAFT FÜR ANGEWANDTE ELEKTRIZITÄT⁴</p> <p>GOVERNING BOARD</p> <p>Erwin Philipp, Vienna; chairman. Dr. Paul Anliker, Binningen near Basel. Gustav Killius, Vienna. Dr. J. Alfred Meyer, Zurich. Dr. Viktor Emil Scherer, Basel. Dr. Josef Steln, Vienna. Rudolf Steiner, Vienna.</p> <p>MANAGEMENT</p> <p>Erwin Philipp, Vienna; managing dir. Ludwig Hopfgartner, Vienna; manager. Engr. Karl Platzer, Vienna; manager. Emil Käufer, Vienna; auth. repr.</p>	<p>5. CONTINENTAL GESELLSCHAFT FÜR ANGEWANDTE ELEKTRIZITÄT⁴</p> <p>GOVERNING BOARD</p> <p>Dr. Hans Kühne, Leverkusen. Dr. Paul Anliker, Binningen near Basel. Dr. Viktor Emil Scherer, Basel.</p> <p>BOARD OF MANAGEMENT</p> <p>Dr. Hans Kühne, Leverkusen. Dr. Davidis, Vienna. Ludwig Hopfgartner, Vienna. Engr. Karl Platzer, Vienna.</p>	<p>5. CONTINENTALE GESELLSCHAFT FÜR ANGEWANDTE ELEKTRIZITÄT</p> <p>GOVERNING BOARD</p> <p>Same as heretofore.</p> <p>BOARD OF MANAGEMENT</p> <p>Dr. Hans Kühne, Leverkusen. Dr. Davidis, Vienna. Ludwig Hopfgartner, Vienna. Engr. Karl Platzer, Vienna. In addition, elected on October 31, 1938: Director Bauer, Vienna (Montana). Dr. Ernst Hackhofer, Vienna. Dr. E. v. Pongratz, Vienna.</p>

¹ Umbruch.² Carbide works.³ Artificial fertilizers, sulphuric acid, and chemical works, inc.⁴ Continental company for applied electricity.

EXHIBIT II. DONAU CHEMIE A. G.—Continued

I. Organization prior to the political change ¹	II. Interim status	III. Contemplated final appointments
<p>6. OSTERR. DYNAMIT NOBEL AKTIENGESellschaft²</p> <p>GOVERNING BOARD</p> <p>Erwin Philipp, Vienna. Dr. Hans Adler, Vienna. Dr. Lothar Komorzynski-Osyczynski, Vienna. Engr. Johann Letis, Vienna. Dr. Paul Müller, Troisdorf. Paul Winterstein, Vienna.</p> <p>MANAGEMENT</p> <p>Erwin Philipp, Vienna; general manager. Karl Bäumer, Vienna. Engr. Albert Freund, Vienna. Com. Counclr. Louis Glokke, Vienna.</p>	<p>6. OSTERR. DYNAMIT NOBEL AKTIENGESellschaft</p> <p>GOVERNING BOARD</p> <p>Dr. Paul Müller, Troisdorf. Dr. Rudolf Schmidt, Troisdorf. Dr. Karl Meyer, Troisdorf. Com. Counclr. Otto Faltis, Vienna. Gen. Art. Engr. Gustav Geng, Vienna.</p> <p>MANAGEMENT</p> <p>Director K. O. Schiller, Vienna; operational manager.</p>	<p>6. OSTERR. DYNAMIT NOBEL AKTIENGESellschaft</p> <p>GOVERNING BOARD</p> <p>Same as heretofore (possibly a few minor changes).</p> <p>MANAGEMENT</p> <p>New arrangement beginning January 1, 1939.</p>

¹ Umbruch.² Austrian dynamite company.

EXHIBIT No. 13

MEMORANDUM REGARDING NEW ORDER FOR THE CHEMICAL INDUSTRY OF AUSTRIA, APRIL 9, 1938

[Translation by Mr. Neder (Checked)]

OFFICE [OF THE] SECRETARY OF STATE KEPPLER, BALLHAUSPLATZ, VIENNA

Kg/Uhl

APRIL 9, 1938.

Re: New Order of the Major Chemical Industry of Austria.

In Austria's major chemical industry, two firms are by far leading with respect to both size and importance of their production, to wit: "Carbidwerk Deutsch-Matrei A. G." which belongs to the syndicate of Dynamit Nobel A. G., Troisdorf, and the [powder plant] "Pulverfabrik Skodawerke-Wetzler A. G." in which the "Oesterreichische Kreditanstalt" (Austrian Bank) has a controlling interest.

† Carbidwerk Deutsch-Matrei A. G. has the following plants and/or syndicate companies in Austria:

- (1) Carbidwerk Deutsch-Matrei A. G.
Capital: S (Austrian shillings) 2,800,000.¹
Plants: Deutsch-Matrei (near the "Brenner").
Bruckl Corinthia.
Products: Chlorine, Alkali-Electrolysis and Derivatives thereof.
- (2) Continentale Gesellschaft für angewandte Elektrizität.
Capital: (Swiss francs) 2,400,000.
Plants: Landeck and Wiesberg (power station) near the Arlberg.
Products: Calcium carbide and ferrosilicium.
- (3) Oesterreichische Kunstdünger-Schwefelsäure und Chemische Fabrik A. G.
Capital: S (Austrian shillings) 1,200.
Plant: Deutsch Wagram (Lower Austria).
Products: Superphosphate and sulphuric acid.

The Skodawerke-Wetzler have the following plants and/or syndicate companies:

- (1) Pulverfabrik Skodawerke-Wetzler A. G.
Capital: S (Austrian Shillings) 7,000,000.
Plants: Moosbierbaum-Heiligeneich near Tulln (Lower Austria).
Products: Inorganic acids, heavy chemicals, nitrogen products and superphosphate.
- (2) Chemische Fabrik Wagenmann, Seybol & Co. A. G.
Capital: S (Austrian Shillings) 1,000,000.
Plant: Liesing (Lower Austria).
Products: Inorganic acids and heavy chemicals.

In addition, the Skodawerke-Wetzler A. G. have the management of the powder plant at Blumau, which is controlled by the State

¹ Translator's note: This figure is not clearly legible.

In view of the fact that in a small country such as Austria the possibilities of development for a chemical industry are limited, said Austrian firms have always leaned on I. G. Farbenindustrie A. G. as was expressed by the numerous agreements and conventions, as well as by [the establishment of] a joint sales organization, i. e., "Anilinchemie A. G." Vienna. Thus Anilinchemie A. G. sells a large portion of the chemical products of Deutsch-Matrei and Skodawerke-Wetzler and acts as agency of I. G. Farbenindustrie A. G. for the latter's chemicals in Austria and is entrusted with the supervision of the business in southeast Europe in said branch.

Within the past year, in view of the sales interests which have already been coordinated by Anilinchemie, in concurrence with the appropriate German authorities I. G. has seized the initiative for further standardization of both sales and production. In February 1938, following lengthy discussions with the Austrian partners (Deutsch-Matrei A. G. and Skodawerke-Wetzler A. G.) a plan was drawn up providing for the merger of Carbidwerk Deutsch-Matrei and Skodawerke-Wetzler A. G. under the auspices of I. G. Farbenindustrie A. G.—which was simultaneously to become a partner therein—to form the "*Ostmark*" *Chemie A. G.* The sales interests of the partner firms were to be coordinated in the future by a new "*Ostmark*" *Chemikalienhandels A. G.*

In view of the annexation of Austria said negotiations were at first interrupted on the one hand as a result of the fact that the controlling Austrian parties participating in these negotiations were not Aryan and, on the other hand, as a result of the decrees of March 19, 1938, governing restrictions against the establishment of commercial and industrial enterprises in Austria (R. G. Bl. I, p. 264).

It is, however, urgently required to bring said negotiations to a speedy conclusion.

(a) The leading officials—it is true—have meanwhile been replaced by Aryans. Reorganization of the personnel in subordinate positions can be completed appropriately and with a long-range view only when a clear picture is had of the future situation.

(b) Under the tariff protection enforced in Austria, various types of production have been adopted which, upon removal of the tariff barriers between Austria and the old Reich, can hardly be continued in the interest of the German-Austrian industrial customers. In order, however, to keep the Austrian chemical industry going, it will be necessary, as speedily as possible, to shift, wherever required, certain types of production from the old Reich to German-Austria and vice versa.

(c) The groundwork should be laid immediately to prepare the assignments to be carried out by the major chemical industry of Austria within the framework of the 4-year plan.

We therefore request that we be authorized to liquidate Anilinchemie A. G. and establish "*Ostmark*" *Chemikalienhandels A. G.* and to continue our negotiations, to prepare the acquisition of a controlling interest in the Skodawerke-Wetzler A. G. and to merge Carbidwerk Deutsch-Matrei A. G. with the Skodawerke-Wetzler A. G.

We shall keep the appropriate authorities abreast of progress made in these activities and we shall, of course, resubmit, for approval, individual decisions whenever required on the strength of existing regulations.

Heil Hitler!

I. G. FARBENINDUSTRIE.
(S) HAÉFLIGER.
(S) KRÜGER.

EXHIBIT No. 19

LETTERS TO DR. VON SCHNITZLER AND DR. FRITZ TER MEER FROM KUHNÉ, SEPTEMBER 23, 1938, ON APPOINTMENT OF FARBEH OFFICIALS AS NAZI COMMISSARS IN AUSTRIA

[Translation: Best/Schuppener]

Dr. H. KÜHNÉ

VERSTANDSMITGLIED DER I. G. FARBENINDUSTRIE AKTIENGESellschaft

LEVERKUSEN, I. G. WERK, the Sept. 23th, 1938.

Mr. Director Dr. TER MEER,
Frankfurt/Main.

Mr. Director Dr. VON SCHNITZLER,
Frankfurt/Main.

DEAR SIR: *To my great pleasure I understood from our telephonic conversation of this morning that you have succeeded in finding appreciation for our

interests in Aussig with the competent offices; moreover that you already had proposed commissaries, Dr. Wurster and Dr. Kugler, to the offices. I took note that you have had no possibility to speak with me before about this action. I agree to the election of these two gentlemen and it stands to reason for me that both the gentlemen proposed by you for commissaries get into close contact with the commission we had appointed to treat matters concerning Aussig. As well known, we have a number of agreements, both on the selling section and the manufacturing section; I but remember, for instance, of the agreements concerning the field of titanic oxide, the field of activated carbon, etc.

With kind regards

Yours

(Signed) KÜHNE.

EXHIBIT No. 20

LETTERS TO MESSRS. DR. FRITZ TER MEER, KÜHNE, MAX ILGNER AND DR. WURSTER, FROM DR. VON SCHNITZLER, SEPTEMBER 29, 1938, ON APPOINTMENT OF FARBEN OFFICIALS AS NAZI COMMISSARS IN AUSTRIA

[Translation: Brudermüller/Altmann]

29.9.1938.

To Messrs. Dr. ter Meer, Frankfurt/M.

Dr. Kühne, Leverkusen.

Dr. Ilgner, Berlin NW. 7.

Dr. Wurster, Ludwigshafen.

DEAR SIRS: You are informed in the general lines about the discussions I have had, at the end of last week, with the Ministry of Economics, with Mr. Keppler, secretary of state, and with the German Economical Board of the Sudeten-area as to the situation of the Aussig-Union. The negotiations have been successful insofar as all parties acknowledged that after the German annexion of the German Sudeten-area all the works situated in this zone and belonging to the Aussig-Union, irrespective of the future settlement of accounts with the head office in Prague, must be managed by trustees (commissioners) "for account of whom it may concern". I pointed out that in the first place the worke Aussig and Falkenau are involved, and that, to say the least, the worke Aussig, but suitably also Falkenau, should be run exclusively by the I. G. Therefore the I. G. already now would lay claim to the acquisition of both works. With reference, above all, to the Aussig-Worke: only those productions would be maintained which the I. G. in expert knowledge could be able to carry on. Moreover I alleged that in Germany only the I. G. are producing aniline dyes and titanium white, and that among the intermediate products made in Aussig by far the greater part is manufactured by the I. G. Relations to other firms would play a subordinate part. Before coming to an understanding as to the rights of delivery it would be necessary to maintain the technical and the commercial activity by expert commissioners who should be placed at disposal only by the I. G. In accordance with Dr. ter Meer I proposed Dr. Carl Wurster for the technical part and Dr. Hans Kugler for the commercial part. To this program it was agreed both by the Ministry of Economics and the Foreign Organization of the N. S. D. A. P. on the behalf of which Mr. Schlotterer himself (Ministry of Economics) could act. Difficulties arose only with the German Economical Board of the Sudeten-area. The director of this board is Mr. Richter, engineer by profession and domiciled in Aussig, with whom I spent several hours on Friday evening. He could be convinced of the truth of all our arguments except that in the present phase of development he did not deem it necessary to appoint a technical commissioner holding far-reaching powers for eventual alterations. He is rather of opinion that among the Sudeten-German managers who remained in the works there ought to be found persons apt to carry on the production in the works during a transition period, if only the I. G. should take care of the commercial belongings, since the Czech-Jewish management in Prague is done for. Already in the course of the above-mentioned conversation Mr. Joh. Brunner, manager of the works in Falkenau, was mentioned as eventual technical commissioner, and till Saturday morning (in the meantime Mr. Richter had called on the Ministry of Economics) the chances of Mr. Brunner were improved to such a degree that I was given, although in friendly terms, the option of either consenting to the combination Brunner/Kugler or of seeing frustrate my whole plan altogether. The discussions I have had in between with Secretary of State Keppler, did not bring matters to a head. Thus I considered to act in the interest of promoting this delicate matter by consenting to the fact that Mr. Kugler should try, jointly with Mr. Brunner, to keep the production of the works running for a certain transition period. I added, however, that very soon it would prove for the I. G.

absolutely necessary to take these both works, to say the least the Aussig factories, in their own hands. No objections were raised to this effect.

I shall report again as soon as I shall have received the official letter concerning the appointment of the commissioners. May I meanwhile suggest to you to appoint Dir. Weber-Andrae member of our commission as head of the chemicals sales organization.

With kind regards.

Yours,

(Sgn.) G. v. SCHNITZLER.

EXHIBIT No. 21

SURVEY OF PRAGER VEREIN (PRAGUE UNION)

[Translation: Schmitt]

VEREIN FÜR CHEMISCHE UND METALLURGISCHE PRODUKTION, PRAG (Union for Chemical and Metallurgic Production, Prague) (Prager Verein) (Prague Union)

Seat: Prague II, Stephansgasse 28.

Berlin Representation: Prager Chemische Gesellschaft m. b. H., Berlin W 35, Lützowufer 20. Manager: ———. Director: Wilhelm Nussbaumer.

Office for Slovakia: Bratislava. Manager: ———. Substitute director: Dr. Jaroslav Chorvat. The "Büro für die Slovakei" ("Office for Slovakia") is in charge of all matters concerning the Slovakian works and the Slovakian business.

Sellers: Brünn. Manager: Anton Jaskolski. Königgrätz. Manager: Karl Jonas.

Foundation: 26th January 1858.

Business year: 1st January to 31st December.

Subject of the firm: In the general meeting of 19th December, 1938, the subject (purpose) of the company was statutory stipulated as follows:

I. The production of all chemical products.

II. Any legal utilization and use of the manufactured chemical products, also of those for smelting or for working ores.

III. Works which were got by fusion with the firm "Solo", as well as the working of firms eventually bought later on, the production of matches, the sale of matches, veneers for boxes, boxes and other semimanufactures, packages, wooden ware of any description, and other similar productions, the manufacturing of cellulose and paper, moreover the production of metal foils and all manufactures and industrial branches serving this purpose.

IV. The purchase and the utilization of premises, water powers and wood grounds, as well as of all patents, privileges, trade-mark rights, trade-mark protection, connected with the purpose of the company. The company is also entitled to take on lease works of which the production or business program provides for respective products, to participate in inland or foreign firms of similar character and to acquire shares of these or other companies.

V. To sell the above-mentioned products, erect and keep stocks, the retail sale and any kind of industrial activity connected directly or indirectly with the manufacture of the above-mentioned articles or which is useful for the purpose.

VI. The production and the sale of electric energy. The purchase of or the erection and lease of mines and foundries as well as of other establishments allied or connected therewith, of manufactures and works in the inland and abroad, the participation in such undertakings, the opening, promotion and exploitation, moreover the getting and the sale of minerals, mining products of any description, finally any industrial work directly or indirectly connected with the above works and the exploitation of the products got thereby or which is of any use for the purpose.

Development:

The "Verein für chemische und metallurgische Produktion" founded 1858—originally for the refining of potassium salts imported from Stassfurt—had during the first six decades of its existence up to the Great War already developed to a chemical undertaking of decisive importance for the chemical market in Southeast Europe. In the years between eighteen hundred and eighty and eighteen hundred and ninety a close cooperation existed with the Solvay group—particularly in the soda business—with on their part held also shares of the "Verein." All works and participations of the "Verein"

Development—Continued

excepting two participations in Germany—were within the limits of the old Austrian-Hungarian monarchy.

By the splitting of Austria-Hungary after the Great War the development was decidedly influenced. All works—except those annexed only in 1915 for reasons of war economy, i. e., the small works at Schwaz (Tyrol), closed again in 1928—came under the control of Czecho-Slovakia. The Czecho-Slovakian Government demanded in 1920 the removal of the seat of the general management from Vienna to Czecho-Slovakia, and then—to an ever increasing extent, particularly through the industrial bank (Zivnostenska banka), influenced the "Verein" and its development to a national Czech undertaking. This development was forced after Dr. Basch (Czecho-Slovakian National Bank) in 1933 joined the general management, taking over the management on 1st January, 1936, from Dr. Mayer. The technical management of the "Verein" was in 1933 taken over by the chemist Dr. Ing. Ettel, who up till then was a colonel in the Czecho-Slovakian ministry of war (manager of the gas section). In June 1936 the general meeting agreed upon changing the statutes, providing that the president and one of the two vice presidents as well as two thirds of the members of the executive committee should possess the Czecho-Slovakian nationality.

Since 1933—partly at the instigation of and with the commercial political assistance of the Czecho-Slovakian Government (prohibitions of importation, obligation to procure a permit for importation, increases of duties, etc.)—the "Verein" developed particularly expansively. An accelerated enlargement of the own works, particularly of such producing aniline colours, and an extension of the interests of the concern—especially also in the countries succeeding Austria-Hungary—was carried through. Amongst others in Handlova and Novaky in Slovakia new works were erected, which started the production in autumn 1938 and in spring 1939. After the reunion of the Sudetes with Greater Germany according to the Agreement of Munich of 29th September 1938, and after a temporary commissarial management of the works at Aussig and Falkenau (with coal mines), the Prague Union towards the end of 1938 ceded all Sudetic works (excepting the brown coal fields near Püllna) to the "Chemische Werke Aussig-Falkenau G. m. b. H." newly founded by I. G. and Chemische Fabrik von Heyden A. G. Thereby the Prague Union lost round 80 percent of its capacity of production. The immediately beginning considerable transformation and enlargement of the Prague Union and its concern is treated in detail in the following chronicle.

Chronicle:

1858:

Foundation, seat at Vienna.

Erection of the chemical works at Aussig.

1871: Purchase of a works in Kralup (Moldau) erected 1855 (sulphuric acid, superphosphate).

1880: Removal of the seat of the general management from Vienna to Aussig.

1885: Erection of the Ammonia Soda Works at Ebensee (Austria, together with Solvay & Cie., Brüssel.

1893: Erection of the Ammonia Soda Works at Lukavac (now Yugo-Slavia), together with Solvay & Cie., Brüssel.

1896: Erection of the Ammonia Soda Works at Maros-Ujvar (now Ocna Muresului in Roumania), together with Solvay & Cie., Brüssel.

1901: Foundation of the Salt Mine Neu-Stassfurt and Partner Limited Company, Zscherndorf near Bitterfeld (participation 50%), together with the Mining Company Salt Mine Neu-Stassfurt and Neu-Stassfurt II (now group Kali-Chemie A. G.).

1905: Erection of an Ammonia Soda Works at Nestomitz (now Sudetes), together with Solvay & Cie., Brüssel.

1906:

Closing and pulling down of the old soda works at Aussig (Leblanc process).

Erection of a Soda Works at Podgorze near Krakau (now General Government), together with Solvay & Cie., Brüssel.

1907: Starting of plants for producing Alizarine Red at Aussig.

1909: Participation in the Solvay Soda Works G. m. b. H., Vienna.

1911:

Erection of the Stannic Chloride Works System, Goldschmidt, at Aussig, in cooperation with Th. Goldschmidt A. G., Essen.

Chronicle—Continued

1911—Continued

Taking over of the First Austrian Soda Works of Miller v. Aichholz at Hruschau.

Erection of a Soda Works at Turda (now Roumania), together with Solvay & Cie., Brüssel.

1914:

Acquisition of the majority of shares of the "Hungaria" Budapest, (together with Solvay & Cie., Brüssel) and conclusion of a Society of Interests.

Removal of the seat of the general management from Aussig to Vienna.

1915: Purchase and enlargement of the electrochemical plants for producing potassium chlorate at Schwaz (Tyrol). Starting in 1916.

1916: Erection of a Carbide and Nitrogen of Lime Works at Falkenau. Starting in 1918.

1917:

Purchase of coal pits at Püllna near Brûx (now Sudetes).

Minority participation in the foundation of the Oderberg Chemical Works A. G., Neu-Oderberg.

Participation in the Falkenau Coal Mining A. G., Lanz (George's pit).

1920:

At the requirement of the Czecho-Slovakian Government removal of the seat of the general management from Vienna to Karlsbad.

Minority participation in the foundation of the Bohemian Glanzstoff Works System, Elberfeld, Lobositz (now Sudetes). The works started in 1923.

Participation in the foundation of the Sillein Fertilizer and Chemical Industry A. G., Sillein, which took over the Sillein Works of "Hungaria," Budapest.

1921: Participation in the Hruschau Earthenware Works A. G., Hruschau (50%).

1922:

Purchase of the Barytes pit Mining Company "Lützwow," Könitz, Thuringia.

Participation in the Mining Company "Auguste," Leutnitz near Bad Blankenburg. The participation was sold later on.

Participation in the foundation of the Société de Produits Chimiques de l'Yonne, Paris. Starting of the Works 1924. The participation was sold later on.

1923:

Participation in the "Zorka" First Yugo-Slavian A. G. for Chemical Industry, Zagreb (now Belgrad) and in the "Chinoin" Works of chemical-pharmaceutical Products A. G., Budapest (Minority).

Agreement with the Chemical Works Kunheim & Co., A. G., Berlin, to safeguard and settle the mutual interests. Later on the Rhenania-Kunheim Verein Chemischer Fabrika A. G., Berlin, joined this agreement. The agreement was favoured by mutual shareholding and representation in the board of directors. The "Verein" endeavoured to acquire the majority of shares of Rhenania-Kunheim. When this failed, the participation (about one-third) was in 1927 sold via banks to the Kali-Chemie A. G., Berlin. At the same time Rhenania-Kunheim was for financial reasons compelled to sell its participation in the Verein.

1925:

Closing of the Works in Kralup on Moldau.

Erection of an azo dyestuffs works in Aussig. Reestablishment and enlargement of the nitrogen of lime plants in Falkenau. The production of the works was later on extended to the manufacture of various products by the electrochemical and electrothermic method.

1927:

Agreement in respect of active charcoal with Metallgesellschaft, Degussa, I. G. and Urbain-Paris.

Participation in the foundation of the British Carbo-Union Ltd., London, and the Czecho-Slovakian Nitrogen Works A. G., Prague.

1928: Abandoning of the plants for producing potassium chlorate at Schwaz (Tyrol).

Chronicle—Continued

1929:

Fraction of a charring plant at low temperature at Falkenau.

Starting of the production of liquid chlorine at Aussig.

1930: Participation in the foundation of the Carbo-Norit-Union Verwaltungs-G. m. b. H., Frankfurt a. M. (active charcoal).

1931: Removal of the general management from Karlsbad to Aussig.

1932: Taking over of the Flakenau Bergbau A. G., Lang (George's pit) by fusion, and of the Sillein Fertilizer and Chemical Industry A. G., Sillein.

1933:

Lecturer Dr. Antonin Basch (Czecho-Slovakian National Bank) joins the general management of the Verein. Chemist Dr. ing. Viktor Ettel, up till then colonel in the Czecho-Slovakian ministry of war (manager of the gas section), takes up the technical management of the Verein.

Purchase of a packet of shares of "Solo" United Czecho-Slovakian Works for the Production of Matches and Chemicals A. G., Prague, from the Kreuger inheritance.

Purchase of the total of the share capital of "Marasesti" Roumanian A. G. for Chemical Industry, Bukarest.

Additional purchase of "Zorka" shares.

1934:

On 1st January, 1934, the Verein succeeded to the Printing Ink Works of E. T. Gleitsmann at Aussig.

Beginning of the reestablishment and enlargement of a major part of the organic and inorganic plants in Aussig. Erection of a Vat Dyestuffs Works at Aussig.

Purchase of the majority of shares of the Aktienfabriken zur Erzeugung von Chemikalien Kolin, Prague, together with the "Synthesia", Prague (25.5% each).

Succession to the Brown Coal Pits "Albert," Schönfeld, and "Maria-Antonia," Raudnig, formerly belonging to the Bohemian Trading Company, Prague (concern of the Rivnostenska banka, Prague) to safeguard the maintenance of the works at Aussig.

Participation in the foundation of "Carbonit," Bukarest (12.6%).

1935:

Enlargement of the Printing Ink Works at Aussig.

Additional purchase of shares of Oderberg Chemical Works A. G. Neu-Oderberg (now 69%).

Interchange of shares and conclusion of a community of interests with the "Solo," Prague.

Foundation of the "Chemicolor" chemical and metallurgical A. G., Budapest.

1936:

On 1st January, 1936, Lecturer Dr. Antonin Basch became general manager of the Verein in place of Dr. Max Mayer.

Removal of the seat of the general management from Aussig to Prague.

Interchange of shares and conclusion of a community of interests with "Explosia," Czecho-Slovakian Explosives A. G., Prague, and "Synthesia," chemical works A. G., Prague.

Purchase of the majority of shares (60%) of Handlovaer Coal Mining A. G., Bratislava.

Additional purchase of shares of Bohemian Glanzstoff Works System Elberfeld, Lobositz (now approx. 47%).

Enlargement of the azo dyestuffs plants in Aussig was finished.

Foundation of "Jugocolor" A. G. for selling chemical and metallurgical products, Belgrad.

1937:

Starting of the production of oxalic acid at Falkenau.

From the portfolio of the A. G. Dynamit Nobel, Bratislava, the remaining packet of shares (31%) of Oderberg Chemical Works A. G., Neu-Oderberg, was taken over.

Sale of the minority participation to the "Chinoin," Budapest.

In Sillein a new sulphuric acid works was started.

Foundation of the "Romanocolor" Roumanian A. G. for Selling Chemical and Metallurgical Products, Bukarest.

Chronicle—Continued

1938:

To safeguard the supply of the Sillein Works with electric current, the Prager Verein towards the middle of 1938 participated with 10–15% in the United Electricity Works of the North-Western Slovakia A. G., Sillein.

The Prager Verein purchased in September 1938 at Kc 19.5 million the majority of shares (90%) of the Slovakian Brick-Works and Chemical Works A. G., Göding.

On 29th September 1938 the "Agreement of Munich" was concluded, in consequence of which the Sudetes had to be separated from Czecho-Slovakia and included in Greater Germany. On 1st October the marching in of the German troops began, on 3rd October Falkenau was occupied, and on 9th October Aussig. All Sudetic works of the Prager Verein were entrusted to a commissarial manager—Director Dr. Kugler (I. G.).

On 11th October 1938 (agreement of 7th December 1938), the Prager Verein ceded the Works Aussig and Falkenau situated in the Sudetes (Aussig with printing ink works) and the brown coal pits Maria Antonia and Albert pits (near Aussig) at Kc. 280 million (= round RM. 24 million) to the Chemical Works Aussig-Falkenau G. m. b. H., newly founded on 30th November 1938 by I. G. and Chemische Fabrik von Heyden A. G., Radebaul (50% each). (The coal fields situated in the Sudetes near Püllna remained in the hands of Prager Verein.) The technical management and the commercial departments of Prager Verein working hitherto at Aussig had by the end of September removed their seat from Aussig to Prague.

The mutual participations of Solvay & Cie., Brüssel, and Prager Verein in the Solvay Works in Austria, in the Sudetes, in Yugo-Slavia, Roumania, and Poland which up till 1938 were managed by the Solvay-Soda Works G. m. b. H., Vienna, were, after the dissociation of this company ceded to the Company for Soda and Chemical Industry m. b. H. (Gefucin), Zürich, who also keep the Solvay participation in the Prager Verein (about 15%).

After ceding the works Aussig (with chlorine electrolysis) and Falkenau (with oxalic acid and formic acid plants), the Prager Verein retired from the "Elpro" Elektrochemische Produkte G. m. b. H., Frankfurt (Main), and the Verkaufsstelle für Oxalsäure und Ameisensäure G. m. b. H., Frankfurt (Main), and ceded its quota and capital participation in both cartel companies to Chemische Werke Aussig-Falkenau G. m. b. H.

In Autumn 1938 the first electro-furnace with a capacity of 3,000 tons calcium carbide, p. a. was started in the new works Handlova (Slovakia).

The Prager Verein took over the works Petschek of its affiliated company Aktienfabriken zur Erzeugung von Chemikalien Kolin, which for years had been closed and to which in September 1938 stocks (particularly of aniline dyestuffs) had been brought from Aussig and Falkenau.

The Vienna representation of the Prager Verein was taken over by the Teerfarbenwerke Aussig G. m. b. H.

The works Neu-Oderberg situated in the Olsa territory and belonging to the Oderberger chemische Werke A. G., Prague, was ceded to a newly founded company of Polish (later on German) right with the old firm's name, as the Olsa territory was annexed in 1938 by Poland (and in 1939 by Germany).

Towards the end of 1938 the Printing Ink and Bronze Colours Works of Messrs. Weinsberger & Co. in Kosollup (near Pilsen, but in the Sudetas), Prague-Wissotschan and Slovenska L'upka (Slovakia) were taken over. The Kosolup works were closed. The new works at Prague-Wissotschan still in course of erection was considerably enlarged for the production of printing inks.

Chronicle—Continued

1938—Continued

In December 1938 the fusion with the "Solo" United Czecho-Slovakian Works for Matches and Chemicals A. G., Prague, was agreed upon. The capital was increased by Kc. 4 million to Kc. 79 million (the Prague Verein was already in the possession of the majority of shares of the "Solo"). By the fusion the Prager Verein took over in the Protectorate 3 Matches Works, 1 Packing works, 2 sawmills and 1 string works, in Slovakia 1 cellulose and paper mills, 1 matches works, and 2 sawmills, furthermore the woods in the territory annexed to Bavaria, which formerly belonged to Czecho-Slovakia, near Schüttenhofen, and some participations.

1939:

On 4th January 1939, the Solvay Gesellschaft m. b. H. für Sodaerzeugnisse, Prague, was founded with 45% participation of the Prager Verein in the principal fund amounting to K. 500,000. Intended was the production of soda and soda derivatives.

In the beginning of 1939 the mining company "Lützw" (barytes pits) near Könitz and Bucha, Thuringia, was sold.

The 100% participation in the "Vulcan" Matches Works A. G., Cinad'ovo, taken over by "Solo," the main works of which are situated in the Carpathian Ukraine annexed to Hungary, was sold.

The firm Ing. Jaroslav Velinsky took over the works Rostok near Prague (up till then producing chemical-pyrotechnical articles). This works was entrusted the production of printing inks and aluminium sulphate (for water purification) of the ceded works Kosulup (Sudetes) of Messrs. Weissberger & Co.

The firm Dr. Ing. Rob. Heisler took over the works Chrast (near Chrudim) at K. 15 million. The production of pharmaceuticals and injections of any description, alkaloid opiates, hormon preparations, glycerophosphates, Levulose, and ethyl chloride is continued.

From the "Gec" Produktions- und grosseinkaufsverband für Erwerbs- und Wirtschaftsvereinigung r. Gen. m. b. H., Prague, now in liquidation a premises were purchased Neu-Ratowitz (hitherto production of food) at K. 6 million.

In March 1939 the Jews were eliminated from the management of the Prager Verein. In place of Dr. Basch Dr. Martinek was entrusted the general management of the Prager Verein.

In Bratislava a "Büro für die Slovaiei" ("office for Slovakia"), managed by the director substitute, was established in April 1939, which was entrusted with all business connected with the Slovakian works and the Slovakian markets of the Prager Verein.

In the newly erected works Novaky (Slovakia) in spring 1939 a chlorine electrolysis (2,500 tons chlorine p. a.) was started.

For the Oderberger chemische Werke A. G., Prague, after finishing the foundation of the Works Neu-Oderberg, new manufactures were created in the Hruschau Works of the Prager Verein and in the Works Neu-Ratowitz taken over by the "Gec" r. Gen. m. b. H. (there particularly for the production of saccharine).

In the works Petschek a mixing plant for aniline dyestuffs, an experimental dye works and small laboratories were created.

In Rybitew (Czech Rybitvi) near Pardubitz the erection of a large works, particularly for the production of aniline dyestuffs and organic intermediates, was started. The work is intended to become the largest of the Prager Verein. Besides organic products later on the production of inorganic chemicals is planned. Also a large scientific central laboratory for the whole concern of the Prager Verein is being erected in Rybitew.

In the Hruschau works a new "Zieren" furnace with a capacity of 10,000 tons hydrochloric acid p. a. and 7,000 tons sodium sulphate p. a. as substitute for the former obsolete plants (which remain in reserve) was started. Amongst others also plants for the production of Titanium White, barium chloride, sodium sulphite, and sodium bisulphite were newly erected.

In the Sillein works (Slovakia) a new sulphate of copper plant was started.

Chronicle—Continued

1939—Continued

The Prager Verein purchased the majority of shares of the "Biochema" and wirtschaftliche chemische Werke A. G., Mödritz (preservatives for plants, glues, soaps, fodder, preserves). The works for the production of vinegar, starch, glucose, preserves, etc., in Neu-Ratowitz, taken over by the "Gec" r. Gen. m. b. H., was annexed to "Biochema" as a branch and continued.

From the firm J. Ph. Glesinger, Teschen, the Prager Verein took over 5 sawmills situated in Slovakia which, together with 2 sawmills taken over by "Solo" in Slovakia, utilizing the empty shares also taken over by "Solo" were annexed to the Rosenberger Cellulose- & Papierfabrik A. G., Rosenberg (Slovakia), (share capital 100% in the hands of the Prager Verein).

Towards the middle of 1939 the majority participation in the "Ossa" A. G. für chemische Industrie, Prague, with works in Prag-Wissotschan (bone-glue spodium, etc.), took place. Simultaneously with the "Ossa" their 100% affiliated company A. G. für chemische Industrie, Tabor, (leather glue, gelatine, etc.) was annexed to the concern group of the Prager Verein.

Towards the middle of 1939 the second electro furnace with a capacity of 2,800 tons ferrosilicium 45% p. a. was started in the Handlova works.

In the middle of 1939 the Prager Verein is said to have purchased together with a Czech group a minority of shares of the Witkowitz Bergbau-und Eisenhüttengewerkschaft, Mährisch. Ostrau. (The majority of shares—51%—is said to be in the hands of the "Hermann Göring" Reichswerke.) For the Prager Verein this participation would be of importance as a basis for the production of organic chemical.

In the Göding works of the Slovakische Ziegelfabriken und chemische Werke A. G. the capacity of an existing hydrogen peroxide plant was doubled. Furthermore a perborate plant was erected, which formerly was at Göding, but according to an agreement with the Prague Verein it was removed some years ago and stored in the former Falkenau works; it has now been brought back to Göding, to substitute the perborate plant which the Prager Verein lost together with the Falkenau works.

By a resolution of the general meeting of 30th November, 1939, the share capital of the Prager Verein was tripled from Kč. 79 million to Kč. 237 million. The increase of capital was covered entirely from the reserves. Stamping of the shares from Kč. 200.—to K. 600 was carried through by the end of 1940.

1940:

The Prager Verein participated with 25% in the foundation of the Aktivkohle-Union-Verwaltungs G. m. b. H., Frankfurt (Main), on 4th January, 1940, which took the place of the dissolved Carbo-Norit-Union Verwaltungs G. m. b. H., Frankfurt (Main).

On 23rd January, 1940, the foundation of the "AKO" Aktiengesellschaft für die Erzeugung von Photobedarfsmitteln und Chemikalien, Prague, took place, in which the Prager Verein participates to a high degree. This new firm produces at Böhmisches-Brod films, plates, and photo chemicals.

The works' equipment was taken over from the meanwhile liquidated firm "Ako" Photoplatzenfabrik G. m. b. H. at Nestomitz (Sudetes). In Neu-Ratowitz the erection of a spun rayon works (capacity 10,000 tons p. a.) was begun.

The chlorine electrolyzing plant in the Novaky works (Slovakia) was enlarged to a capacity of 6,200 tons chlorine p. a.

In the Handlova works (Slovakia) a third electro furnace (4,400 kw.) for the production of ferrosilicium is erected. When it will be finished, the already used two first furnaces (up till now one each for calcium carbide and ferro silicium) shall only be used for calcium carbide.

On 1st May, 1940, the trading company Zeleny & Co., Grosshandel und Erzeugung optischer Waren, Prague, was founded, in which the Prager Verein participates to a considerable degree. This new firm produces optical goods.

Chronicle—Continued

1940—Continued

In May 1940 the Berlin affiliated company of the Prager Verein "Usticolor" Farben- und Chemikalien-Vertriebs-Gesellschaft m. b. H. was renamed in "Prager chemische Gesellschaft m. b. H." The company is to serve as Berlin connection (particularly in respect of authorities).

Merchant Wilhelm Nussbaumer (hitherto Chemische Werke Aussig-Falkenau G. m. b. H.) was appointed manager and Berlin middleman of the Prager Verein.

With the Prager Eisen-Industrie-Gesellschaft, Prague, an agreement of mutual interests was concluded, which provides for the utilization of byproducts by the Prager Verein, particularly with regard to the erection of coke furnaces (basis for an eventual later nitrogen plant of the Prager Verein?) planned by the Prager Eisen-Industrie-Gesellschaft.

The Oderberger chemische Werke R. G., Prague (old firm) was in June 1940 renamed in "Prager chemische Werke A. G."

The Prager Verein participated with 40% in the share capital of the Chemische Industrie A. G., Bratislava (majority of shares 60% in the hands of A. G. Dynamit Nobel, Bratislava), which amounts to Ks. 40 million. The Dynamit Nobel erect in Bratislava a spun rayon works.

The Prager Verein has sold its minority participations in the "Explosia," Explosiv-Stoff-A. G., Prague (11.6%) and in the "Synthesian," chemische Werke A. G., Prague (11.7%).

The Prager Verein took over a share packing of the Aktienfabriken zur Erzeugung von Chemikalien Kolin hitherto kept with the "Synthesia," chemische Werke AG., so that it now possesses alone the majority of shares of this company.

In order to accelerate the delivery of machines to its works, particularly to the Rybitew works being erected, the Prager Verein purchased the majority of shares of the small machine works Janka & Co. A. G., Prague (works in Radotin near Prag).

In the Göding works of the Slovakische Ziegelfabriken und chemische Werke A. G., a borax plant is being erected.

Towards the middle of 1940 the Prager Verein took over the firm Bohdan Kasper at Lobkowitz (near Neu-Ratowitz), which works a small calcium carbide plant (capacity 1 ton per day) and disposes of a good central power station with water turbines. The existence of the power station is said to have been deciding for the taking over of the works, as the electric current is wanted for the Neu-Ratowitz works of the Prager Verein situated nearby.

The Prager Verein, which hitherto possessed 100% of the shares of the Oderberger chemische Werke A. G., Neu-Oderberg (Eastern Upper Silesia), ceded in September 1940 one-third each of the shares to Chemische Fabrik von Heyden A. G., Radebeul, and Fahlbergzist A. G., Magdeburg.

In autumn 1940 the Prager Verein purchased the majority of shares of the Mittelböhmische Papierfabrik A. G., Prague. The company gave up its original intention to erect a rotation paper works, and manages only own grounds at Neu-Ratowitz and its neighbourhood.

The "Slovakische Ziegelfabriken und chemische Werke A. G., Göding" was renamed in "Ziegelfabriken und chemische Werke A. G., Göding."

Board of Directors:¹

Executive committee:

Dr. Jaroslav Preiss, Prague, chairman; president of the Industrial Bank, Prague.

Eng. Jan Dvoracek, Prague, vice president; first director of the Industrial Bank, Prague.

C. Adolf Clemm, Berlin, vice president; general manager of the Deutsche Solvay-Werke A. G., Bernburg.

Dr. Hubert Baumann, Reichenberg; director of the Kreditanstalt of the Deutschen r. Gen. m. b. H., Reichenberg.

Josef Benes sen., landowner, Budapest; president of the "Hungaria," Kunstdünger-, Schwefelsäure- und Chemische Industrie A. G., Budapest.

¹ According to the statutes the board of directors consists of at least 15 to at the most 23 members.

Board of Directors—Continued**Executive committee—Continued**

- Dr. Jan Brzorad, great landowner, Michelsberg; president of the Land Genossenschaft der Grundbesitzer und Pächter.
- Dr. Josef Graf Colloredo-Mansfeld, Prague; great landowner.
- Eng. Dr. h. c. George Günther, Vienna; president of the Berg- und Hüttenwerks-Gesellschaft, Prague.
- Josef Janousek, landowner, Dusniky; vice president of the Zentralverband landwirtschaftlicher Genossenschaften and of the "Kooperativa" Einkaufsverband landwirtschaftlicher Genossenschaften r. Gen. m. b. H. Prague.
- Dr. Nikola Kostrencic, Zagreb; general manager of the Jugoslavische Bank A. G., Zagreb (concern of the Industrial Bank, Prague).
- Eudore Lefèvre, Zürich; manager of the "Gefucin," Gesellschaft für Soda und chemische Industrie m. b. H., Zürich (Solvay-group).
- Ferdinand Maresch, Aussig (+ August 1940); proprietor of the firm Ferdinand Maresch, Syderolith- u. Majolikafabrik, Aussig (holder of a share packing in the hands of the family).
- Dr. Vojtech Mastny, ambassador out of service, Prague (up till 1938 ambassador of the Czecho-Slovakian republic at Berlin).
- Eng. Ladislav Novak, Prague; president of the Westböhmischer Bergbau-Aktien-Verein, Prague.
- Wilhelm Pauliny, Neusohl (Slovakia); president and general manager of the Nationalbank A. G., Neusohl.
- Dr. Heinrich Richter-Brohm, Prague; first director substitute of the Prager Eisen-Industrie Gesellschaft, Prague.
- Franz Freiherr von Ringhoffer, Prague (+ 30th November 40); president of the Ringhoffer-Tatra-Werke A. G., Prague.
- Dr. Ivan Ruzicka, Strebichowitz; joint proprietor of the firm Brüder Vitousek, Lederfabrik Strebichowitz; vice president of the Handels-u. Produktionsyndikat der Lederindustrie r. Gen. m. b. H., Prague.
- Dr. Wenzel Schuster, Prague; vice president of the Böhmische Union Bank, Prague.
- Jan N. Sponar sen., Vyskov; partner and manager of the J. N. Sponar G. m. b. H., Spiritusfabrik und Kaffeebrennerei, Vyskov (formerly member of the board of directors of "Solo").
- Karl Svoboda, Prague; first director of the Agrarbank, Prague.
- Frédéric Swarts, University Professor, Gent; representative of Solvay & Cie., Brüssel.

Management:

- Lecturer Frantisek Wenzl, agriculturist, Brünn; president of the "Moragro" Zentral-Handels-Gesellschaft der landwirtschaftlichen Genossenschaften, Brünn.
- Dr. Karl Martinek, Prague, general manager; total management and general commercial manager.
- Dr. Eng. Viktor Ettel, Prague, central director; technical management.
- Eng. Josef Cizek, Schüttenhofen, director; manager of the Schüttenhofen works.
- Vlastislav Ondrusek, Prague, director; commercial manager of the "Solo" works.
- Carl Schäffler, Prague, director; sale of inorganic products (including active charcoal).
- Lecturer Dr. Eng. Vladimir Skola, director; Neu-Ratowitz, manager of the Neu-Ratowitz works.
- Dr. Anton Srba, Prague, director; manager of the general secretary.
- Dr. Friedrich Srp, Prague, director; sale of organic products and printing inks.
- Dr. Jaroslav Chorvat, Bratislava, vice director; manager of the office for Slovakia in Bratislava.
- Wenzel Klimes, Prague, vice director; manager of the bookkeeping dept.
- Dr. jur. Jan Krajic, Prague, vice director; sale of "Solo" packings.
- Frantisek Machanek, Prague, vice director; manager of the purchasing dept.
- Eng. Franz Riedmaier, Hruschau, vice director; manager of the Hruschau works.
- Eng. Ivan Setlik, Prague, vice director; manager of the Chrast works.
- Vladimir Böhm, Prague, proxy; sale of matches.
- Ladislav David, Prague, proxy.

Management—Continued

Eng. Rudolf Dohnalek, Rybitew, proxy; manager of the Rybitew works.

Dr. Eng. Jaroslav Jelinek, Prague, proxy; manager of the technical calculation department.

Dr. Eng. Hynek Majtl, Novaky, proxy; manager of the Novaky works.

Eng. Anton Münzberg, Hruschau, proxy; manager of the sulphuric acid plant.

Dr. Jaroslav Raupach, Prague, proxy; manager of the tariffs dept. and of the commercial reports dept. for the production and the sale of matches.

Dr. Jaroslav Richter, Prague, proxy; legal dept.

Karl Sedlacek, Prague, proxy.

Dr. Jaroslav Skorkovsky, Prague, proxy; legal dept.

Eng. Andrej Smiesko, Prague, proxy; manager of the Rosenberg works.

Share capital, K. 237,000,000; divided into 395,000 shares of K. 600 each:

The extraordinary general meeting decided to increase the capital from Kc. 79,000,000 to K. 237,000,000 by stamping the shares from Kc. 200 to K. 600 (carried through at the end of 1940); the increase of capital was covered from the reserves (partly from the still reserves contained in the credits).

The development of the share capital since the foundation is as follows:

1858	fl. 1,000,000.	
1871	fl. 2,000,000.	
1893	fl. 3,000,000.	Issue of gratis shares.
1909	K. 9,000,000.	
1911	K. 12,000,000.	
1914	K. 14,500,000.	
1917	K. 18,000,000.	
1920	Kc. 36,000,000.	
1922	Kc. 40,000,000.	
1923	Kc. 50,000,000.	
1935	Kc. 58,000,000.	Exchange of shares with "Solo."
1935	Kc. 70,000,000.	Exchange of shares with "Explosia" and "Synthesia."
	Kc. 75,000,000.	
1938	Kc. 79,000,000.	Exchange against "Solo" shares on the occasion of the fusion.
1939	K. 237,000,000.	Increase of capital by dissolving the reserves.

Principal shareholders:

Gewerbebank (Zivnostenska banka), Prague	minority	} Majority.
Solvay group	abt. 15%	
Agrarbank, Prague	abt. 6%	

Böhmische Union-Bank, Prague.

Kreditanstalt der Deutschen r. Gen. m. b. H., Reichenberg.

Familienbesitz Maresch, Aussig.

The packing of shares in the hands of the Gewerbebank, Prague, composes of own property, shares deposited with the Gewerbebank and such shares put at its disposal on account of its being the leader of a consortium of Czech shareholders of the Prager Verein. Gewerbebank and Solvay group together hold the majority of shares. To form the majority, from case to case part of the shares in the hands of the Solvay group are handed over to the Gewerbebank. Thus this bank held the majority with 50.6% in the general meeting of 27th June 1939, whereas the Solvay group advised only 6.3% of the shares.

In the general meeting of the Prager Verein of 20th June, 1940, the following firms were present:

	Votes ¹
Gewerbebank, Prague	5,880=37.2%
Solvay group	2,303=14.6%
Agrarbank, Prague	943=6.0%
Böhmische Union-Bank, Prague	440=2.8%
Kreditanstalt der Deutschen, Reichenberg	420=2.7%
Böhmische Escompte-Bank, Prague (for customers)	312=2.0%
I. G. Farbenindustrie A. G.	308=2.0%
Länderbank, Vienna (for customers)	80=0.5%
Aktienfabriken Kolin (Group Prager Verein)	80=0.5%

¹ 25 shares=1 vote.

Dividends:

	Per share ¹
1922-1930.....	Kc. 40=20%
1931-1935.....	Kc. 20=10%
1936.....	Kc. 23=11.5%
1937.....	Kc. 25=12.5%
1938.....	Kc. 30=15%
1939.....	Kc. 30=5%

¹ Increase of the nominal value of the shares from Kc. 200 to K. 600.

Rate of exchange of the shares (see the following sketch):

The shares of the Prager Verein are officially quoted at the Prague stock exchange. From 21st September 1938, to the beginning of November 1940 the Prague stock exchange was closed; for that period only illegal rates of exchange are at disposal.

Rate of exchange in Kc. p. piece	Maximal	Minimal	Last
1926.....	732	552	672
1927.....	1,088	678	992
1928.....	1,248	964	1,178
1929.....	1,331	995	1,055
1930.....	1,116	590	633
1931.....	764	420	452
1932.....	542	298	502
1933.....	865	493	728
1934.....	998	728	988
1935.....	1,080	857	1,030
1936.....	1,585	1,042	1,535
1937.....	1,650	905	990
1938 (up till 21st Sept.).....	1,000	795	795
1940:			
August.....	1,730	1,525	1,715
September.....	1,840	1,760	1,840
October.....	2,055	1,875	2,055
November.....	2,390	2,150	2,390
December.....	2,580	2,440	2,550
1941:			
2nd January.....			2,600
6th ".....			2,700
8th ".....			2,860
9th ".....			2,940
10th ".....			3,030
13th ".....			3,115
14th ".....			3,075
15th ".....			3,050
16th ".....			2,960
17th ".....			2,900
20th ".....			2,950
21st ".....			3,030
23rd ".....			3,110

By the increase of capital planned at the end of 1939 by stamping the shares from nominal Kc. 200 to K. 600 the intrinsic value of the shares did not change as the whole increase of capital was covered by reserves.

Balance: Balance analysis for the years 1932-1930 see appendix. (For the years 1932-1937 internal vouchers for balances of the Prager Verein were available for analyzing.)

Turn-over:

The turn-overs of the Prager Verein in the years 1930-1937 (excepting the sale of charcoal) were as follows:

1930.....	Kc. 282.7 million
1931.....	Kc. 236.8 "
1932.....	Kc. 198.9 "
1933.....	Kc. 204.8 "
1934.....	Kc. 244.4 "
1935.....	Kc. 260.5 "
1936.....	Kc. 314.4 "
1937.....	Kc. 372.9 "

Turn-over—Continued

Round 83% each of the total turn-over in the years 1935-37 were apportioned to the works at Aussig and Falkenau ceded by the Prager Verein towards the end of 1938

Works	1935	1936	1937	1935	1936	1937
	In million Kc.			In percent		
Aussig.....	148.2	174.6	204.9	82.8	83.6	82.6
Aussig printing inks.....	3.5	4.0	4.3			
Falkenau.....	64.0	84.3	98.8			
Hruschau.....	35.9	41.7	53.1	16.6	15.7	16.7
Sillein.....	7.4	7.6	9.4			
Goods of unknown origin.....	1.5	2.2	2.4			
	260.5	314.4	372.0	100.0	100.0	100.0

In 1938 the turn-over (according to the business report) up till end of September attained the same figures as up till the same date of the preceding year. From the beginning of October the turn-overs of the Sudetic works ceased for the last quarter of the year, whereas the turn-overs of the remaining works were the same as in the preceding year. Thus the turn-over in 1938 amounted to round K. 300 million.

By starting new productions in the remaining works Hruschau and Sillein, by starting new works in Handlova and Novaky, by purchasing and enlarging works in Prague-Wissotschan, Rostok, Chrast, Neu-Ratowitz and Slovenska L'upca, by selling the stocks of Petscheck (particularly aniline dyestuffs) and by the annexion of the "Solo" works the Prager Verein was in a position to balance the turn-over decreased by ceding the Sudetic works Aussig and Falkenau. According to the business report, the Prager Verein succeeded to attain the same turn-over for 1939 as that of 1938 was.

The annual turn-over in 1939 may therefore also be assumed to amount to about K. 300 million, of which sum probably more than 50% may be apportioned to the "Solo" works.

(A) IN THE PROTECTORATE BOHEMIA AND MORAVIA

Chemical works and printing ink works (see the card overleaf):

Hruschau:

Chemical works:

Manager of the works: Engr. Franz Riedmaier.

Manager of the sulphuric acid plant: Eng. Anton Münzberg.

Crew: About 5-600 workmen and employees.

The works possess an own steam house and own waterworks, but are supplied with foreign current and foreign gas.

Plants:

	Capacities (tons p. a.)
Sulphuric acid.....	37,000
Hydrochloric acid.....	10,000
Sodium sulphate.....	7,000
Glauber's salt.....	2,200
Soda cryst.....	2,200
Sodium sulphide cryst.....	3,600
Sodium sulphide conc.....	1,200
Sodium sulphite (new).....	
Sodium bisulphite (new).....	
Sodium hydrosulphite.....	1,900
Lithopone.....	4,000
Blank fixe.....	360
Barium chloride (new plant).....	
Titanium White (new plant).....	1,200
Red dyes (invoiced as Fe ₂ O ₃ , 100%).....	430
Pompeian Red (invoiced as Fe ₂ O ₃ , 40%).....	1,260
Chloride of zinc lye 50°Bé.....	3,600

(A) IN THE PROTECTORATE BOHEMIA AND MORAVIA—continued

Chemical works and printing ink works—Continued

Hruschau—Continued

Plants—Continued

	<i>Capacities (tons p. a.)</i>
Zinc sulphate.....	720
Magnesium sulphate.....	900
Contact mass (new plant).....	
Active charcoals:	
Decolouring charcoal Carboraffin.....	900
Granulated active charcoal for protection against gas or for producing vapours.....	420

In 1939 a new Zieren furnace with a capacity of 10,000 tons hydrochloric acid p. a. and 7,000 tons sodium sulphate p. a. was started to replace an old plant (9,600 tons hydrochloric acid p. a. 6,600 tons sodium sulphate p. a.), which is kept in reserve.

The production of barium chloride, sodium sulphite and sodium bisulphite, contact masses and Titanium White was started. The Titanium White plant shall for the present only produce 4–500 tons p. a.

The Hydrosulphite plant was in the last years producing its full capacity and was improved insofar that the Hydrosulphite is one of the best articles in Hruschau.

The sodium sulphide plant was completely reconstructed in 1938. For the sale of Lithopone an agreement providing for the cooperation with the German Lithopone Cartel (Lithopone-Kontor G. m. b. H., Köln) exists.

Rybitew (Czech Rybitví) near Pardubitz:

Works' manager: Eng. Rudolf Dohnalek.

Assistant: Dipl. Eng. Dostrasil.

The works which are situated about 1.5 km. northward of the Elbe, are being erected since 1939 and shall be enlarged so far as to become the largest and most modern works of the Prager Verein. In all hitherto about K. 60 million are said to have been invested.

As is recognizable up till now, particularly organic products, such as—

Sulphur Black

Azo dyestuffs

Anthraquinone dyestuffs and

Aniline oil and Aniline salt,

some nitro products, such as—

Nitro benzene

Dinitrophenol and others,

and some unimportant organic intermediates for the production of aniline dyestuffs shall be produced. The production of Sulphur Black and aniline oil shall be started first.

Still wanting intermediates as well as sulphuric acid, nitric acid, and other chemical auxiliaries can be purchased from the Semtin works of "Synthesia" chemische Werke A. G., situated in the neighbourhood.

The electric current of the works is supplied by a foreign power station on the Elbe.

In order to accelerate the very slow supply of machinery required for many plants at Rybitew which are already finished in plain structure, the Prager Verein participated in the small machine works Janka & Co. A. G. at Radotin (near Prague) by purchasing the majority of shares of these works.

It is intended also to establish at Rybitew a large scientific central laboratory for all works of the concern of the Prager Verein—even for inorganic chemistry.

It is said that for the Rybitew works also the production of inorganic products and heavy chemicals is planned at long sight.

Petschek: Works' manager, Dr. Hrbek.

The Prager Verein took over from its affiliated company Aktienfabriken zur Erzeugung von Chemikalien Kolin the Petschek works (which were closed for years) for own management, to store there the stocks—particularly of aniline dyestuffs—brought away from the Sudetic works Aussig and Falken and in September 1938 before the marching in of the German troops.

In 1939 a dyestuff mixing plant and an experimental dyehouse as well as small laboratories were established.

(A) IN THE PROTECTORATE BOHEMIA AND MORAVIA—continued

Chemical works and printing ink works—Continued

Chrast Pharmaceutical works, near Chrudim: Works' manager, Eng. Ivan Setlik.

The Prager Verein took over the Chrast works in the beginning of 1939 from the firm Dr. Eng. Rob. Heisler at K. 15 million.

The production of—

Pharmaceutical specialties
 Injections of any description
 Sulphuric ether
 Anaesthetics
 Ethyl chloride
 Alkaloids
 Opiates
 Hormon preparations
 Glycero phosphates and
 Lævulose

is continued. Moreover the manufacturing program shall be extended, particularly with regard to such pharmaceutical products which were hitherto produced by the Oderberger chemische Werke A. G. in the Neu-Oderberg works now belonging to Greater Germany.

Simultaneously with the Chrast works also the production of cigarette paper and cigarette husks was taken over.

When taking over the works, about 80 workmen were employed there.

Neu-Ratowitz: Works' manager, Director, Dr. Eng. Vladimir Skola.

The Neu-Ratowitz works—a manufacture of victuals—was taken over by the Prager Verein in 1939 from the "Geo" Produktions-und Grosseinkaufsverband für Erwerbs-und Wirtschafts-Vereinigung r. Gen. m. b. H., which was in liquidation, at K. 6 million.

Part of the manufacture of victuals was closed, whereas other sections are continued as branch works of the "Biochema," Landwirtschaftliche chemische Werke A. G., Mödriz—which the Prager Verein annexed to its concern by acquiring the majority of shares of this firm—(vinegar production, potato starch, glucose, syrup). The production of other victuals, particularly of preserved fruit, was started anew.

The plants set free by the partial stopping of the manufacture were established as plants for the Prager chemische Werke A. G. (formerly Oderberger chemische Werke A. G.). On the grounds of the Neu-Ratowitz works at present a *spin rayon works is being erected* with a planned capacity of 10,000 tons p. a. (I. G. process), which the Prager Verein will manage itself.

To safeguard the supply of electric current to the works, the Prager Verein in the middle of 1940 purchased the firm Bohdan Kasper at Lobkowitz (near Neu-Ratowitz), which not only disposes of a small calcium carbide plant (capacity 1 ton per day), but also of a good power station with water wheels.

At the end of 1939 the crew consisted of about 80 workmen.

Prague-Wissotschan: Printing ink works: Production of metal foils:

Works' manager: Dr. Eng. Karl Vnuk.

Commercial manager: Karl Pisinger.

The Prager Verein took over the works at the end of 1938 from the firm Weissberger & Co. The works, which originally only produced Rotation Black, is now enlarged to be suitable for the production of printing inks of any description.

When the works were taken over, the crew consisted of 50 workmen.

Rostok, near Prague, printing ink and chemical works: Works' manager: Dr. Eng. Bohumil Slemr.

The works, which were bought at the beginning of 1939 from the firm Eng. Jaroslav Velinsky (Fabrik Chemisch-Pyrotechnischer Erzeugnisse), have been entrusted with the production of printing inks and bronze colours and aluminium sulphate of the Kossolup works of the firm Weissberger & Co. situated in the Sudetes. (The Kossolup works were ceded).

The crew consists of about 100 workmen.

(B) IN SLOVAKIA

Chemical works and printing ink works—Continued

Sillein: Sulphuric acid and super phosphate works:

Works' manager: Eng. Karl Fingerland.

Commercial manager: Anton Stross.

Crew: About 120 workmen and employees.

The works get their electric current from foreign sources (Vereinigte Elektrizitätswerke der Nordwestlichen Slovakei A. G., Sillein, in which the Prager Verein participated in 1938 with 10–15%).

Plants:

Sulphuric acid:	Capacities (tons p. a.)
Roasting plant.....	15, 600
Contact plant (newly erected in 1936).....	20, 000
Super phosphate (calculated to be 16% max.).....	36, 000
Sulphate of copper (started in 1939) max.....	1, 500

During the last years only 16,000 tons super phosphate p. a. were produced; the stores would not be large enough for 36,000 tons p. a.

A plant for military specialities annexed to the Sillein works—not managed by the Prager Verein—was closed and is said to have been pulled down.

Handlova: Calcium carbide and ferro-alloying plant: Works manager: Eng. Mack.

Plants:

1. Furnace with a capacity of 1,800 kw.:
Capacity about 3,000 tons calcium carbide p. a.
Started in autumn 1938.
2. Furnace with a capacity of 2,200–2,400 kw.:
Capacity about 2,800 tons ferro silicium 45% p. a.
Started in the middle of 1939.
3. Furnace with a capacity of 4,400 kw. *at present being erected.*
Capacity about 5,600 tons ferro silicium 45% p. a.

The two first-named furnaces have rotatory-current transformers with a capacity of 2,500 kva. at 5,000 v. primary and 120–90 v. secondary voltage. They work with 3 intermittent electrodes in a row with a rectangular cross section and have furnace coops with a rectangular cross section (old-fashioned type). The construction is obsolete but very stable in regard to the easy handling by green hands.

In the first furnace, carbide (on an average 300 l raw acetylene per 1 kilo carbide) is produced, i. e., round 9 tons per working day, which equals round 3,000 tons p. a. This furnace can also be used for producing FeSi without considerable technical alterations in respect of the body of the furnace being necessary. In this case the furnace will supply 6.5 t FeSi 45% or 3.3 t FeSi 75% per working day.

FeSi 90% can, in consideration of the poor electric capacity, for economical reasons not be produced in this furnace. In the project an annual production of 2,500 t carbide for selling in grains 15/80 mm and 500 t carbide in small grains of 0/15 mm (for a future Dissous gas production) was planned for the first furnace.

The second furnace serves for the production of FeSi and is suitable for producing all qualities of 25–95% Si-content. The production per day is—

13 t	FeSi with 25–30% Si
8.5 t	" " 45% Si
4.5 t	" " 75% Si
3.2 t	" " 90% Si

Thus the furnace supplies 2,800 tons FeSi 45% p. a.—

or 1,500 tons FeSi 75% p. a.

or 1,050 tons FeSi 90% p. a. when working during the whole year. In

the project it was planned that, according to the probable sales of—

45% : 75% : 90%
as of 40% : 50% : 10%

per annum 1,000 t FeSi 45%

750 t FeSi 75%

and 125 t FeSi 90%

should be produced, that means 2,500 tons p. a. reduced to 45% FeSi.

If both furnaces are used for producing FeSi, their maximal capacity is:

5,000 t FeSi 45% p. a.

or 2,600 t FeSi 75% p. a.

(B) IN SLOVAKIA—continued

Chemical works and printing ink works—Continued

If the 3rd furnace, which is suitable for the production of FeSi, will be started, the first two furnaces shall only be used for the production of carbide.

It is intended to process carbide into nitrogen of lime and Dissous gas.

Novaky: (15 km. west of Handlova) Chlorine electrolysis: Works' manager, Dr. Eng. Hynek Majtl.

Plants:

Chlorine electrolysis:

Capacity 7,000 t NaOH p. a.

6,000 t chlorine p. a.

Remelting plant for NaOH solid quality: Capacity 3,600 t. p. a. (working since August 1940).

Products:

Caustic soda.

Chlorine, liquid.

In spring 1939 the first part of the plant (32 cells, 8,000 amp.) with a maximal capacity of 2,800 t NaOH p. a. and 2,500 t chlorine p. a. was started.

The enlargement to the above-mentioned capacity was finished in 1940.

Up to the finishing of the remelting plant, the plant was only exploited up to 2,400/2,800 t NaOH p. a. Now an increase of the production to 3,600 NaOH p. a. is expected.

The production of bleaching lye, chloride of lime, hydrochloric acid, and trichlorethylene is planned.

Slovenska L'upca: Printing ink and bronze colour works: The works were taken over at the end of 1938 from the firm Weissberger & Co.

Products: Printing inks.

Bronze colours.

Driers.

"Solo" Works:

(A) IN THE PROTECTORATE BOHEMIA/MORAVIA

Schüttenhofen (Bohemia):

Works' manager: Director Eng. Josef Cizek.

Crew: About 750 workmen and employees.

Plants:

Matches works.

Package works: Production of cups, pots, pans, and round boxes bearing the trademark "Solokup" from impregnated paper.

Sawmills (2 works).

To the Schüttenhofen works belong extensive woods in the territory Vogel-sang near Bergreichenstein in the territory annexed to Bavaria, south of Schüttenhofen.

Budweis (Bohemia): Matches works with an own towing railway. The works are closed since 1933.

Leipnik (Moravia):

Match works.

Crew: About 200 workmen and employees.

Pottenstein near Adler-Kosteletz: Small works for the production of paper cord.

(B) IN SLOVAKIA

Rosenberg: cellulose- and paper works:

Works' manager: Director, Eng. Andrej Smiesko.

Crew: About 600 workmen and employees.

Plants:

Cellulose and paper mills:

1 high power grinding machine.

5 cellulose boilers.

4 presses.

19 rag engines.

5 paper machines

1 pasteboard machine.

Production:

About 17,000 tons paper p. a.

About 26,000 tons cellulose for selling p. a.

'Solo' Works—Continued

(B) IN SLOVAKIA—continued

The sawmills in Turany and Lipt. Osada originally belonging to the above works were in 1939, together with further 5 newly acquired Slovakian sawmills by utilization of empty shares annexed to the Rosenberg Cellulose- und Papierfabrik A. G., Rosenberg.

Neuschl: Matches works.

Coal fields: The Prager Verein possesses considerable brown coal fields in Püllna near Brůx (Sudetes), which were not yet worked.

Woods: The Prager Verein possesses considerable woods in the domain Vogelsang near Bergreichenstein (Bavaria). (See under Schuttenhofen works.)

Waterworks in Yugo-Slavia: The Prager Verein possesses—still since the time before the Great War—privileges to utilize considerable waterpowers on the Narenta (Yugo-Slavia), which, however, were up till now not yet made use of. Some years ago, the Prager Verein succeeded in having confirmed its privileges by numerous actions at law against adjacents.

Store in Prague: The Prague Verein possesses a large store in Prague VII.

Total crew: The crew of all own works (including the "Solo" Works) amounts to about 4,500–5,000 workmen and employees.

Products:**Chemicals:**

- Sulphuric acid.
- Fuming sulphuric acid.
- Super phosphate.
- Hydrochloric acid.
- Sodium sulphate.
- Glauber's salt.
- Soda cryst.
- Sodium sulphide cryst. and conc.
- Sodium sulphite.
- Sodium bisulphite
- Sodium hydrosulphite
- Caustic soda
- Chlorine, liquid
- Sulphate of copper
- Chloride of zinc lye 50° Bé. (=106° Tw.)
- Zinc sulphate
- Magnesium sulphate
- Aluminium sulphate
- Calcium carbide
- Ferro silicium
- Blanc fixe
- Barium chloride
- Titanium White
- Red colours
- Pompeian Red
- Contact mass
- Driers

Aniline dyestuffs and intermediates (from the store at Petschek):

Aniline dyestuffs

Intermediates

Printing inks of any description:

Bronze colours

Active charcoals:

For decolouring

Protectives against gases

Steam generation

Pharmaceutics:

Pharmaceutical specialities

Injections of any description

Alkaloids

Opiates

Hormon preparations

Glycerophosphates

Laevulose

Sulphuric ether

Anaesthesine

Ethyl chloride

(B) IN SLOVAKIA—continued

Products—Continued

Metal foils

"Solo" products:

Cellulose

Paper

Matches

Impregnated paper packages bearing the trade-mark "Solokup", cups, pots, pans, boxes

Paper cord: The manufacturing program of the own works of the Prager Verein is supplemented by that of various concern companies in the Protectorate Bohemia and Moravia. Thus the following products are manufactured:

Chemicals:

Accumulator acid.....	{	Aktienfabriken zur
Phosphoric acid.....		Erzeugung von
Sulphate of alumina.....		Chemikalien Kolin,
Sal-ammoniac.....		Prague (Kolin Works).
Hydrogen peroxide.....	{	Ziegelfabriken und
Perborate.....		Chemische Werke A. G., Göding (Göding Works).
Borax.....		

Photographics:

Films.....	{	"AKO" A. G. für die
Plates.....		Erzeugung von
Chemicals.....		Photobedarfsmitteln und Chemikalien, Prague (Bohemian-Brod Works).

Pharmaceutics:

Pharmaceutical specialties.....	{	Aktienfabriken zur
Vitamin preparations.....		
Salvarsan.....		
Salicylic acid.....		
Acetyl salicylic acid.....		
Methyl chloride.....		
Ethyl chloride.....	{	Erzeugung von Chemikalien Kolin, Prague (Kolin Works).
Radioactive therapeutical preparations.....		
Pharmaceutical specialties.....		
Veterinary preparations.....		
Pharmaceutical chemicals (pure silver, iron, bismuth, mercury salts).....		
Glycero phosphates.....	{	Prager chemische Werke A. G., Prague (Hruschau and Neuratowitz Works).
Preservatives for plants.....	{	Aktienfabriken zur Erzeugung von Chemikalien Kolin, Prague (Kolin Works).
Pyrethrum extracts for insecticides.....	{	Ziegelfabriken und Chemische Werke A. G., Göding (Göding Works).
Cauterisates for seeds.....	{	Prager chemische Werke A. G., Prague (Hruschau and Neuratowitz Works).
Products for preventing weeds.....		
Pickling agents.....		
Carbolineum for fruit trees.....		
Caustics.....	{	"Biochema", Landwirtschaftliche Chemische Werke A. G., Mödritz (Mödritz Works).
Insecticides.....		

(B) IN SLOVAKIA—continued

Products—Continued

Products for utilizing bones:

Bone glue.....	"Ossa" A. G. für chemische Industrie, Prague (Prague-Wisotschan Works).
Bone fat.....	
Tutty (bone black, bone ashes).....	
Bone dust.....	
Horn dust.....	
Fodder lime.....	
Photo gelatine.....	
Techn. gelatine.....	
Glycerine.....	
Elain.....	
Stearine.....	A. G. für Chemische Industrie, Tabor (Tabor Works).
Leather glue.....	
Leather fat.....	
Leather dust.....	
Horn dust.....	
Gelatine.....	"Biochema" Landwirtschaftliche Chemische Werke A. G., Mödriz (Mödriz Works).
Bone dust.....	
Fodder limes.....	

Special products:

Saccharine.....	Prager Chemische Werke A. G., Prague (Hruschau and Neu-Ratowitz Works).
Zinc White.....	
Anticorrosive agents.....	
Protectives against flames.....	
Preserving agents.....	
Acidproof cements.....	
Blue insulating agents.....	
Cold glue.....	
Cer-fire-stones.....	"Biochema" Landwirtschaftliche Chemische Werke A. G., Mödriz (Mödriz Works).
Soaps.....	
Volatile oils and essences.....	
Scents.....	
Inks.....	
Blackings.....	
Cements.....	
Synthetic intestines.....	
Chemicals for building.....	

Victuals:

Preserved fruits and vegetables.....	"Biochema" Landwirtschaftliche Chemische Werke A. G. Mödriz (Mödriz, Babitz and Neu-Ratowitz Works).
Juices of fruit (jellies, syrups).....	
Vinegar.....	
Potato starch.....	
Glucose.....	"Biochema" Landwirtschaftliche Chemische Werke A. G., Mödriz (Mödriz, Babitz and Neu-Ratowitz Works).
Spiceries for soups.....	
Candies.....	
Coffee substitutes.....	
Honey substitute.....	
Chocolate.....	

Program for enlargement: According to an internal program for enlargement, the Prager Verein plans at long sight the starting of the following productions:

Chlorine compounds.
 Chlorinated hydrocarbons.
 Nitrogen of lime.
 Acetylene and allied compounds.
 Acetic acid.
 Acetaldehyde.
 Oxalic acid.
 Formates.
 Formic acid.
 Halogen compounds.

(B) IN SLOVAKIA—continued

Program for enlargement—Continued

Carbon bisulphide.
 Fluorine products.
 Cupric salts.
 Tin salts.
 Sulphur and its compounds.
 Extraction of sulphur by gas-cleaning.
 Condensing and liquefaction of gases.
 Phosphates.
 Bleaching clay (china clay).
 Flotation chemicals.
 Ponderosit.
 Lactic acid.
 Cyanides and allied compounds.
 Tannins.
 Methanol synthesis.
 Formaldehyde.
 Synthetic resins and varnishing resins.
 Plastics.
 Synthetic gas.
 Hydrogen by gasifying.
 Gasifying of charcoal.
 Tar cracking (Teerkrakung).
 Synthesis of ammonia and its compounds.
 Hydration of charcoal and tar under pressure.
 Processing of gases by low-pressure hydration
 Aluminum oxide.
 Aluminum.
 Magnesium.
 Electrodes.
 Ferro alloys.

Participations:

(A) PRODUCTION COMPANIES OF THE OWN CONCERN

1. *Protectorate Bohemia and Moravia*

Aktienfabriken zur Erzeugung von Chemikalien Kolin, Prague:

Joint stock: K. 20,000,000.

Principal shareholder: Prager Verein by far the majority.

Works:

Kolin Chemical and superphosphate works.

Schlan (closed). Sulphuric acid and superphosphate works.

The closed Petschek works was taken over by the Prager Verein end of 1938. The Budweis works closed in 1934 was pulled down. The small Neu-Erlaa works near Vienna was sold in 1939.

In 1939 the dispensary in Prague, Altstädter Ring, was bought.

Ziegelfabriken und Chemische Werke A. G., Göding:¹

Joint stock: K. 12,000,000.

Principal shareholder: Prager Verein, 90%.

Works:

Göding (Moravia) Chemical works, brick works.

Theben-Neudorf (Slovakia) Brick works.

Ratschkowitz (near Göding) Lignite pit "Vlasta."

Prager Chemische Werke A. G., Prague (vorm. Oderberger Chemische Werke A. G.):

Joint stock: K. 6,000,000.

Principal shareholder: Prager Verein, 100%.

Works:

Hruschau.

Neu-Ratowitz.

¹ Up till the middle of October 1940 the firm's name was: "Slovakische Ziegelfabriken und Chemische Werke A. G."

Participations—Continued

(A) PRODUCTION COMPANIES OF THE OWN CONCERN—continued

1. *Protectorate Bohemia and Moravia*—Continued

"Biochema" Landwirtschaftliche Chemische Werke A. G., Mödritz:

Joint stock, K. 7,000,000.

Principal shareholder: Prager Verein, by far the majority.

Works:

Mödriz (near Brünn):

Chemical works.

Fertilizer and fodder works.

Soap and scent works.

Works producing volatile oils and essences.

Works producing synthetic sausage casings.

Plant for drying vegetables.

Babitz (near Ung.-Hradisch): Works utilizing fruits and vegetables.

Neu-Ratowitz:

Works utilizing fruits.

Works producing victuals.

"AKO" Aktiengesellschaft für die Erzeugung von Photobedarfsmitteln und Chemikalien, Prague:

Joint stock: K. 4,000,000.

Principal shareholder: Prager Verein, by far the majority.

Works: Böhmisch-Brod. Production of films, plates, and photochemicals.

"Ossa" A. G. für Chemische Industrie, Prague:

Joint capital: K. 8,000,000.

Principal shareholders:

Prager Verein, majority.

Scheidemantel-Motard-Werke A. G., Berlin, minority.

Works: Prague-Wissotschan. Processing of bones.

Aktiengesellschaft für Chemische Industrie, Tabor:

Joint stock: K. 1,000,000.

Principal shareholder: "Ossa"-A. G. für Chemische Industrie, Prague, 100%.

Works: Tabor. Processing of hides and bones.

Hruschauer Tonwarenfabrik A. G., Hruschau:

Joint stock: K. 4,000,000.

Principal shareholders:

Prager Verein, 50%.

Deutsche Ton- u. Steinzeug-werke, Berlin, 50%.

Works: Hruschau. Earthenware (acid-proof cement for the whole chemical wholesale manufactures).

Janka & Co. A. G., Prague:

Joint stock: K. 3,500,000.

Principal shareholder: Prager Verein. Majority.

Works: Radotin (near Prague). Machinery.

Zeleny & Co. Grosshandel und Erzeugung Optischer Waren, Prague:

Public company.

Partners:

Prager Verein. Majority.

Jaroslav Zeleny, Prague. Minority.

Works: Prague. Production of optical articles.

2. *Slovakia*

Handlovaer Kohlenbergbau A. G., Bratislava:

Joint stock: Ks. 57,600,000.

Principal shareholders:

Prager Verein, 60%.

Böhmische Union Bank, Prague, 40%.²

Works:

Handlova:

Brown coal pits.

Output 1939, abt. 775,000 t.

Brickworks and power station with lime-kilns.

Novaky: Brown coal pits.

² With regard to the share packet of 40% deposited at the Böhmische Union Bank the Prager Verein is said to have secured the right of option running till 1941 at a fixed price.

Participations—Continued

(A) PRODUCTION COMPANIES OF THE OWN CONCERN—continued

2. Slovakia—Continued

Rosenberger Cellulose- und Papierfabrik A. G., Rosenberg:

Joint stock: Ks. 5,000,000.

Principal shareholder: Prager Verein, 100%.

Works:

Sawmills and box works at—

Turany nad Vahom.

Lipt. Osada.

Poprad-Velka.

Turcek.

Kásmark.

Hranovnica-Dubina.

Kirchdrauf.

3. Hungary

"Hungaria" Kunstdünger-, Schwefelsäure- und Chemische Industrie A. G., Budapest:

Joint stock: P. 6,020,000.

Principal shareholders:

Prager Verein, 33.3%.³Solvay-Group, 33.3%.³

Works:

Budapest:

Chemical works.

Production of glue.

Papa (closed):

Sulphuric acid.

Superphosphate.

Sodium-und Leimfabrik A. G., Budapest, 100%. (Szeged works are closed.)

Leim-und Kunstdüngerfabrik A. G., Lipt. Sv. Mikulas, 100%. (Works at Paludzka/Slovakia.)

Sereder Kunstdünger u. Chemische Fabrik A. G., Bratislava in liquidation, 200%. (Works in Sered/Slovakia have been pulled down.) *

"Terrachemia" Chemische Fabrik A. G., Budapest, 33½%. (Bleaching clay works at Nagytetyeny.)

"Metallochemia" A. G., Budapest, 34.8%. (Foundry and chemical works at Nagytetyeny.)

"Chinoïn," Fabrik Chemisch-pharmazeutischer Produkte A. G., Budapest, minority. (Works in Neu-Pest.)

Kunstdünger-Verwertungs-A. G., Budapest, minority.

4. Yugo-Slavia

"Zorka" Erste Jugoslavische A. G. für Chemische Industrie, Belgrad.

Joint-stock: Din. 25,000,000.

Principal shareholders:

Prager Verein, 52% } 89%.⁴

Solvay Group 37% }

Hinko Mayer i. drug, Zagreb, 11%.

Works:

Chemical works at—

Subotica.

Schabaz.

³ Participation on 30th June, 1938. It is not known whether for camouflage reasons alterations in the participation have taken place. The joint participation was transferred to the Gesellschaft für Soda und Chemische Industrie m. b. H. (Gefucin), Zürich.

⁴ Participation on 30th June 1938. It is not known whether for camouflage reasons alterations in the participation have taken place in the interim. The joint participation was transferred to the Gesellschaft für Soda und Chemische Industrie m. b. H. (Gefucin), Zürich.

Participations—Continued

(A) PRODUCTION COMPANIES OF THE OWN CONCERN—continued

5. Roumania

"Marasesti" Rumänische A. G. für Chemische Industrie. Bukarest.

Joint-stock: Lei 100,000,000.

Principal shareholder: Prager Verein, 100%.¹

Works:

Valea Calugareasca (near Ploesti): Chemical works.

Kronstadt: Chemical works.

Marasesti: Processing of bones.

The works Rohozna near Czernowitz (processing of bones) have been annexed to Russia when the Bukowina was ceded.

(B) SOLVAY COMPANIES

Nestomitzer Solvay-Werke Solvay & Cie. K. G., Nestomitz:

Complementary: Solvay Group, 55%.²

Shareholder: Prager Verein, 45%.³

Works: Nestomitz (Sudetes): Soda ammonia works.

Ebenseer Solvay-Werke Solvay & Cie. K. G. Ebense:

Complementary: Solvay Group, 55%.²

Shareholder: Prager Verein, 45%.³ (Invested capital R.M. 2.286.666,67).

Works:

Ebensee (Austria): Soda ammonia works.

Hallein (Austria): Chlorine electrolysis.

Ostdeutsche Chemische Werke G. m. b. H., Posen:

Capital: Zl 50.000.000 = R.M. 25.000.000.

Partners:

Solvay Group, about 90%.

Prager Verein, about 10%.

Works: Hohensalza (Wartheland): Soda ammonia works.

Kraukau/Podgorze (General Government):

Soda ammonia works

Chlorine electrolysis.

Salzhof (Wartheland): Mineral salt pits.

Grodziec (Wartheland):

Cement works.

Coal-pits.

Jugoslavische Solvay-Werke A. G., Lukavac:

Joint stock: Din 80,000,000.

Principal shareholders:

Solvay Group, 47.4% } 94.8%.

Prager Verein, 47.4% }

Works: Lukavac. Soda ammonia works.

Rumänische Solvay-Werke A. G., Bukarest:

Joint stock: Lei 400,000,000.

Principal shareholders:

Solvay Group, 49.9% } 99.8%.

Prager Verein, 49.9% }

Works:

Oena-Muresului: Soda ammonia works.

Turda: Chlorine electrolysis.

Sandulesti: Lime pits.

¹ Participation on 30th June 1938. The share packet is deposited with the Gesellschaft für Soda und Chemische Industrie m. b. H. (Gefucin), Zürich. It is possible that meanwhile the Solvay group, for camouflage reasons, have taken over part of the shares.

² Internally Solvay and the Prager Verein always participated with equal percentages. For political reasons Solvay holds the majority officially since 1938.

³ Up till 30th June, 1938, Solvay and the Prager Verein participated with half of the shares each. It is not known, whether for camouflage reasons meanwhile an alteration has taken place. The share packets are deposited with the Gesellschaft für Soda und Chemische Industrie m. b. H. (Gefucin), Zürich. A small number of shares are in the hands of members of the board of directors.

⁴ Up to the 30th June, 1938, Solvay and Prager Verein joined in the participation with one-half each of the shares held. It is not known whether for camouflage reasons meanwhile an alteration has taken place. The share packets are deposited with the Gesellschaft für Soda und Chemische Industrie m. b. H. (Gefucin), Zürich. A small percentage of shares is in the hands of members of the board of directors.

Participations—Continued

(B) SOLVAY COMPANIES—continued

Solvay-Gesellschaft m. b. H. für Sodaerzeugnisse, Prague:

Capital: K. 500,000.

Partners:

Solvay Group, 55%.

Prager Verein, 45%.

The company which was founded on 4th January, 1939, planned the erection of a soda ammonia works in the Protectorate Bohemia and Moravia. By the annexation of the Protectorate to Greater Germany this plan will probably have been abstained from.

(C) OTHER PRODUCTION COMPANIES

2. Protectorate Bohemia and Moravia

Böhmisch-Mährische Stickstoffwerke A. G., Mährisch-Ostrau:

Joint stock: K. 65,000,000.

Participation of the Prager Verein: 10.1%.

Works: Mährisch-Ostrau-Marienberg nitrogen and chemical works.

Witkowitz Bergbau-und Eisenhüttengewerkschaft, Mährisch-Ostrau:

Participation of the Prager Verein: Unimportant minority.

Recent information indicates that the Reichswerke "Hermann Göring" have taken over the management. The taking over of the majority of capital (51%) is said to be taken into consideration, but to have been put off.

2. Slovakia

Chemische Industrie A. G., Bratislava:

Joint stock: Ks. 40,000,000.

Principal shareholders:

A. G. Dynamit Nobel, Bratislava, 60%.

Prager Verein, 40%.

Works: Spun rayon works (being erected. Capacity planned: 7,200 t. p. a.

Silleiner Cellulosefabrik A. G., Sillein:

Joint stock: Ks. 9,000,000.

Participation of the Prager Verein (taken over from "Solo"): Minority.*

Works:

Sillein: Cellulose works. Capacity round 38,000 t bleached cellulose p. a.

Poprad: Paper and pasteboard works. Capacity round 2,300 t paper p. a.

Vereinigte Elektrizitätswerke der Nordwestlichen Slovakei A. G., Sillein:

Joint stock: Ks. 20,000,000.

Participation of the Prager Verein: about 10–15%.

Power stations:

On the Rajcanka.

Puchov n. V.

3. Greater Germany

Salzbergwerk Neu-Stassfurt und Teilnehmer K. G., Bitterfeld:

Capital: RM. 6,000,000.

Complementary: Kali-Chemie A. G. (indirect) 50%.

Shareholder: Prager Verein (invested capital RM. 3,000,000), 50%.

Works:

Zscherndorf (near Bitterfeld): Chlorine electrolysis.

Bitterfeld: Brown-coal pits.

Böhmische Glanzstoff-Fabrik System Elberfeld, Lobositz:

Joint stock: Kc. 20,000,000.

Principal shareholders:

AKU Glanzstoff-group, abt. 53%.

Prager Verein, abt. 47%.¹⁰

Works: Lobositz (Sudetes). Capacity 2,100 t Viscose p. a.

* According to the "Frankfurter Zeitung" of 26th January, 1941, the Prager Verein informed the Slovakian Minister of Economics that they have taken over the majority of shares of the company hitherto deposited with the Gewerbebank (Zivnostenska Banka), Prague. Thus the works have been connected more closely with the concern of the Prager Verein.

¹⁰ Situation in June 1938. According to new information the Prager Verein is said to have sold its participation in 1940.

Participations—Continued

(C) OTHER PRODUCTION COMPANIES—continued

3. Greater Germany—Continued

Oderberger Chemische Werke A. G., Oderberg:

Joint stock: Kc. 6,000,000 (not yet changed).

Principal shareholders:

Prager Verein, 33⅓%.

Chemische Fabrik von Heyden A. G., Radebeul, 33⅓%.

Fahlberg-List A. G., Magdeburg, 33⅓%.

Works: Oderberg. Chemical works.

(D) COMPANIES OF THE ACTIVE CHARCOAL GROUP

Aktivkohle-Union-Verwaltungs-G. m. b. H., Frankfurt (Main):

Joint stock: RM. 20,000 (25% paid in).

Partners:

Metallgesellschaft, 25%.

Degussa, 25%.

I. G., 25%.

Prager Verein, 25%.

Purpose: Joint handling of the active charcoal business (production, sales, and application of the active charcoal).

British Carbo-Union Ltd., London:

Joint stock: £12,500.

Participation of the Prager Verein: 11.34%.

Works: West Thurrock (Essex). Small reactivation plant. On the outbreak of the war a plant for producing coal for decolouring was being erected.

"Carbonit" Erste Rumänische A. G. für die Fabrikation von Aktivkohle, Bukarest:

Joint stock: Lei 2,000,000.

Participation of the Prager Verein: 12.6%.

Works: Sinaia. Small plant for the production of formed active charcoal (capacity 180 t p. a.)

(E) COMPANIES UNDER OWN MANAGEMENT AND SELLING COMPANIES

Prager chemische Gesellschaft m. b. H., Berlin:

Principal stock: RM. 24,000. 100%.

Purpose: Connection with authorities.

Manager: Director Wilhelm Nussbaumer, Berlin (formerly Chemische Werke Aussig-Falkenau G. m. b. H.).

"Chemicolor" chemische und metallurgische A. G., Budapest:

Joint stock: P. 150,000. Majority.¹¹

Purpose: Selling company.

"Jugocolor" A. G. für den Handel mit Chemischen und Metallurgischen Produkten, Belgrad:

Joint stock: Din. 600,000. Majority.¹¹

Purpose: Selling company.

"Romancolor" Rumänische A. G. für den Handel mit chemischen und metallurgischen Produkten, Bukarest:

Joint stock: Lei 1,000,000. Majority.¹¹

Purpose: Selling company.

Mittelböhmische Papierfabrik A. G., Prague: • •

Joint stock: K. 1,600,000. Majority.

Purpose: Management of real estates. The company gave up their original intention to erect a rotation papermill and only manage several blocks of real estate of their own at Neu-Ratowitz and in its neighbourhood. In autumn 1940 the Prager Verein bought the majority of shares.

¹¹ The shares are partly held indirectly, amongst others by the managers of the selling company and by members of the board of directors.

Participations—Continued

(F) OTHER SELLING AND CARTEL COMPANIES

"Fosfa" Handelsgesellschaft mit Erzeugnissen der Chemischen Industrie G. m. b. H., Prague:

Capital: K. 1,000,000.

Purpose: Sales of sulphuric acid and superphosphate.

Partners: Amongst others Prager Verein, Aktienfabriken Kolin. Majority.

Centroklih, Handelsgesellschaft mit Chemischen Produkten m. b. H., Prague:

Capital: K. 300,000.

Purpose: Sale of bone glue, leather glue, bone fat, gelatine, etc.

"Sulfit" Verkaufsbüro für Zellulose G. m. b. H., Prague:

Capital: K. 60,000.

Verkaufsbüro der Vereinigten Papierfabriken G. m. b. H., Prague:

Capital: K. 1,250,000.

"Luma" Verkaufsstelle der Zündwarenfabriken G. m. b. H., Prague:

Capital: K. 5,000,000.

"Plama" Zentralverkaufsbüro der Zündwarenfabriken G. m. b. H., Prague:

Capital: K. 2,000,000.

"Iskra" Zündhölzchenverkaufs-A. G., Rosenberg/Slovakia:

Joint stock: Ks. 180,000.

Alsing Trading Co., Ltd., London:

Organization for the selling of matches for exports, in cooperation with the Svenska Taendsticks A/B, Stockholm.

Alliances of common interest:

The Prager Verein concluded amongst others alliances of common interest with the following firms:

"Hungaria" Kunstdünger-, Schwefelsäure- und Chemische Industrie A. G., Budapest:

Agreement re program of production and regulation of the market.

"Synthesia," Chemische Werke A. G., Prague:

Agreement, concerning amongst others the purchase of intermediates from the Semtin works.

Prager Eisen-Industrie-Gesellschaft, Prague:

Agreement re the utilization of byproducts by the Prager Verein, particularly in respect of the erection of coke furnaces planned by the Prager Eisen-Industrie-Gesellschaft (eventually basis for a future erection of a nitrogen plant by the Prager Verein?).

The Calco Chemical Co., Inc., New York (100% affiliated company of American Cyanamid Company):

Agreement re mutual exchange of technical information.

Licenses:

The Prager Verein amongst others granted licences to the following firms:

Ostdeutsche Chemische Werke G. m. b. H., Posen.

Rumänische Solvay-Werke A. G., Bukarest.

Nestomitzer Solvay-Werke Solvay & Cie. K. G., Nestomitz.

"Hungaria" Kunstdünger-, Schwefelsäure-, und Chemische Industrie A. G., Budapest.

Salzbergwerk Neu-Stassfurt und Teilnehmer K. G., Bitterfeld.

Fabriques de Produits Chimiques de Thann et de Mulhouse, Thann.

The annual receipts of licence fees are considerable. In the years 1932-1937 the following amounts were booked:

1932 Kc. 2,932,569.

1933 " 8,892,605.

1934 " 9,928,864.

1935 " 11,035,085.

1936 " 10,557,642.

1937 " 10,157,268.

Salzbergwerk Neu-Stassfurt und Teilnehmer K. G., Bitterfeld, in which the Prager Verein participates as shareholder with 50%, pays besides the annual dividend R.M. 300,000 (=K. 3,000,000) license fees per annum (electrolysis).

Fabriques de Produits Chimiques de Thann et de Mulhouse, Thann,¹² the electrolysis of which has been erected according to the same methods as that of the Prager Verein, had regularly to pay to the Prager Verein 25-30% of their net profits in the products manufactured by electrolysis for the installation.

¹² In the beginning of the twenties the Prager Verein participated temporarily in this works.

EXHIBIT No. 22

LETTER OF AUSSIGER VEREIN OBJECTING TO FARBEN'S ACTIVITIES IN CONNECTION WITH ITS PLANTS

[Translation]

VEREIN FÜR CHEMISCHE UND METALLURGISCHE PRODUKTION
[Chemical and Metallurgical Production Association]

OFFICE OF THE GENERAL MANAGER

Telephone 23344 to 23347. Interurban 23348

Cable address: Aussiger Praha. Mailing address: Prague II. P. O. B.

10, Na Příkopě.

PRAGUE, November 1, 1938.

To the Management of the Aussig and Falkenau Plants of the "Verein für Chemische und Metallurgische Produktion." Aussig on the Elbe.

In reply please refer to: G. S. 45.871

Before replying in detail to your letter R. A. 70193 of October 28th, last, we deem it necessary first to make a few observations regarding *matters of principle*.

From the wording of your letter it can be clearly seen that you envisage an agreement between yourselves and Prague as though two juristically separate legal persons were dealing with each other in these matters. We wish to protest most vigorously against such an opinion, and hereby again call your attention to the fact that, as has been the case until now, Aussig and Falkenau, for the management of which administrators have been temporarily appointed, are only plants of our firm, and that no legal personality is vested in the Management at Aussig. The Aussig Management and both plants are nothing but *agencies* of the same enterprise as a whole, which are the property and under ownership of our firm. In this instance, it is impossible and illogical to construe a contractual relationship. As a result of discussions between or among various agencies, *internal arrangements* may well be made but the latter do not qualify as contracts.

In this connection we wish to refer, in detail, to the following:

Ad. (1) We are in agreement with this point since the sale of three products is regulated by "Fosfa" and since Aussig and Falkenau are bound by contracts via the Prague Management. If in the future said contracts were cancelled or modified wholly or in part, it would be necessary for us to request that these three products be included in these regulations. Insofar as lignite is concerned we are waiting for additional developments in the organizing of sales. With respect to caustic soda, we wish to refer to the existing agreement with the Nestomitz Solvay Works.

Ad. (2) If the interests of our enterprise required that we act as consultants to our customers, and if we ourselves were not in a position to furnish pertinent advice, we would communicate with you with a view to delegating a pertinent expert.

Ad. (3) Of course sales in the CSR¹ have to be made at the best possible prices, and consequently it is clear also that today's minimum prices will have to be retained. The principle of maintaining today's prices as minimum prices may without further ado be retained as general guiding principle, insofar as this is possible with respect to competition. Other "individually different guiding principles" do not enter into consideration. We are also in agreement with the principle of not effecting, at first any sales after December 31, 1938, as long as the tariff situation subsequent to January 1, 1939, has not been cleared. To make acceptance of orders subject to your prior confirmation, is impractical; this would frequently prevent deals from being closed. Prior to closing deals involving major shipments, Prague will communicate with you by telephone to inform you whether and when the goods can be delivered. This will be done in a manner similar to the procedure which has hitherto been followed. We presume that Prague is being kept abreast of the availability of important goods in stock.

Ad. (4) We are in agreement with the tenor of this item.

Ad. (5) We are in principle in agreement with this point. It will be necessary, however, to ascertain the possibility of separating the freight rates Aussig [to] frontier [and] Aussig [to the] place of destination. In order to ascertain the net proceeds, the following items still remain to be deducted: Sales rebates, merchandise and turn-over bonuses, agent's commissions, costs of storage and transportation, because these items are automatically reflected in the retail prices.

With respect to organic products, supplementary regulations will be required for the purpose of settling additional specific matters.

¹ Czechoslovak Republic.

Ad. (6) This item is not acceptable in its present wording. It goes without saying that all the papers shall be drawn up with so much precision that examining authorities can take no exception thereto.

Ad. (7*) Organic products. As you know experience has hitherto shown that special expenditures have to be reckoned with in addition to the expenses referred to under (5) so that we cannot under any circumstances afford the allowance requested by you. In the case of organic products—printing ink belongs to this category—we must ask for at least 20%, and in the case of inorganic products at least 12%.

Ad. (8) We are in agreement with this point.

Ad. (9) Since it cannot be expected that we receive money from our customers within 30 days, there would be too great a discrepancy between the time of payment through clearing and the time of the receipt of money. We therefore deem 60 days proper.

Ad. (10) In principle, we are in agreement with this point. With respect to ownership rights, however, we agree only to the extent that stored goods shall be recorded as stock of Aussig and Falkenau as long as they are not sold.

Insofar as goods for [your] own use or further processing are concerned, we shall deliver same at production cost plus 15% for overhead expenses.

In view of the above observations, we imagine that the entire regulation should be worded as follows:

“Considering existing political circumstances and ensuing provisions in the field of exchange legislation, the following is [hereby] ordered for further business transactions:

“(1) This order concerns all products of the Aussig and Falkenau Works insofar as they are sold in the CSR,¹ save for the time being sulphuric acid, superphosphate, calcium cyanamide and lignite, as well as caustic soda, and all products of Hruschau, Sillein, and Handlova, insofar as they are sold in Sudeten Germany, the Old Reich or in Austria [Ostmark].

“(2) Sales from Aussig and Falkenau shall be made exclusively by the Business Management at Prague. Sales from Hruschau, Sillein, and Handlova shall be effected by the Aussig Sales Agency [Aussiger Verkaufsstelle]. If necessary, these two business agencies shall, upon request place at each other's disposal technical advisers for the convenience of the customers.

“(3) Sales shall be effected at best possible prices. In this connection, prices last charged to the respective customers for the individual products shall, in principle, be applicable, provided that this policy is not thwarted by conceivable action of competitors.

“Sales commitments beyond December 31, 1938, shall in principle be avoided. In exceptional cases a prior agreement shall be reached between the two sales agencies.

“Where larger shipments are involved, a mutual attempt should be made at reaching in each instance an agreement—whenever possible by telephone—concerning the possibilities of, and terms for delivery. In case of a shortage of merchandise—for example as a result of operational disturbances—the two sales agencies shall promptly communicate with each other to report thereon.

“(4) Both sales agencies shall see to it that, at any rate, the products made available for sale in their areas, are sold in such areas, and that they are, under no circumstances, reexported therefrom.

“(5) At the end of each week the Sales Management [at] Prague shall send to the Sales Agency [at] Aussig, and the Sales Agency [at] Aussig shall send to the Business Management [at] Prague, a list of all shipments together with copies of the respective invoices, from which it shall be possible to see the following: Type and quantity of merchandise shipped, name of customer, and place of destination, sales price and gross proceeds yielded, [at amounts of] turn-over tax and freight from frontier to place of destination, contained in the gross proceeds, rebates granted to customers, turn-over bonuses, storage expenses, commissions and discounts to be paid to agents, net proceeds ex frontier excluding turn-over tax. The amount resulting therefrom less allowance rates referred to under item (7) shall be put to account and transferred to Prague or Aussig.

“(6) All reports and accounting records shall be drawn up and kept very carefully so that examining authorities can, in no event, take exception thereto.

“(7) The allowance rates, referred to under item (5) are as follows: 20% for organic products—dyestuffs and auxiliary products for dyeing purposes—as well as printer's ink; 12% for inorganic products, in both cases, these allowances shall [be construed to] cover all expenses, not mentioned sub. (5)

¹ Czechoslovak Republic.

"(8) Transfers of the amounts resulting pursuant to item (5) shall be effected through inter-State clearing within 60 days from the date of the weekly invoice.

"(9) The afore mentioned provisions shall apply also to shipments which do not go directly to customers but [are routed] through a warehouse. Such stored merchandise shall, pending its sale, be recorded separately for account of the respective sales agency—Aussig or Prague.

"(10) With respect to sales regulations governing shipments after December 31, 1938, a new order will be issued at an opportune moment."

Very truly yours,

VEREIN FUER CHEMISCHE UND METALLURGISCHE PRODUKTION.
BASCH MARTINEK.

Dr.M/V.

EXHIBIT No. 26

STATEMENT BY DR. VON SCHNITZLER RE BORUTA

The dyestuff industry in Poland has a long history. Even at the time, when Poland was a part of the Zsarist Russia and the big German firms had their great subsidiary works in Moscow (Bayer, Badische, Höchst) or Riga (Cassella) two smaller national factories always existed in the neighborhood of Lodz, where for a century a great textile industry (cotton and half-wool) was established.

The bigger one of the two factories was the Chemische Fabrik Zgierz (the name of Boruta, means Dyestuff, was added later on, I should say in 1919) and the Wola Krystaporska, which did belong to a family called Szpielvogl. In the following always the names are used which became the trade-names after 1919 "Boruta" and "Wola." The two firms had an economical basis insofar as they always had the profit of a relatively high duty on imported products and were able to cover their needs in coals and heavy chemicals a. s. o. in their own country.

In addition to this they could buy in the open market most of the intermediates they did not produce themselves and they needed for the range of the more or less simpler colours which they produced.

Apart of Boruta and Wola—also in the neighborhood of Lodz the Ciba owned a third dyestuff factory in the town of Pabianice, which practically worked on a very similar basis as Boruta.

But there always existed the difference between the two firms, that Boruta continuously worked at a loss and that Pabianice was considered by the Swiss as a company with satisfactory earning capacity. Technical inefficiency at Boruta and waste of money on costly investments may have been the main reason for it, furthermore in comparison with the volume of its affairs the number of the personnel was extremely high and so was the payment of directors and other chemical people.

Commercial relations between the German firms and Boruta always existed, in 1910 already Boruta was partner in a direct and a sulphur black convention and after the world war and after both countries, Germany and Poland, had overcome inflation a more or less friendly competition existed. Fighting alternated with short time agreements. Two facts at least can be described as the source of the long-termed Cartel agreement of 1934 which was destined to the last till 1942.

About 1930 Zgierz began to be interested in export to Russia and to the Balkan countries, the quantities were small, but in the dyestuff trade with even small quantities a market can be seriously affected.

In the meantime I. G. had in 1928 concluded the first great cartel agreement with the French dyestuff industry and as the French had built up quite a substantial import business in Poland which in the long run seemed to be endangered by Boruta, we fostered the French endeavours to build up a fourth dyestuff factory in Poland, the so-called Winnica near Warsaw, in which I. G. secretly took 50% which were later on turned over to I. G. Chemie Basle, and the I. G. representatives in Lódz to a certain extent became sellers of Winnica's products.

Winnica itself was bought back from Kuhlmann at their book value in connection with the Francolor agreement 1941/42 and then liquidated and dismantled after I. G. had indemnified I. G. Chemie.

The reason for the liquidation was obvious, the remaining market of the General-Gouvernement having become so small that the Co. could not continue.

Under the pressure of the beginning and even more the future competition of Winnica on the one hand and the Cartel on the other hand, having the desire to regulate an eventual export trade Zgierz could have developed the parties at last joined to the cartel agreement, signed in Warsaw in 1934. This cartel agreement

contained substantial advantages for the Polish group. Not only the Polish group secured for itself a share which was higher than its status quo, but a constant improvement during the 8 years' period was granted to them. The Franco-German-Swiss Cartel had to make substantial transfers of business and to guarantee the supply of an important range of intermediates at economic prices. It has to be admitted that the execution in practice of this cartel agreement became more difficult than any other one of the numerous agreements in the dyestuff domain.

This was due to a large extent to the market conditions in the district of Lodz where protective measures practically could not be carried through, but altogether the fact remained that Boruta under the cartel agreement not only could not fulfill its quota, receiving therefor substantial money in cash, but continued to work at a loss. On the other hand the Polish group never made the slightest endeavour to raise prices which policy the 3-party cartel: France, Germany, Switzerland, would have been prepared to follow, whenever the Polish group would have made a corresponding application. The management of Boruta was entirely in the hand of government representatives—Pilsudski men—General Matischewski being the president and Dr. Piasecki the technical director. They apparently had to follow the official line of the policy of the Polish government which held the strict line of not allowing any raising of the general price level.

It is difficult to say if Szpielvogl did work economically or not, his small establishment was connected with a distillery and little agricultural industries. By mixing it all up he might have "muddled through."

When the German troops entered Poland in autumn 1939 I. G. proposed to the Reichswirtschaftsministerium that two of their directors should be appointed jointly as commissioners for the Polish dyestuff industry, Dr. Schöner for the technical and Schwab for the commercial belongings. This proposal was accepted and the two men took over the management of Boruta whose directors had fled to Hungary or Turkey as well as of Wola and the French share of Winnica—in their capacity as commissioners of Reichswirtschaftsministerium.

The Winnica question was being solved as ter Meer pointed out before, and in exactly the same way the liquidation of the French stocks in dyestuffs have been taken in hand. The result was turned over to the French group.

The 2 Polish firms were administrated as an unity and as the Wola manufactured only Azo colours and as these Azo colours were mostly identical with Azo Colours Boruta could produce, Wola practically was taken entirely over by Boruta. A special installation Wola had for the so-called "Naphtole" was destined to be transferred to one of the German factories but I am not sure if this ever had been executed. That during wartime Wola should come again into action was out of question as the whole plant from a general economic point of view could not represent any commercial or technical interest.

As is known the industrial property in the so-called annexed Poland-Warthegau and Silesia and not to be "confiscated" (?) with the General Government where the Polish property, as far as I am informed, was respected—was handed over to the Treuhandstelle-Ost which disposed of the different works following certain rules which to a very large extent were made up by the Office for "Festigung des Deutschen Volkstums," an office under Himmler's immediate administration. No transfer was effected unless this office had given its agreement.

It was only too natural that I. G. had a strong interest to acquire the works of Boruta. On one hand they wanted to make use of the installations of Boruta which also not being very important in volume still represented an interesting addition mostly in the domain of intermediates which Boruta in the last years had considerably developed, and as the main plant of I. G. for these products Leverkusen was considered as highly endangered by air attacks.—Secondly so long as the question of property was not solved, practically nothing could be done in the technical improvement of Boruta because I. G. could not foster an eventual new competitor inside their own territory in the dyestuff field which was I. G.'s oldest and strongest domain.

Thirdly: It had been fixed as a general rule that the industry in the newly conquered districts should become the domain of the smaller industrial firms and not come under the control of the big concerns, thus it was to be feared that somebody strange to the dyestuff trade might become the buyer who in future should develop as a very cumbersome competitor. Fourthly: I never—this was my personal opinion—believed that Lodz and its suburbs would remain German, the population indeed is entirely Polish. I think with all tricks one had succeeded to make out of 600,000 inhabitants 60,000 so-called Germans partly only because they had a German name and/or their grandfather had come over from Germany but their knowledge of the German language was so poor that, as I

was told, it was difficult to make oneself understood even about the simplest matters.

Thus, one day Lodz had to become Polish again and having always been a strong, adherent of a policy of reasonable distribution of industrial activity between the different European countries I never varied in that opinion, that Boruta was destined to become Polish property again. But in the interest of I. G.'s international standing which I always had at heart, it seemed to me a much fairer solution that I. G. themselves should be able to hand over the factory in a good shape to its legitimate successor, than to let it fall into the hands of speculators.

The money invested in it if such a fair solution would be found, should always be recuperated. Consequently we approached the Treuhandstelle Ost and after long negotiations and only with the help of Dr. Herle (?) himself, the head of the industrial department of Treuhandstelle, who was an old friend of mine from the times when he was under Duisberg manager of the Reichsverband der deutschen Industrie 1925-1931/32, we came to terms with a sum of something like 5,000,000 M. as lump sum for the works including goodwill and volume of business and with the obligation to spend another 5,000,000 marks in the following five years on enlargements and improvements.

The price of 5 million was not an excessive one. Notwithstanding that Boruta had not made any money with its plant and equipment were valuable, (sic!) the goods were taken over at reasonable prices—the bad debtors remaining with the Treuhandstelle.—The Treuhandstelle rightly pointed out that the business volume of Boruta/Wola to be added to I. G.'s volume represented for I. G. a substantial profit in itself. So the lump sum was justified even when the evaluations of the assets made by the experts from both sides not quite reached the amount of 5 million marks.

As aforesaid I. G. could only get this contract in taking over the obligation of rearranging and rebuilding many departments and erecting some new ones, but these were necessary investments which would normally have been to be made and which could be written off at the normal rate of 5% on buildings and 10% on equipments. Thus this obligation practically did not mean only genuine sacrifice, a fact which to a man of so much routine as Dr. Herle was clear from the very first beginning, but it was an impressurating (?) figure for "Amt für Befestigung des deutschen Volkstums" and such appropriate to oust other competitor who eventually would not dare to take over such a charge. The Treuhandstelle as well as Dr. Küpper and Schwab tried to keep in touch with the Amt, but a favorable decision was not to be got. I should say, some months were "drawled" in such a way, till at last I addressed myself to Dr. Eichenauer. In the meantime two serious competitors had been active with the aim that not I. G. but they themselves with the financial aid of S. S. should be allowed to acquire the works, the two brothers Gutbrodt on one hand and as far as I was rightly informed, the son-in-law of a man called Bruno Schülde, the latter being representative of a small Swiss dyestuff producer Rohner, with whom I. G. for years entertained friendly relations and who for himself owned quite a small factory for producing dyestuffs from intermediates bought in the market.

The brothers Gutbrodt were particularly well backed by mighty party interests as they had been with the party even in the early 20 years and having made bankruptcy with a factory of paint and varnish about 1925. Eichenauer, a director of the Stickstoff-Syndikat who had been very useful for I. G. in another domain: in the question of prices and excess profits, which he had made his speciality, was an intimate to Mr. Greifelt, the head of the Amt, and he arranged a London (sic) party in the Hotel Continental, Berlin, where he gave me the opportunity to develop the thesis that a dyestuff factory could carefully only be run by I. G. for that very reason that I. G. alone disposed of the technical and commercial experts being able to do the necessary work that every other solution independently of the money question must lead to an economic failure, which in the first instance would mean the detriment of the textile industry in Lodz. I had never seen Mr. Greifelt before and neither did I ever see him afterwards again, thus I was myself a little surprised of the success of this unique conversation.

Shortly afterwards the Treuhandstelle informed us that the permission had been granted; an old Berlin lawyer whose name I can't recollect at present, was charged to act as trustee and the definite agreement was concluded in which Dr. Küpper acted as legal advisor.

Boruta under the management of Dr. Metzdorf continued as I. G. property its activity and proved to be useful notwithstanding that the general development and the military set-backs in the East prevented the realization of the contractual obligations.

New investments could only be made to a very small extent as no material was being granted. In the supply of two important products Boruta gave I. G. a considerable help: Acid H an intermediate for azo-colours and Hydrosulphite conc. as a reducer for vat colours.

(Signed) G. VON SCHNITZLER.

JULY 4TH, 1945.

EXHIBIT No. 27

TELEGRAM TO DR. KRÜGER FROM DR. VON SCHNITZLER

[Translation]

SEPTEMBER 7, 1939.

Telegram to Berlin NW 7,
Director DR. KRÜGER,

From Management Division Dyes.

Request that Reich Economic Ministry be informed already at this time of the following connections: During next few days in all probability four Polish dyestuff plants will fall into German hands to wit the strictly Polish factories Przemysł Chemiczny Boruta at Zgierz and the Chemiczna Fabryka Wola Krzysstoporska at Wola Krzysstoporska furthermore Pabjanickie Towarzystwo Akcyjne Przemysłu Chemicznego at Pabjanice which belongs to the Swiss I. G.—[and of which] Thormen Swiss Vice Consul is the head—all three located in the immediate vicinity of Lodz as well as the Zakłady Chemiczne w Winnicy Sp. Akc. at Winnica which is located approximately twelve kilometers northeast of Warsaw. The Centrale des Matieres Colorantes Paris and I. G. Chemie Basle have a fifty per cent interest each in the last-mentioned firm which nevertheless maintains very close business ties also with us since we have continually checked their production program jointly with CMC and in addition to the French sales organizations sold more than one-half of the Winnica goods through our agents in Poland. All four factories combined have supplied more than one-half and the strictly Polish factories approximately 30 percent of the Polish dye requirements. Pabjanice and Winnica are members of the Dyes Cartel, the two strictly Polish factories Zgierz and Wola have been under a long-term contract with the "Dreier-fartenkartell"¹ to regulate their sales and in this connection they were assigned an increasing quota which for the year 1939 amounted to thirty-one point five percent of the Polish market. Furthermore under this agreement Zgierz and Wola have been authorized to export only very little. The plants (Boruta, Wola, Winnica, Pabjanice) have considerable and valuable stocks of raw materials, intermediates, and finished products nearly all destined for the manufacture of dyestuffs and affiliated auxiliary products. Leaving open for the instant the questions of carrying on the plants, in our opinion and on condition the said stocks should be utilized by experts in the interest of the German economy. I. G. only is in a position to provide such experts. We would be prepared to delegate for this business Mr. Schwab, the leading director of our East European dyestuff sales department. Assistants, also for the technical part, of course, are available if required. We intend to present ourselves in the middle of next week to the competent authorities in Berlin for further deliberation and beg to arrange a meeting for that purpose. Our representatives, in the first line MM. A. Oppertshäuser, 55 Sienkiewicza and A. Seidel, 150, Kilinskiego at Lodz and Mr. Bruno Fulde, 15a Czackiego at Warsaw in the meantime, of course, are at the disposal of the military and governmental authorities for information and advice.

(Signed) VON SCHNITZLER.

Please return to Management Division Dyes.

EXHIBIT No. 28

MEMORANDUM REGARDING POLISH DYESTUFF PLANTS, SEPT. 10, 1939

SEPTEMBER 10, 1939.

File Memorandum for Dr. Kugler,
Re: Polish dyestuff plants.

On occasion of a visit paid on the 9th inst. to Regierungsrat Dr. Hoffmann of the RWM, MM. Haefliger and Prentzel had an opportunity to submit to him in the sense of the telegram addressed to Dr. Kruger by Dr. v. Schnitzler the question re delegation of commercial and technical experts for carrying on the Polish dyestuff plants which will come to fall in German hands. Regierungsrat Hoffmann declared, that in the case of these dyestuff plants the RWM on principle and for the moment did not see a necessity for the nomination of commercial

¹ Probably: Tripartite Dyes Cartel.

controllers or for the intervention of other experts. There was no risk that valuable stocks or products were brought away to foreign countries nor was there an immediate necessity to remedy the production. In principle, in case of utilization even of enemy property, great caution should be used, the more so if neutral property, as represented by Pabjanice and Winnica, was concerned. In course of conversation Regierungsrat Hoffmann indicated that the RWM at the request of important neutral shareholders would have no objections to the nomination of trustees or other controllers in order to assure a reasonable activity of the plants both in the commercial and technical lines. What steps were to be taken later on regarding the exclusively Polish dyestuff plants had to depend on the evolution. Mr. Hoffmann was informed of Dr. v. Schnitzler's intention to discuss matters personally with Messrs. Mulert and Hoffmann in the middle of next week. Names and addresses of our representatives at Lodz and Warsaw were given to Mr. Hoffmann.

Mr. Haeffliger had an opportunity to inform Dr. v. Schnitzler by telephone still on the 9th inst. of the result of the conversation. Muller (Wipo) will arrange the meeting Dr. v. Schnitzler RWM for next week.

(Signed) PRENTZEL MULLER.

EXHIBIT No. 29

MEMORANDUM REGARDING POLISH DYESTUFF PLANTS, SEPT. 14, 1939

[Translation]

I. G. FARBENINDUSTRIE AKTIENGESellschaft

MANAGEMENT,

Berlin, September 14, 1939.

Ke/P.

Ø*To the CENTRAL COMMITTEE ON DYESTUFF AGREEMENTS,

Frankfort/Main.

Re: Polish Dyestuff Plants.

Reich Ministry for Economic Affairs,

Berlin W. 8:

(Attention: Dr. Mulert, Ministerial Director.)

We beg to refer to the interview which you were good enough to grant Government Counsellor Hoffman and ourselves today. We hereby take the liberty of formulating the following request:

It is respectfully asked that the Minister of Economic Affairs instruct I. G. Farbenindustrie Aktiengesellschaft, Frankfort/M., to administer as trustee for the Reich, the following plants which are located in territory of the Republic of Poland:

Dyestuff Production for 1938

Przemysl Chemiczny "Boruta," S. A., Zgierz near Lodz.....	580,000 kg.
Chem. Fabrik Wola-Krzysztoporska, Wola-Krzysztoporska near Tomaszow.....	290,000 kg.
Zaklady Chemiczne w Winnicy, Winnica near Warsaw.....	392,000 kg.

and further to operate or discontinue operation in concurrence with the competent authorities, and to utilize the stocks of preliminary, intermediate, and finished products of the same.

Justifying argument.—There are four major and a few additional minor dyestuff plants of only local importance in Polish territory. The four major ones are composed of the three firms mentioned above and Pabjanicer A. G. f. Chem. Industrie. The latter belongs to the "Interessengemeinschaft der Baseler Farbenfabriken" [Basle Dyestuff Trust] and produced 612,000 kg. dyestuffs in 1938. We estimate the amount and value of the production of all dyestuff factories on Polish soil, on the strength of accurate figures which, over a period of years, we have compiled and largely ascertained through cartel exchanges, as follows:

	Kg.	Zl.	RM.
1937.....	1,754,000	19,400,000	9,127,604
1938.....	1,950,000	21,800,000	10,256,893

*Translator's note: It is believed that "Ø"—which is frequently used by I. G.—stands for: copy.

Ninety-five percent of which correspond to the four above-mentioned plants, and approximately five percent to the following minor plants:

"Barwazot," Lodz
Bruno Schülde, Lodz
"Sigma," Kattowitz
Czenstochauer Farbenfabrik
"Zawodzie," Czenstochau.

Both the factories "Boruta" at Zgierz near Lodz and Chemische Fabrik Wola-Krzysztoporska near Tomaszow, are national Polish property; "Boruta" belongs 90% to the Polish State, the Chemische Fabrik Wola-Krzysztoporska is a non-Aryan family enterprise.

The Chemical plant Winnica was founded in 1929 by the French dyestuff industry in concurrence with us, in order, on the one hand, to set up an enterprise to compete with the Polish national plants, and, on the other hand, to maintain or recover by means of production in Poland, the business which has been lost as a result of tariff and import obstructions. On the outside, this plant appears to be a French enterprise. Insofar as internal arrangements are concerned, I. G. Chemie, Basle, with which we are on friendly terms, holds 50% of the shares, i. e., approximately 1 million zloty. Approximately 24,000 zloty of the total capital of 2 million zloty are in the hands of unknown parties. On the strength of the option agreement existing between I. G. Chemie at Basle and I. G. Farbenindustrie, I. G. would, at any time, be in a position, in concurrence with the Reich Government, to acquire the interests of I. G. Chemie in Winnica at the book cost of I. G. Chemie. We therefore feel, without going into further details, that we are authorized, in the interest of I. G. Chemie, to take such measures as may be suitable for the maintenance of its assets.

In administering the three above-mentioned firms, as trustees, we should like to proceed as follows:

The chemical plant of Wola-Krzysztoporska the production of which is based exclusively upon semi-finished products manufactured by "Boruta" ought to be closed, as this plant has no importance to speak of as an independent enterprise. Operations of the "Boruta," on the other hand, should be continued on the largest possible scale. The existence of "Boruta" is of much greater importance as is demonstrated by the above mentioned list of dyestuff products. "Boruta" furnished the major share of all semifinished products used by the plants enumerated in this list. The large quantities of basic products used by this company, such as oleum, nitric acid, sodium, benzene, etc., come from the coal-mining district of Upper Silesia, from the Solvay plants at Hohensalza and from various other places. In other materials "Boruta" is self-sufficient to a large extent. Its importance to the German war economy must be considered particularly great as 85% of the production of aniline dyes and of the corresponding semi-finished products takes place in I. G. plants in Western Germany. A considerable part of this production again is in Ludwigshafen where the manufacture of dyestuffs is to be reduced to a minimum. Each plant producing organic semifinished products and dyestuffs which is not situated in Western Germany is therefore doubly valuable under present conditions. According to the latest news received, it may be hoped that "Boruta" has not suffered any considerable damage from military operations and that disturbances as to its output may be avoided entirely if operations are resumed without delay.

Winnica is located approximately 18 km. northeast of Warsaw and may have suffered considerably as a result of the latest [military] operations. The continuation of the operation of these plants would be of great importance, since, in addition to the manufacture of a number of azobenzene dyestuffs, there is a modern anthraquinone plant and equipment for the manufacture of cupreous dyes which is certainly of great interest for immediate military purposes, since Winnica has thus far had a monopoly on Polish military khaki. There is furthermore, in the same locality, a smaller plant for intermediate products of the azobenzene chain [series] which could start operating at any time. While in the case of "Boruta" the national Polish personnel which has hitherto worked there, can hardly be used to continue operating the plant during the war, it will probably be possible, in the case of Winnica, to retain some men or other experienced in the business.

Insofar as the last of the four major plants, i. e., the Pabjanicer A. G. f. Chem. Industrie is concerned, an exchange of telegrams took place between the undersigned (whose signature appears on the left-hand side) and the President of this company, Mr. Schmidt-Respinger, Basle, whose telegram in reply was literally worded as follows:

Thanks for information in matter Polish dyestuff plants. Concerning Pabjanice, I request that you note and also bring to the attention of your Government, that Pabjanice is to be regarded as Swiss enterprise merely on

the strength of its share ownership. I therefore expect that forced measures of any kind against our enterprise be dispensed with. I have contacted our Federal Government.

Consequently we should like to give expression to our opinion that no measures should be taken, for the time being, against the Pabjanicer corporation. At first glance, we have no objection to having "Boruta" which is being administered by trustees, supply the Pabjanicer corporation also in the future, according to its supplying capacity for purposes of possible requirements of the domestic Polish market with intermediate and finished products, but, of course, not for purposes of export.

It would naturally be necessary to close the remaining small plants which appear at the outset of the list appearing herein.

Utilization of the stocks of finished products as well as distribution of new products should be so handled as to benefit, primarily, the entire German economy. Whether and in how far certain portions thereof should be utilized in order further to supply the Polish market, ought to be decided by the [German] authorities. They should principally serve to unburden the German dyestuff market and/or to increase German exports of dyestuffs.

We respectfully request a decision at the earliest possible moment and delivery of the necessary powers of attorney for Messrs. Schwab and Schöner, as every day lost may have disastrous consequences, since by sabotage or inadvisable and fraudulent sale irreparable harm may be done to the German economy.

Besides those for Messrs. Schwab and Schöner we are applying at the same time for passes for their assistants, Messrs. Paul Kaempfe, Frankfort on the Main, and Dr. Walter Hagge, Wolfen. Other employees, which the gentlemen may need in Poland, are at their disposal at our plants and sales offices.

Heil Hitler!

I. G. FARBENINDUSTRIE AKTIENGESSELLSCHAFT,
(S) V. SCHNITZLER,
(S) KRÜGER.

EXHIBIT No. 36

STATEMENT BY DR. VON SCHNITZLER RE THE ATTITUDE OF THE FRENCH DYESTUFF-GROUP AFTER THE DEFEAT OF FRANCE

[Typed: Radtke]

The "Blitzkrieg" (lightning war) of 1940 had left the French dyestuff factories in Paris-St. Denis, Villers, and Oissel (near Rouen) unharmed. But owing to the lack of coal, electric power a. s. o. they very soon came to a total standstill. M. Joseph Frossard, the man, who is still the spirit of the French dyestuff industry as well as he is its creator but whose nerves after a long life—he is 66 of age and has lived through many set-backs—have suffered, has not had and perhaps could not have had the moral strength to let things go as they were and to simply wait. As the 3 factories apart from Phenol and Centralite for powder had no "kriegswichtige Produkte" on their list, and as Phenol and Centralite at the time were not scarce, the Wehrmacht was not interested in the factories, and there was no chance to be seen that under the armistice they could come to a new activity. Frossard consequently started nearly at once—I think it was in August—with his endeavours to come on speaking terms with us; he not only addressed Dr. Kramer in Paris, but he let me know through Mr. Koechlin of I. R. Geigy in Basle that he was desirous of a conversation with us. We saw Mr. Koechlin in October 1940 in Zürich. Notwithstanding the applications made by I. G. to the German Government I was not in hurry to react on these suggestions. As we were not prepared to renew our relations with the French group on the basis of the old cartel agreement, but aspired to a much deeper-rooted agreement, I thought it advisable to let them simmer in their own juice and to wait, till they asked for such private negotiations through the official channel of the armistice commission.

This happened very soon, and on the demand of the French Government we first met in the second half of November in Wiesbaden. But Frossard was not among the French representatives. Duchemin and Thesmar, both now members of Conseil d'administration of Francolor, represented the French industry and Duchemin based his arguments for the reprisal of the old cartel agreement on the "official policy of collaboration" laid down by Hitler and Pétain at Montheoire.

FRANKFURT, Aug. 30th, 1945.

(Signed) G. VON SCHNITZLER.

[Translation: Langenbach/T. Schuppener]

Basel 27, Gellert

At present Bern, Oct. 24th, 1940.

Mr. Dr. Gg. v. SCHNITZLER,
c/o I. G. Farbenindustrie Akt. Ges., Frankfurt/Main.

DEAR DOCTOR: I have told you at Zürich that Dr. Frossard had announced us his visit. We now met him yesterday. Together with Dr. Roesler he came to Ouchy. Apart from myself, Dr. Wilhelm, and Dr. Stooss took part at the discussion.

Dr. Frossard was exceedingly depressed; at the arrival as well as when taking leave this was most emphatically put into words.

The discussions were carried without any ceremony in a very friendly and calm manner. Mr. Frossard and Mr. Rösler have without any sharpness expressed their grievance on the fate of their country and on the conditions prevailing there.

As regards business it was in view, of the circumstances we have to take up with, not possible to have more than a general exchange of opinions. Mr. Frossard said that we would like to again take up the connexion with us before long.

He has then asked several times for your general opinion and when I told him that you had told me of your intention to get in touch with him he looked quite relieved. On my question whether I should write two words—he too being anxious to take up again communication with you—he accepted this proposal and asked me to do so. This is the purpose of my letter and I suppose that now you will take the further steps yourself.

If, however, for one reason or the other you should want me to write a few words to Mr. Frossard I shall, of course, with the greatest pleasure be at your disposal.

(Sgd) C. KOECHLIN.

EXHIBIT No. 37

REPORT OF DR. KRAMER OF OCTOBER 12TH, 1940, ON A CONFERENCE WITH MR. FROSSARD AT THE HOTEL CLARIDGE ON OCT. 10, 1940

A verbal translation reads as follows:

"Conference with Mr. Frossard: Mr. Frossard seems to be very depressed. He asked me to arrange a conference between I. G. and Kuhlmann. The situation of the French chemical industry makes a collaboration at an early date necessary. The chemical industry in France must live, which is in the interest of the European economy. German chemical industry cannot want that on the French side this branch of the industry should disappear completely.

"You must help us and I would like to go to Frankfurt to get into touch with the gentlemen, if the I. G. receives me.

"After this introduction, during which Mr. Frossard had tears in his eyes, he started to talk about himself. He is at present 62 years old, and if the I. G. does not want to negotiate with him he would be prepared to resign immediately. The same refers to Mr. Duchemin. If other leading men of the Kuhlmann concern should not be agreeable to the I. G. for negotiations he would be prepared to see to it that the eventually named persons would be dismissed by Kuhlmann. If he would give up his position, his brother Louis could come into question as manager. *One sees absolutely clear at Kuhlmann's that Germany will win the war and that the organisation of the European economy will be made under the leadership of Germany.* Frossard offers to put his whole industry into the services of Germany to strengthen the chemical potential for the continuance of the war against England (editor's italics). Kuhlmann would be prepared to produce all preliminary and auxiliary products for the I. G. which would be desired from the German side. He wants a confidential collaboration and regrets that actions were taken before the cartel agreement was signed, which did harm to the German chemical industry, but all these measures were taken at the time on the pressure of the French Government.

"For the collaboration Mr. Frossard had the following ideas:

"Closer connection by 'marriage' on the dyestuff and chemical field.

"Enclosure (of the French industry) in the European economy under German leadership.

"Production of preliminary and intermediate products for the German industry as far as necessary, limitation to certain dyestuff groups.

"Regarding the export business Mr. Frossard mentioned the quotas of the German-French cartel, whereby eventually the products produced by Kuhlmann could

be sold with the German label and by the agencies of the I. G. (objection from my side: The question of export will be certainly a very delicate one).

"The plants at Oissel and Villers-St. Paul are in very good condition and Kuhlmann would be in the position to support strongly the German chemical industry.

"Concerning the attitude of C. M. C. against the Sopi during the war Mr. Frossard mentioned that all the actions against Sopi were made without his knowledge and he regrets that these events have occurred. On my remark that his organisation is such that without his consent actually nothing of this kind could be made, he replied that he only got notice of it after the measures were taken. To excuse the gentlemen concerned he explains that Kap-Herr, Rhein and Vaucher wanted to receive, in one way or the other the amounts which the I. G. owed to Kuhlmann when the war broke out.

"The conference lasted for 1½ hours and Mr. Frossard asked me again with emphasis to inform him after my return to Paris which attitude the I. G. intends to take and if he could come for the negotiations."

EXHIBIT No. 37-A

STATEMENT BY DR. VON SCHNITZLER REGARDING GERMAN-FRENCH RELATIONS

Under the armistice and based upon the "slogan" of collaboration an intercourse between the German and French industries had developed, which practically included the whole French industry.

In the chemical domain it was only Péchiney, the factories and water-power stations of which were in the unoccupied part of France, which showed a more refractory attitude.

All the other companies did cooperate in full, but even of Péchiney I was informed, that at one of the last monthly dinners, which took place between representatives of the German authorities and industrialists on one and the corresponding French ones on the other side, a representative of Péchiney was present. As another example I may cite the name of M. Marcel Boussac, the greatest industrialist in the textile field. His works were occupied to a large extent for direct or indirect orders of the Wehrmacht, and he himself was frequently with German representatives at luncheon and dinner parties. The same applies, as far as I can judge it, to the iron and steel industry, and the work done by Schneider-Creusot for the Wehrmacht is publicly known. As another example of this collaboration the following might be of interest:

In the summer of 1942 the International Chamber of Commerce showed a new activity. Under the presidency of Mr. Bagge, a high-ranking Swedish judge the "Court arbitral" at the Chamber in Paris was newly put in function. As Vice presidents were designated M. Albert Buisson, Paris, formerly under-secretary of state and now "Président de Conseil" of Rhône-Poulenc and myself, M. Buisson as well as I, we both accepted the invitation of M. Edström, the Swedish president of the Chamber and acted jointly twice or three times for the settlement of certain cases, which, of course, were entirely prepared beforehand.

(Signed) G. VON SCHNITZLER.

FRANKFURT, Aug. 30th, 1945.

EXHIBIT No. 38

MEMORANDUM OF I. G. REFERRING TO THE PRINCIPLES OF A SETTLEMENT OF THE GERMAN-FRENCH RELATIONS IN THE DYESTUFF FIELD

(Read out and handed over to the French delegation on occasion of the first meeting with the armistice delegation in Wiesbaden on Nov. 21st., 1940)

The claim of leadership of the German dyestuffs industry in the European sphere results on the one hand from the historical development, on the other hand from the fact, that (until the outbreak of war in 1939 the German dyestuffs industry held about 55-60% of the world's export in dyestuffs. Furthermore I. G. was without any interruption the sole firm, which decided the international prices). All other producers, Switzerland included, arranged their prices in accordance with the prices made by I. G.; the firms being in cartel relations with I. G., followed I. G.'s price politics according to the agreements, the outsider firms tacitly, at which they surely tried to improve their share by large or small undercuttings, made without any reasons and any own ideas. That preponder-

ance of I. G. in world sales of dyestuffs corresponds to the state of its scientific and technical development. In the technics also the German preponderance is uncontested. At the reorganization of the European sphere it must mainly be aspired thereto, that out of this sphere itself there will not result any disturbances and any damages in the reconstruction, and that the disputes with the oversea dyestuffs industry in the four non-European countries, which for themselves will in future be very difficult will not be rendered still more difficult by the competition of the Europeans amongst themselves. In consequence it will be an order of common sense and a necessity of economy and political economy, that (there will be a complete accommodation of the French dyestuffs industry to the German dyestuffs industry).

The German demand for decisive influence has beyond such general aspects its foundation in the particular historical development of the French dyestuffs industry itself.

Independent "national" dyestuff producers in France before the world war were only the firms Société Anonyme des Matières Colorantes et Produits Chimiques de St. Denis (formerly Poirrier) and Etablissements Steiner, Vernon, which had about 10% of the French dyestuffs consumption.

The branch factories of the German dyestuffs producers, which under the influence of the French patent legislation and of the import customs (frs. 1 p. kg. (=0.81 Mark) were erected before the world war and covered the prepondering share in the French market, namely:

Succursale de la Badische Anilin & Soda Fabrik, Ludwigshafen).

Neuville s/Saône Société Anonyme des Produits Chimiques.

Fréd. Bayer & Co., Flers (Nord) (Leverkusen).

Compagnie Parisienne de Couleurs d'Aniline (Creil (Oise) (Höchst).

Manufacture Lyonnaise de Matières Colorantes (Usine la Mouche), Lyon, (Rhône) (Cassella).

Succursale Française de l'Aktiengesellschaft für Anilinfabrikation, St. Fons (Agfa, Berlin).

Société Anonyme des Etablissements Weiler-ter-Meer, Tourcoing (Uerdingen).

were seized during the world war and put at the disposal of the French industry, at which not only the plants, but also technical and commercial "know how" of the employees passed over to enemy property.

The property in patents and trade-marks of the German dyestuffs industry was utilized by the national French industry. The German import, after the world war, was subject to the rates of the general tariff, which was the fourfold of the minimum of custom rates, and these rates, therefore, were prohibitive for dyestuffs; furthermore the import was subject to approval. The dyestuffs, which until the development of a greater capacity of the own production were still needed, were mainly supplied from Germany, in accordance with annex VI of the Peace Treaty of Versailles, free of customs and at preference prices. On each delivery made outside of the reparations, there was raised from the French purchasers by the French fiscal cash a duty of 26% of the invoice value.

In 1938 a dyestuff import licence law was issued.

The French dyestuffs industry, being in French hands, nowadays consists of the hereinafter-named firms:

(1) Compagnie Nationale de Matières Colorantes et Manufactures de Produits Chimiques du Nord réunies Etablissements Kuhlmann, Paris.

(2) Société Anonyme de Matières Colorantes & Produits Chimiques de St. Denis, Paris.

(3) Compagnie Française de Produits Chimiques et Matières Colorantes de St. Clair du Rhône, Paris.

(4) Société des Produits Chimiques et Matières Colorantes de Mulhouse, Paris.

(5) Etablissements Steiner, Vernon.

(6) Société Anonyme pour l'Industrie Chimique, Mulhouse-Dornach.

(7) Mabboux & Camell, Lyon.

(8) Société des Matières Colorantes de Croix Wasquehal (Burel), Roubaix.

(9) Prolor, St. Dié.

The firms as to 1-6 are capitally connected between each other and united in the "Centrale des Matières Colorantes, Paris; the firms as to 7-9 are under the control of the Centrale des Matières Colorantes.

With exception of the Société Anonyme des Matières Colorantes & Produits Chimiques de St. Denis and of the Etablissements Steiner, Vernon, already existing before the world war, these firms originate from the above-named branches of the German dyestuff factories in France and from their own did not contribute

anyhow to the technical development of dyestuff-chemistry. Moreover, they partially still manage nowadays the old plants (St. Clair du Rhône/La Mouche) or erected in the direct neighbourhood of the former German factories new plants by concentrating the plants erected before the world war. This mainly applies to the greatest of the French dyestuff companies, the Compagnie Nationale du Nord réunies, Établissements Kuhlmann, merged into the Compagnie Nationale des Matières Colorantes.

Not satisfied herewith, after the signing of the armistice treaty in 1918, there was made a systematic industrial espionage by the French, made by French chemists, for months being present in the I. G. factories of the occupied Rhineland and acting as military officials. In order to stop such espionage and the further displacing of the German "know-how" to France, the German dyestuff factories at the end of 1920 made an agreement for a period of 45 years with the Comp. Nationale (so-called Gallus-Vertrag) according to which against giving technical assistance the Compagnie Nationale had to pay 16½ mill. frs. (corresponding to nearly 5.5 mill. GM.) in cash and had until 31.12.1965 to pay off half of the net profit. The payment in cash was partly made, but a participation in the profit was never refunded because in those two years, for which this agreement was in existence the French Company never showed any profits.

During the Ruhr fight the Compagnie Nationale was merged into the aforesaid Ets. Kuhlmann. These declared, not to be bound by the agreement and one-sidedly cancelled it in 1924. Under the then political situation a legal action could not be brought in. The breach of contract was the more shocking as during the course of two years, in which the agreement was in existence, the factories of the Compagnie Nationale were, on account of our technical assistance, which was given under the management of the then first technical director of Leverkusen, Mr. Krekeler, supplied with our most valuable processes and "know-how" as to the production of intermediates and dyestuffs.

The aforesaid facts had as a result, that the German dyestuff in France was nearly completely pushed into the background and in the German-French commercial treaty of 1927 Germany had to be content with the share in the import of 5 mill. GM., which for the rest included the dyeing auxiliaries also. What remained was a considerable charge with customs. In comparison herewith the sale of dyestuffs in France and her colonies in the same year amounted to 48.5 mill. Marks in all, which nearly with $\frac{1}{3}$ was covered by the "national" dyestuffs industry and at nearly 25% by Swiss producing plants and Swiss importers. The share of Germany in the covering of the French dyestuff consumption hereby decreased from about 90% in 1913 to about 9% in 1927. Besides the far-going control of the French market, the French dyestuffs industry in the same years started to an increasing extent, to turn itself towards the export. By such endeavors considerable damage was done to the German foreign trade in dyestuffs, a damage, not so much consisting in the loss of customers (the German dyestuffs industry fought with full energy against the French) but moreover in the fact, that by undercutting by France the German export prices were largely involved.

After years of heaviest competition, which as to the German industry on account of the discriminating treatment of the German import could not be done in the French market, and, therefore took place in the world market, in 1927 in the course of the afore-mentioned German-French economical-treaty discussions a cartel agreement, regulating the market, was made, which was to eliminate any competition between the German and the French group. Such agreement, of course, was only made by considerably renouncing the activity in the French market by the German industry, and by acknowledging the export volume, obtained by the French during the struggle, an export volume, which in these last years amounted to nearly 10 mill. marks.

The double injury of 1918 and 1923/24, however, was never compensated.

If this memorandum of the construction of the French dyestuffs industry since the world war in the first line refers to those factories, which nowadays are united in the Ets. Kuhlmann, or, like St. Clair du Rhône, are controlled by it, it also applies to St. Denis, which only took part in the cartel agreement of 1927, and which had already been existing before the world war as a French dyestuff factory, and was not a partner in the so-called Gallus agreement, that St. Denis entirely followed the line of the remaining French dyestuff industry, and that it nowadays is insolubly connected with the remaining French firms by its assortment and by its selling organization and by personal and financial connections. Consequently, also, St. Denis was the beneficiary of the political and economical development directed against Germany. A solution of the French dyestuff problem, therefore, can only be obtained by including St. Denis and at the new organization of the

future relations, which had to include the whole French dyestuffs industry there cannot be made any difference between the factories of Kuhlmann and St. Denis. Moreover, most of them had to be merged into a uniform firm.

Already under the Gallus agreement it was provided that the French dyestuffs industry had mainly and in the first line to deal with the inland market. An export was only to take place exceptionally and by mutual consent. Indeed, the French dyestuffs industry, including St. Denis, had then no export considerable anyhow. On the contrary, such export was only developed, when the French factories disposed of the German "know-how" and took liberties, which were directly contrary to the Gallus agreement. Often the export was made for mere prestige aspects only and finally resulted in a disturbance. For in most of the markets, supplied by the French group in these last years, the French assortment was not such, that there could be a question of a continued business. Moreover, from the aspects of commercial politics it was neither desired nor necessary, that such exports were made. Again and again the French export was interrupted thereby that for reasons of commercial politics or foreign currency or other reasons the shares demanded in various countries by the French group could not be met.

Also in the new organization of the matters, the French export therefore, should only take place exceptionally and under such aspects, which are justified under certain territorial and technical conditions. As the experience of the past proved true, such an exceptional export could be done without prejudice to the German export and without disturbance of the markets only, if it was done under German management. For in spite of the existing cartel agreement the French group more or less in breach of the contract had continuously tried by undercutting the prices and other manipulations to increase its business and to penetrate the German position. Such behaviour in these last years repeatedly resulted in a severe crisis, which could only be overcome with difficulties, and which finally induced the German group again and again to examine the question of the cartel agreement should be continued.

It is in the interest of a reasonable development of the French dyestuffs industry, to limit all of their strengths in the first line to the markets of France and her colonies. These markets will be destined to be a considerable part of the whole European, African territory of consumption. They are insolubly connected with their neighboured territories of sale, and will find their best economical development only then if the leading German partner directly cooperates in their management.

EXHIBIT No. 39

INTERROGATIONS OF VON SCHNITZLER, ON ACQUISITION OF FRENCH CHEMICAL INDUSTRY

July 17, 1945.

Time: 10:30-11:00 a. m.

Q. Yesterday you told us that in August 1940 it was the plan of the Nazi government to seize the entire French industry including the dyestuff industry. Is that right?

A. Not to take over. "Beschlagnahme" means not as much as "seize" in English.

Q. To sequester the property?

A. Yes.

Q. Based on discussions between I. G. and the Nazi Government in July or August 1940 I. G. made the proposal to the Nazi government that it be permitted to purchase 50% of the French dyestuff industry from the Nazi Reich?

A. Yes; eventually. That means for us—

Q. Did you make the proposal to buy 50% of the French dyestuff industry from the Nazi Reich?

A. I think so it is in the letter to the Reich.

Q. Is that letter to the Reich signed by you?

A. Yes; it must have been signed by me.

Q. You then told us that after Hitler and Petain shook hands at Monthoire there was a change in regard to dealings with the French industry. It was to be on a collaboration basis in the purely economic sphere?

A. That is right.

Q. When did you first learn of this change of line? In regard to the treatment of French industry?

A. What I only know is this: We wanted to acquire 50% for us, of course it made no difference whether we bought them from the Reich or——

Q. When did you first hear a change of line?

A. Shortly after Monthoire.

Q. From whom?

A. From the newspapers or the discussions in Berlin.

Q. With whom?

A. Herr Mulert.

Q. Was there another meeting in Wiesbaden?

A. Wiesbaden comes later.

Q. What happened at this meeting in Wiesbaden?

A. The French group approached us.

Q. Was this a meeting with the officials of the Nazi government?

A. Yes; with Mr. Hemmen. He was charged with the negotiations as civilian head, was appointed by the Nazi government to handle armistice questions.

Q. Who attended this meeting?

A. On the part of the government, Hemmen and Schone; of I. G., ter Meer, myself, Waibel, Kugler, Eckert. In November 1940.

Q. At this meeting minister Hemmen told you that you could deal with the French industry on a purely private basis?

A. Yes; we could deal with them on a private basis.

Q. This was part of the armistice negotiations?

A. Yes.

Q. How were these negotiations conducted; what happened first?

A. The French started these negotiations. The renewal of the cartel agreement was refused by me and Hemmen. We came to the idea that we should take a participation in the French industry, limiting strictly on the dyestuff field.

Q. How much of the participation did you ask for in the French dyestuff industry?

A. At that time neither the 50 nor 51% have been cited.

Q. Did you hand the French a memorandum on that?

A. Yes.

Q. When?

A. In November.

Q. Was this memorandum handed over to the French at the first armistice meeting?

A. Yes.

Q. Did you ask for a percentage of the French dyestuff industry?

A. I asked for the "Führungsanspruch." I can't tell you whether in this first memorandum we asked for the percentage.

Q. What was the theory on which the memorandum was based?

A. I have never asked the French any other figure than 51%.

Q. You asked for 51% of the French dyestuff industry in the memorandum and never asked for less?

A. Never less than 51%. (Führungsanspruch means claim for leadership.)

Q. In your original proposal to the Nazi Reich you have asked for 50% of the French industry?

A. Yes.

Q. Why was it that you now asked for 51% in regard to your dealings with the French on a purely private basis?

A. This was due to an innerpolitical development inside I. G. I would only have asked for 50% but the technical men said we must have 51%.

Q. Whom did you recommend as president?

A. We have recommended Frossard.

Q. He was a Nazi/Vichy government collaborator?

A. Yes. He was the only man who was ready and able.

Q. And who were the other members of the French board?

A. Duchemin.

Q. Was he a collaborator?

A. Yes; to a certain extent.

Q. All the other members who became leader on the French side were collaborators.

A. Yes; more or less adhering to Pétain.

Q. Who were the representatives of I. G. in the board?

A. We were four. I, Dr. ter Meer, Dr. Ambros, Waibel.

Q. Who had recommended Frossard for the position as president?

A. I said to Mr. Duchemin, the president of Kuhlmann: "Of course, there cannot be any doubt that Frossard would be president."

Q. You recommended him?

A. Yes.

Q. And the French agreed?

A. Yes.

Q. Were there any members of the original French company who did not become members of the new Francolor?

A. We took all the personnel over with the exception of M. Rhein. He was an employee of the Badische Anilin und Sodafabrik, Ludwigshafen before the first world war. He was not apt for military service. During the first war he was in Ludwigshafen as a German subject, being Alsatian by birth. After the war he became French.

Q. Was he a member of the original company? I. G. felt that they could not control him?

A. Yes; in a certain way. We refused him from an economical point of view; did not think him reliable.

Q. How many French dyestuff companies were there before the war?

A. Practically only three.

Q. Of these 3 French dyestuff companies how many would join the new Francolor?

A. All.

Q. In the newly organized German/French company the entire French dyestuff industry was absorbed?

A. Yes; except two small factories. They did us no harm.

Q. Did you have them closed?

A. Partly having closed them and partly giving them the products of Francolor to sell.

Q. You controlled them?

A. Indirectly we controlled them.

Q. What happened to all the stocks, properties, etc.?

A. All was absorbed.

Q. What happened to the foreign properties of the company? What happened to the stocks in South America? Were they absorbed by the new Francolor?

A. In principle the Francolor took over everything concerning the dyestuff domain including the foreign holdings, but only if they could be reached.

Q. Because you could not reach the South American stocks you could not take them over?

A. Yes.

Q. As a result of the negotiations the Alsatian-Lothringian property got into the control of I. G.?

A. Yes. Later on. We had to take over the control from the authorities in Strassburg. The Reich considered this Alsatian property as seized and not to be free for negotiations of a private character. We could deal about the whole French position all over the world, except this small factory in Mülhausen.

Q. Did you propose that only the I. G. controlled Francolor be permitted to deal in dyestuffs and to control the entire dyestuff industry?

A. Yes.

A. Did you also propose that all constructions either new construction or enlargement of existing plants in regard to chemicals which could be used in the armament field be under the control of the Reich?

A. I think so. That has nothing to do with Francolor.

Q. In regard to chemicals what did you propose as to a cartel arrangement?

A. This is difficult for me to answer. You know that our firm is split up in different departments. I did not handle the chemical matters.

Q. How did you propose to control the resources of Greater German controlled Europe in regard to your dealings with countries of the world which were yet free, e. g., the U. S. A.?

A. We followed simply the governmental lines. This thought of Grossraum-Wirtschaft should work in such a way that the total of the European countries should have an entire uniform policy.

Q. What was this policy in regard to Chemicals in the armament sector? Did you, for example hope to negotiate with the United States with respect to chemicals in the Military sphere through your control of South American markets?

A. Never. Nothing so far reaching.

Q. You intended to use your cartel foreign participations and exchange of experiences in order to control relations between this European sphere and U. S. A.?

A. No. In no way to the U. S. A.

Q. In regard to what countries?

A. In regard to the countries of the Grosswirtschaftsraum Europe, except Russia.

Q. Did you sign that letter to Mr. Schlotterer?

Q. Yes; that might be.

Q. What countries did I. G. propose to control in regard to their supply of military chemicals?

A. South America, besides the European countries.

Q. Why did you want to control the supply of military chemicals for South America? Did you fear South America's might?

A. No; but the eventual production which could be the help in a new conflict.

Q. Between whom?

A. Say U. S. A. and Europe.

Q. Did you intend to control the supply of military chemicals in Latin-America because you feared a potential conflict between Germany and U. S. A.?

A. Yes.

Q. These were Post-War Plans?

A. Yes.

(S) G. v. SCHNITZLER,

Vorstandsmitglied der I. G. Farbenindustrie Aktiengesellschaft.

EXHIBIT No. 41

NOTES ON THE CONVERSATION BETWEEN THE REPRESENTATIVES OF THE GERMAN AND FRENCH DYESTUFF INDUSTRY AT WIESBADEN, NOVEMBER 22, 1940

[Translation Heese]

Present: for I. G. Farbenindustrie Aktiengesellschaft: Dr. v. Schnitzler, Dr. ter Meer, K. R. Waibel, Dr. Kugler, Dr. Terhaar, for the French dyestuff industry: Duchemin (President of Ets. Kuhlmann), G. Thesmar (President of St. Denis), Castés.

On 21. 11. the German and French representatives of industry got into touch for the first time in the presence of the German and French representatives of the respective governments under the chairmanship of the Ambassador Hemmen, leader of the delegation of armistice for economy. On the basis of this conversation the German and French representatives of industry were granted the authorization for a private economic discussion with the order to report on the result to the respective government representatives. The authority for the representatives of the German industry was given by the Ambassador on the understanding that the discussion should take place on the lines of the memorandum which was read in the meeting of 21. 11. 1940 from the German part and was handed to the French representatives in writing (see annex).

REPORT ON THE COURSE OF THE DISCUSSION OF 22. 11. 1940

Already in the official meeting of 21.11.40 the French representatives at first took the standpoint that the German-French dyestuff cartel of 1927, which had merged in the Three-Party Cartel (Germany, France, Switzerland) of 1929 and in the Four-Party Cartel (Germany, France, Switzerland, England) of 1932, was considered to be temporarily pending during the war, but not cancelled. The German-French Cartel therefore be the approved basis for a regulation of the German-French interests on the dyestuff field and it should be revived in the sense of the desired German-French collaboration. Though on the part of the Ambassador Hemmen and on the part of Dr. v. Schnitzler this interpretation was refused clearly and unmistakably as not being in consonance with either the legal position or with the political and economic facts and, although as a basis for the negotiations on direct private economic understanding only the memorandum of the I. G. was admitted, Mr. Duchemin entered the discussion on 22.11.40 again stressing the point that the German-French Cartel was still valid. Mr. Duchemin tried to prove this viewpoint on hand of a judgment of a legal adviser of Ets. Kuhlmann in detail and to support it by the following: "The French government has never considered the contracts between German and French firms interrupted by the war."

Dr. v. Schnitzler answered that he refused to continue a discussion on the existence or nonexistence of the German-French Cartel not only for formal reasons, but that he also had to decline in due form the real justification of this claim. The French simply left the events of the last years out of consideration as well

as the fact that France had declared the war on Germany. Apart from the legal position and the economic impossibility to revive cartel agreements arrived at under quite different international market conditions, I. G. must refuse to enter old contractual relations *tel quel*, because the tendency of the French Cartel partners, in particular of Ets. Kuhlmann, was during the war of pronounced hostility. On hand of various documents it was shown that measures taken on the French side since the beginning of the war went far beyond what could have been understood as necessary effect of the war conditions and would have corresponded to national attitude. Numerous measures proved that consciously harm was done to German interests, and, as far as Ets. Kuhlmann is concerned, one must speak of "actes déloyaux." In particular the court on account of presumed espionage against the French representation of the I. G. in Paris was brought up, which had been started on the instigation of Ets. Kuhlmann and which formally is still pending. After all that has happened, the French standpoint regarding the validity of the Cartel must be considered an imputation and insult. On the German part the trial must be declined to bring the French standpoint in connection with the interview of the Führer with Maréchal Pétain and to present the standpoint of the French industry as being in the wording of this conversation.

After this restriction of the basis for the negotiations the French representatives were finally prepared to discuss the leadership claimed by I. G. in the memorandum and Mr. Duchemin asked to specify the four main principles mentioned in the official meeting yesterday, which result from this claim of leadership in respect of the regulation of the German-French relations on the dyestuff field, namely:

1. Mutual agreement on the regulation of the French dyestuff production to be adapted to the changed market conditions and the requirements of a future new order of European economy.
2. In principle restriction of the French dyestuff industry to the supply of the French home market and the French colonies.
3. Export only insofar as it is in consonance with the mutual interests.
4. Financial interest of the I. G. in the French dyestuff industry to secure collaboration on the afore-mentioned basis and to do justice to the historical development.

Before starting the discussion of these four principles, Dr. v. Schnitzler once more gives an interpretation of the memorandum of the I. G. handed yesterday. Reference to the proceedings in the past is not made with polemic intention; this is done in the first line to explain the claim of leadership of the German dyestuff industry not only on account of its general position in the world, but also on account of the special development in France. The new programme should form a collaboration as it would have developed if neither the war of 1914/18 nor that of 1939/40 would have come. In this case, in view of increasing dyestuff consumption in France and the importance of the financial power of the French inorganic chemistry, in the course of time quite by itself a certain tendency for expansion of the national dyestuff production would have turned out, as it was represented before the first great war only by St. Denis, but such expansion of the "national production"—because of the predominant position of the German branch factories in France and in view of the uncontested scientific and technical priority of the German dyestuff industry—would only have been possible in consonance with the German dyestuff industry and under its decisive influence.

After explaining once more expressly that the claim of the German dyestuff industry for a leading position in the collaboration with the French dyestuff industry refers to dyestuffs exclusively, but not to other fields of production of the participating French enterprises, in the course of the discussion the four principles were interpreted as follows:

[Translation: Alsleben/Zenner]

AD 1. PRODUCTION

Within the limits of the German-French collaboration a rationalisation of the French production should be carried out. This refers not so much to an improvement of the methods as to a limitation of the number of types and an avoidance of unprofitable, double manufacturing. Such a rationalisation and disposition of products as regards the future market and technical requirements comprises that the French dyestuff works will be joined together in an uniform "French Dyestuff Society." For this reason the dyestuff producing works of Ets. Kuhlmann viz. Villers-St. Paul and Oissel are to be excluded of the Kuhlmann concern and will be absorbed together with St. Denis and St. Clair du Rhône as well as the little concern societies by the new society.

The requirements of anorganic ingredients for the new concern, as far as they cannot be covered, within the limits of own production, as this is the case with St. Denis, will be ensured by Ets. Kuhlmann according to suitable delivery contracts and preferential prices.

As far as the firms or works amalgamated in the new concern manufacture products, which do not belong to the "Führungsanspruch" of the German dyestuff industry, it will as a rule for technical reasons not be possible to remove such fabrications. Is a removal not possible, as it can be foreseen in the case of Villers-St. Paul, agreements should be made that the sale of the products coming into consideration will be done according to an understanding?

The German claim does not refer on principle to all organic chemical products. As far as organic products will be produced in other works as mentioned in the memorandum, which are not used for producing dyestuffs and auxiliaries, this production remains untouched by German claims.

It is not the intention of the German dyestuff industry to place German chemists permanently in French dyestuff works. The German dyestuff industry on the contrary considers the collaboration so, that according to its model of their own organisations, German-French technical commissions should be built, which will meet in certain intervals in order to discuss and settle all problems turned up on their special field.

AD 2. POSITION OF THE FRENCH DYESTUFF INDUSTRY ON THE HOME MARKET

In connection with the limitation in principle of the French dyestuff industry on the home market, the German dyestuff industry is ready to limit its sale to France and to the French colonies in the same manner as in prewar times. It will sell in France only a first-class quality. The sale will be made as hitherto through the I. G. agency, the Sopi, who will keep into close touch with the selling department of the new society in order to exclude any market disturbance.

The fundamental limitation of the French dyestuff industry on the home market as well as in the colonies will leave to the new organisation, considering normal conditions, a thoroughly sufficient base of production because the export was regularly about 25% of the French total sales, and more, it was to an essential part uneconomical. When examining the question whether the home market can offer a sufficient base for the new organisation it must further be considered that the Swiss dyestuff works, within the last years, as well with their imports as with their French home production (St. Fons) have secured, to the debit of the French industry an excessive participation which ought to be reduced in future, so that within a measurable space of time after the war, if the French trade will reenter again into the great European territory, a raise of its consumption will develop.

AD 3. EXPORT OF THE FRENCH DYESTUFF INDUSTRY

In consequence of the limitation of the export, with certain exceptions, induced by territorial or technical conditions, the German dyestuff industry believes already today to be able to support the export to Belgium. As well the carrying on of an export to Spain may be discussed. Owing to the French influence on the Mexican textile industry the export to Mexico will be taken into consideration by the Germans. As far as the new society exports, the sale will go as a rule through the selling organisations of the German dyestuff industry in the countries concerned.

AD 4. FINANCIAL INTEREST OF THE GERMAN DYESTUFF INDUSTRY IN THE FRENCH DYESTUFF INDUSTRY

The German group explains the financial interest which is necessary for the security of the German leadership (Führungsanspruch) and the principles for the regulation of the production and sale of the French dyestuff industry, which for the rest answers the historical events, as follows:

The capital of the new society will be disposed as follows: 49% French group, 51% I. G.

The president of the administration board will be a Frenchman appointed by mutual agreement, who according to the new regulations of the French law respecting joint stock companies of the Vichy government of 18th September, 1940 (Art. 2) possesses the function of a general manager. The order as to the alteration of the French law respecting joint stock companies of 18th September, 1940, is based upon the "Führerprinzip" and gives the president of the administration board who, as already said, will be a Frenchman, far-reaching authoriza-

tion. The German majority is for this reason an indispensable counterweight for the president owing to the law respecting joint stock competence.

The remaining administration board will be put together by German and French members in relation to the invested capital.

The development of articles 1-4 contained in this report has been formed not only by the program brought about by the I. G., but also partially as a result of regular discussions based upon French questions.

The French representatives took notice of the total result of the discussion described in this report with the addition to discuss it with the gentlemen of their firms and the authorities and then soon to report by letter.

The meeting was closed with the stipulation that the German representatives should report Ambassador Hemmen of the result and that it would be left to him in connection with the representative of the French government in Wiesbaden, whether in the afternoon a decisive, official meeting should take place. Ambassador Hemmen, owing to the report of the result of the private commercial discussion, answered in a negative sense as regards the necessity of a final official discussion pointing out that the private commercial negotiations according to the present state are at the time being still going on and that the authorities would only then interfere if the decision of the French industry should show a negative attitude or a dilatory treatment.

When reporting to Ambassador Hemmen it was especially referred to the contradiction, which originally contained the French standpoint, i. e. that the cartel agreement is not put in force as yet. Whereas the French group was of the opinion that in spite of the war declared by France, in spite of its end, and in spite of the indisputable want of loyalty of the French party during the war, the mutual relations ought to be based again on the stipulations of the cartel agreement; Mr. Duchemin in the today's meeting, repeating his former justification, intended to charge the I. G. with the break of the Gallus agreement pointing out that the German works ceased to deliver intermediates during the struggle for the Ruhr, which as you know was done by direction of the authorities.

(Signed) VON SCHNITZLER.

Enclosed: I. G. Memorandum of 21.11.1940.

EXHIBIT No. 42

MEMORANDUM CONCERNING DISCUSSION WITH MESSRS. DR. KOLB AND DUCHEMIN WHICH TOOK PLACE AT THE HOTEL MAJESTIC IN PARIS ON DECEMBER 14, 1940, REGARDING NEGOTIATIONS CONCERNING DYESTUFFS

[Translation]

DECEMBER 14, 1940.
No. 78/D.

The discussion with Mr. Duchemin mentioned in my memorandum of December 13 (No. 77/D) took place today.

Mr. Duchemin, referring to his letter, stated again that he would appreciate it if the negotiations already begun were not interrupted. The French group, however, he stated, suggested continuing these negotiations on the basis of private enterprise. The French group was convinced that it would thus be possible to reach a mutual understanding, although there were obviously large discrepancies as to the attitude taken by both groups in regard to future cooperation. We pointed out that we would immediately transmit to the I. G. the French request to have negotiations take place in the middle of January, but that we were presuming that the I. G. memorandum submitted at Wiesbaden would serve as a basis for these negotiations, as there had been no counter proposals on the part of the French. With this statement we touched a sore spot. Mr. Duchemin replied that the I. G. memorandum had been thoroughly examined by the management committees of the firms of Kuhlmann and of Saint Denis and that discussions with regard to this subject had taken place with the French Government. The requests made by I. G., he said, were going too far and he would rather see his hand cut off than sign such an agreement. The French Government, moreover, declined emphatically the proposed 51% participation of the I. G. in French production. The French group had prepared a counter proposal and submitted it to their government for approval.

He roughly reiterated the same arguments as were made frequently by Mr. Frossard: Production would be supervised and directed by a common "marketing

organization," the smaller factories would disappear and only the Etablissements Kuhlmann, Saint Denis and Saint Clair-du-Rhone would continue the production of dyestuffs. The French were willing to assign 49% of the shares of this marketing organization to the German group. They would select a president agreeable to both sides. Both parties would be entitled to select an equal number of members of the board of directors and of managers.

We emphasized that this proposal, and the I. G. proposals, were too far apart to furnish a basis for an agreement, in view of these marked contrasts. The justifiable German request for participation in production would have to be answered satisfactorily. Here again Duchemin mentioned that as long as negotiations were continued on the basis of private enterprise, the French would never consider a 51% participation in production, and should the Germans try, with every means at their disposal, to obtain such a majority, this would only be possible by incorporating a corresponding provision in the Peace Treaty. We mentioned again that negotiations could not be expected to be successful under these circumstances and that it certainly would not be in the French interest to see these negotiations broken off, especially since this might have consequences detrimental to them. Duchemin replied that the French Government, too, was of the opinion that the Wiesbaden memorandum showed very little of the so-called "spirit of cooperation" and that I. G. was demanding very much while offering very little in exchange. We then asked whether the French attitude would be altered if Germany would offer some sort of compensation (we had in mind an exchange of shares without stating this expressly, of course). Duchemin replied that such a transaction might be more bearable from the French point of view.

It was finally pointed out that German authorities in Paris would report favorably on the French proposal of continuing the negotiations on a basis of private enterprise and that it was hoped that these negotiations would bring forth satisfactory results, because otherwise further negotiations would automatically have to be taken up again with the Armistice Commission.

In order to arrive at a successful solution, it is imperative that the French parties revise their attitude fundamentally by the middle of January. Furthermore, they should not assume any obligations towards their government which would restrict their actions. This last argumentation made a very strong impression upon Mr. Frossard. He stated that he, at any cost, would like to avoid a discontinuance of the negotiations. He inquired whether it would not be advisable to have the entire problem discussed by him and Director Dr. von Schnitzler, or another gentleman of I. G., before the general discussions began. We replied that such a procedure did not seem indicated with regard to Germany because the German proposals were well known and because the French group would have an opportunity in the meantime to adjust their point of view to the German one.

(Signed) KRAMER.

EXHIBIT No. 44

MEMORANDUM ON GERMAN-FRENCH DYESTUFFS NEGOTIATIONS

[Translation, Dr. K/K.]

JANUARY 31, 1941.
No. 27/D

On January 30, Mr. Duchemin called up to inform me that Mr. Pichelon, Under Secretary of State of the Ministry of Production, left on the same day for Vichy in order to submit the proposal to the French Government.

Mr. Frossard visited me today and told me that he was traveling into the unoccupied zone in the evening and that together with Duchemin he would intervene personally at Vichy, since they assume that Pucheux would not be in a position to represent the proposal correctly. In the opinion of Pucheux and the representatives of the French ministries here, the approval would be quickly forthcoming if the ratio of participation were 50:50. Mr. Frossard asked whether there was no possibility of possibly coming to an agreement on this basis. I indicated that it was quite useless to bring in renewed discussions on this basis, since I. G. would under no circumstances depart from the percentage quota fixed in the minutes of the meeting. Mr. Frossard declared that in his discussions at Vichy he would argue for the acceptance of the 51 percent, and that in these negotiations he would submit his resignation if the agreement was not reached.

He considered it most urgent to secure the agreement as soon as possible, since production both in the occupied and in the unoccupied areas was suffering greatly. In the unoccupied area, intermediate products are lacking, and in the occupied territory there is a lack of coal. Saint-Denis is closed on account of a lack of coal. Villers-Saint Paul and Oissel have hardly anything to do and Saint-Clair-du-Rhône has practically ceased to operate, because of the lack of intermediate products. [He stated that] the Ciba plant at Saint-Fons, on the contrary, was operating in high gear. [He added that] Ciba had recently imported considerable quantities of intermediate products, since the French Government was opposed also in the unoccupied area to imports of finished dyes.

Mr. Frossard himself considers the 51% solution as a very generous gesture of I. G. and as a fair basis for German-French "collaboration." He hopes that he may be able to furnish additional information on Vichy's attitude toward the end of next week.

(Signature.)

Management Division Dyes.

EXHIBIT No. 47

MEMORANDUM OF DISCUSSION WITH MR. FROSSARD ON MAY 29, 1941

[Translation: Dr. K/K.]

MAY 29, 1941.
213/D.

"PROJETS DE LOIS" [PROPOSED LAWS]

Mr. Frossard handed me [copies of] proposed legislation drawn up by the French Group, subdivided into "question financières" [financial matters] and "questions légales" [legal matters]. These proposals will be submitted next week to Mr. Bichelonne, Secretary General of the Ministry of Production, in the presence of the lawyers of the French Group.

WINNICA SHARES

Messrs. Frossard and de Kap-Herr are of the opinion that the transfer might cause difficulties inasmuch as, at the time the capital was increased, individual ownership of the shares was not distinctly clarified for reasons which cannot be mentioned at this point. In making a transfer to Switzerland, however, it is necessary to specify the status of ownership. Since I. G. intends, in any case, to take over the remaining shares of Winnica, Mr. Frossard raises the question of whether it might not be possible to transfer the shares in question at the time [these shares] are taken over. It is suggested that this question be discussed at the next meeting.

RESTRICTIONS REGARDING DELIVERIES TO MANUFACTURERS OF VARNISHES (INTERMEDIATE PRODUCTS)

Mr. Frossard agrees with the contents of your letter of May 6, 1941, and has already conveyed pertinent instructions to the C. M. C. firms and their agencies.

DYESTUFFS FOR CIBA AT SAINT-FONS

Based on an application of May 27, E. K. [Etablissements Kuhlmann], as has already been communicated by telephone to Mr. Eckert, wish to ship several thousand kilograms of dyestuffs to Ciba, at Saint-Fons. I called attention to the fact that we could not give our approval, since such shipments would complicate the negotiations of the French Group with the Swiss regarding the fixing of the market quota in France. Mr. Frossard understands and will reject the orders under pretext that, on account of the coal shortage, he himself will not have sufficient dyestuffs at his disposal. On this occasion, I once again called attention to the general fact that dyestuffs should not, until further notice, be sent to Swiss firms.

PHTALIC ACID ANHYDRIDE

Mr. Frossard reported that yesterday he had had a lengthy discussion with Dr. Bertsch. The Henkel group, with which E. K. [Etablissements Kuhlmann] concluded an option agreement in January of this year regarding the delivery of equipment for the manufacture of phthalic acid anhydride and the granting

of a manufacturing concession (Monsanto), would insist [according to Frossard] on the earliest possible use of this [patented] process in Germany. [He said that] Dr. Bertsch had recently negotiated with Director Dr. Ambros who had replied that I. G. would make no objections to this transaction, provided that the manufacture proceeded independently of the Lu.¹ phthalic acid-anhydride process. Mr. Frossard stated to Dr. Bertsch that he could not possibly give such assurances, since it was quite clear that the inspections of the Lu.¹ production centers had, to a certain extent, affected the conditioning of the equipment and manufacturing process of E. K. [Etablissement Kuhlmann], and, objectively speaking, he could not guarantee that the Kuhlmann process is entirely independent of the Lu.¹ process. [He added that] he had advised Dr. Bertsch possibly to discuss this matter with I. G., with a view to reaching an understanding.

SULPHUR COMBUSTION PLANT ["SCHWEFELVERBRENNUNG SANLAGE"]

As is known, it was planned, in order to insure the necessary sulphuric acid supplies, to make up for the lack of pyrites by sulphur shipments from Germany, and through the manufacture of the corresponding quantities of acid by way of sulphur combustion. Mr. Frossard has meanwhile discussed this matter with the Inorganic Division of E. K. [Etablissements Kuhlmann], and according to the technicians it is possible, through minor conversions, to equip the Usine de La Madeleine for the purpose of converting monthly approximately 1,000 tons of sulphur into sulphuric acid. This amount would be ample to supply all the dyestuff plants of the French Group. The plant at La Madeleine would be best suited for this purpose. If, for certain reasons, it were necessary to make use of factories which are not under Belgian military jurisdiction, Nevers, Paimboeuf, and Port de Bouc would enter into consideration. The latter could likewise work up approximately 1,000 tons per month. There should be no doubt as to the necessity of striving after the utilization of La Madeleine for this purpose.

WESTDEUTSCHE CHEMISCHE FABRIK [CHEMICAL PLANT OF WESTERN GERMANY]

Recently Messrs. Herbert and Wolff of the Westdeutsche Chemische Fabrik which belongs to the Immhausen-Group, came to Mr. Frossard to discuss the matter of shipping phenol, phthalic acid anhydride, and urea to Germany. [Mr. Frossard said that] these gentlemen had called attention to the fact that they were in a position to secure the pertinent emergency certificates from the German military authorities. In reply, Mr. Frossard stated that he was not in a position to make such shipments, since he himself imported urea from Germany, and could not give up any additional quantities in the other products. [He pointed out that] in the future he would generally refuse to conduct such negotiations, since he considered that Francolor had already been established, and that he would not engage in such transactions without the approval of I. G.

As a matter of fact, E. K. [Etablissements Kuhlmann] and also other chemical plants in France are almost daily overrun by all sorts of German buyers. Mr. Frossard would therefore welcome it if you could issue regulations via the Reich Group Chemistry [Reichsgruppe Chemie] designed to put a stop to those visits, since I. G. could just as well reach a direct understanding with the pertinent firms or authorities.

Quite apart from this, the situation in the field of phthalic anhydride and phenol in the next few months will be such that there can be no further shipments of any kind to Germany. On the contrary there must be additional production for supplying the needs of the French market.

In the field of phenol, for instance, a monthly supply of at least 500-1,000 tons of phenol will be necessary shortly, I was told by Herr Oberingenieur (graduate engineer) Brandt of Koeln-Rottweil, who was here for a few days. He has been appointed as technical adviser for putting the French Powder Plant into operation.

In this connection I have again taken up the matter with Mr. Brandt and Lt. Colonel Horn as to whether there is not any possibility of preventing the Powder Plant in Oissel from beginning operations. There has been no final decision as yet but it will probably come about that in spite of the praiseworthy support on the part of Mr. Brandt, it will hardly be practicable not to let Oissel begin operations again. There will be further discussion of this matter with the parties concerned about June 12.

¹ The translator believes that "Lu." is an abbreviation for "Ludwigshafen."

MATTERS RELATING TO PERSONNEL

Mr. Vaucher is to be pensioned beginning July 1, 1941, with the stipulation that he is not to take part in the dyeing industry elsewhere.

Mr. Berr has retired from the management of the division of inorganic products of the E. K. because of the law concerning Jews.

Mr. Duchemin will temporarily fill both the office of president of the E. K. and that of general manager of the division of inorganic products in cooperation with Messrs. Merr and Hervey.

Rhein.—In connection with remarks which I made recently to *Mr. Eckert* by telephone, *Mr. Frossard* today stated that *Rhein's* father was not a Jew but a minister [clergyman] from Hamburg. [He said] that he had no Jewish blood at all in his veins and is in no way affected by the laws concerning Jews.

Serge de Kap-Herr.—It is correct that *Kap-Herr's* son is married to the daughter of *Andre Maurois* (Herzog). The mother—that is, the first *Mrs. Maurois*—was an Aryan.

Saint-Denis.—All Jews who were part of the personnel of *Saint-Denis* have left.

The two *Frossard* brothers were at *Saint-Denis* yesterday and early this morning to attend, together with *Mr. Thesmar*, to the reorganization, which was made necessary by the Jews' leaving.

SHUTTING DOWN OF MABBOUX AND CROIX DE WASQUEHAL

On the occasion of his last trip *Mr. Frossard* came to an agreement with *Mab-boux & Camell* on shutting down [of the plants]. *Mr. Kap-Herr* is going to *Lyon* in a few days to attend to the technicalities which are necessary because of its absorption by *Saint-Clair*. *Croix de Wasquehal* is to be merged with the E. K. and the preliminary work for this is already going on.

BASES FOR THE FORTHCOMING NEGOTIATIONS

I have requested Messrs. *Frossard* and *de Kap-Herr* in proper form to have ready for the forthcoming negotiations the most important contracts for supplying and delivery, lease contracts, etc. Employees' contracts for the managers do not have to be ready, according to the gentlemen's statements. All agreements of this sort are made in good faith.

EXHIBIT No. 49

REPORT OF CONFERENCES AT GERMAN MILITARY COMMAND IN PARIS ON
"PEACE PLAN"

[Translation: Voigt/Straube]

SECRET

Participants: Consul general *Mann*, *Leverkusen*; Director *Dr. Grovel*, *Leverkusen*; Director *Dr. Kugler*, *Frankfurt*; Director *Dr. Krüger*, *Berlin*; *Dr. Terhaar*, *Berlin*.

I. PRELIMINARY DISCUSSIONS AT WIESBADEN (29.8)

As an essential result of the preliminary discussions which had taken place with the armistice delegation for economic questions (*Secretary* to the legation von *Maltzan*, on behalf of the leader of the delegation, ambassador *Hemmen*, being absent) it is to be ascertained that the armistice delegation for economic questions after a detailed exposition by consul general *Mann* of the existing problems on the *Pharma* field agreed unrestrictedly to our plan to bring about a regulation with *Rhône-Poulenc* in the nature of private enterprise corresponding to the public interest with the proviso to tune down our line of action in the given case after conclusion of the journey to *Paris* once again finally and in detail with the leader of the delegation, ambassador *Hemmen*.

A succeeding conversation of the dyestuff complex proved that (apart from the reply received in the meantime from the delegation to the *Union Syndicale*) *Wiesbaden* sees at present no new points of view for the treatment of the *Kuhlmann* question.

As regards *Cellophan Maltzan* was informed in that sense according to the directive rules given by *Anderhub*, that it appears to be appropriate to draw the attention of the French offices at a fit opportunity to the fact that the *Cellophane* production has to be valued as a luxury production in order to prepare in this

manner the way for fruitful negotiations with the French partner without burdening Kalle.

As far as the buying is concerned it was ascertained that the carrying through of the phosphate supplies depends at first still on preliminary questions regarding the new clearing agreement the clarification of which requires some time yet. It was arranged to inform Wiesbaden minutely by a corresponding exposé about our interest on the phosphate field.

In the range of these special conversations the general political and economical situation of France was talked over. As the main fact has to be mentioned that out of the running conversations in respect to the relaxation of the line of demarcation resp. about the strengthening of the German influence in the upmost positions of the French organisation (especially so for the export trade, supervision of foreign exchanges, prices and rationalization) evidently a new phase of our political economical relations to France is preparing, which presumably will make necessary a number of new measures which cannot yet be perceived today in detail.

Since as one of these measures the clarification of the French customs tariff is characterised by the application of the general tariff to be discerned it was agreed to put together the wishes of the IG in respect to duties and after a corresponding tuning down with the German offices to pass same on to the armistice delegation for the information of Hemmen.

The armistice delegation was in this connection referred to the possibility that from the development of the clearing business very soon difficulties in the transport sector will arise and that France will no doubt try to meet a forcing of German exports by a regulation of quantities. For that reason it was agreed to keep a steady contact with Wiesbaden in order to settle all difficulties resulting from the clearing business.

[Translation: Schmitt/Radtke]

II. DISCUSSIONS AT PARIS (31.8-2.9)

(a) *Economy and armament board* (lieutenant colonel Neef): Neef was informed by consul general Mann with regard to the pharma interests and the projects of Leverkusen. The aims and the procedure of Leverkusen were approved of by Neef—however, he expressly mentioned the fact that the influence on the production in the unoccupied zone of Rhône-Poulenc might meet with some difficulties. Neef hopes, however, to be able to overcome these difficulties for our I. G. interests by introducing the obligation to procure a permit for resuming the production, as planned by him. For this purpose he asked for the necessary details, which must contain—separately for the occupied and unoccupied zone—about the following:

- (1) Name of the producing firm.
- (2) Products of this firm.
- (3) Reasons against the resumption of a special production.
- (4) Details concerning the possibility how to cover the French requirements for products of the closed French firm by German supplies.

As the agreement with other German firms or the respective economic section was only dispensable with regard to dyes, hitherto a respective application has only been passed on to Neef for the dyestuff section, simultaneously informing the Economic section France and the armistice delegation.

[Translation: Mysing/Gross]

Whether further petitions are opportune, will be decided only when it is cleared up that the interpretation of the "Wirtschaftsabteilung Frankreich" (economy department France) which is contrary to the one of Neef, is correct or not. (According to the point of view of the economy department France they will abstain from such a procedure to grant.)

Finally a continual contact at Wiesbaden and Paris was agreed with Neef who is at disposal for further deliberations.

(b) *"Wirtschaftsabteilung Frankreich"* (Economy department France)—*Kriegsverwaltungschef Min. Dir. Michel* (Chief of war administration Min. Dir. Michel): Min. Dir. Michel, who in the same manner as Neef was informed by Consul General Mann about the Pharma conditions and by Dr. Kugler about the further development of dyestuffs, agreed completely with the procedure of the I. G. It is remarkable that when making his statements he stressed as principles of his work "to make completely use of the given historic chance, to adapt the French economy to the German one by interfering accordingly in the French economy."

He confirmed the development learned at Wiesbaden, according to which the loosening up of the demarcation line shall be compensated by the intercalation into the leading authorities ("Aussenhandelskommissar und Devisenkommissar ohne Weisungsrecht, aber mit Veto-Recht") (=commissary for foreign trade and commissary for foreign exchanges without power of giving directions but with right to vetoing) and the German-Italian control on the French custom boundary.

The loosening up of the line will be restricted to a gradual relief of movements of persons (with obligation to visé), improvements of exchange in goods, payments and mail which up to now has been confined to 300 letters daily between the occupied and unoccupied territory.

As regards the question of the pressure which was thought necessary in the planned negotiations respecting private trade, as a principle he pointed out the necessity to intercalate the department "Gewerbliche Wirtschaft" (industry) or "die Gruppe Chemie der Wirtschaftsabteilung Frankreich" (group chemistry of the economy department France).

He himself was ready, when deliberating continually with the state secretary of the French production ministry in Paris, to point out particularly that the German pharmaceutical industry had been treated wrongly as regards patents and that the French industry will be charged accordingly in future, in order to assist us in this way to influence the production Rhône-Poulenc which lies in the unoccupied territory.

[Translation: Brudermüller/Hinzler]

Highly important to the concrete method of guiding the production of the French factories which the I. G. is interested in has been his reference to the comparatively far-reaching autonomy of the regional offices of Military Government and with which it would appear useful to get into touch through the "Feldkommandanturen" for the purpose of guarding against any false conclusion on their part. A list of the "Feldkommandanturen" has been drawn up.

(2) *Oberkriegsverwaltungsrat Bolck (Report: Industrial economy, section "Chemistry," Dr. Kolb).*—As a result of the exhaustive exposition made by consul-general Mann our conception with regard to the method of dealing with the pharmaceutical complex has been approved on principle by both gentlemen. In particular the following important items appear to be especially worthy of observation:

(a) The settlement of the pharmaceutical complex by having recourse to the patent laws would represent undoubtedly an excellent result, but on the other hand it must be objected that probably owing to the mixing up with the French legislation and the treaty of peace a similar solution of the problem would be deferred for rather a long time. For this reason it would appear appropriate to look for an intermediate solution on private commercial basis.

(b) Considerable difficulties will in any case result from the situation Rhône-Poulenc in the nonoccupied zone there being only small possibilities of interference. Dr. Kolb therefore suggests to try indirect interferences by exercising an influence on the assignment of raw materials in the occupied and nonoccupied zones.

(c) An other point of view is given by the variety of the production of Rhône-Poulenc, above all by the fact that Rhône-Poulenc should be utilized by Germany also as to artificial wool made by cellulose and by virtue of its relations to Rhodiaseta. Partial outputs in this line and those in different chemical products will hardly be avoided, all the more since the German interests have already been underlined by the visit of Staatsrat Schieber.

From all that may be inferred the necessity of acting very prudently and of harmonizing to a large extent with the other German interesting parties. Particular importance in this connection is due to the getting into touch with Grillet, as has already been mentioned by Kolb.

The discussion of this complicated situation involves the question, whether in analogy with the dyestuffs section a special arrangement can be met for Leverkusen by excluding the pharmaceutical share of Rhône-Poulenc.

(d) On concluding the debate it has been suggested to get into contact with Rhône-Poulenc after having come to a definition with Ungewitter and at a moment which, on psychological grounds appears favourable in order to come to a sound, private-commercial understanding. Bolck and Kolb are disposed of using their influence in coming deliberations in case any pressure should appear desirable in process of development.

During the discussions of the dyestuffs section, which brought forth no new facts, it was given notice that the sanctioning procedure promised by Neef has

been discarded. Nevertheless Bolck was given, for information, the text of the dyestuffs memorandum which was transmitted to Mr. Neff for the sanctioning procedure.

(Translation; Aaleben/Hinzler)

Referring to the photo line it was known to us that an intervention of the German Kodak was addressed to the propaganda office in Paris (Langfeld, Berlin) which apparently may lead, in contradiction to the planned restrictions of the readmittance of the French photo-industry, to a recommencement of the French Kodak. The discussion of this matter shed no decisive light on this question. After all Bolck's and Kolb's assurance was such, that the decision, whereof much to our regret secrecy has been enjoined upon us, should satisfy I. G. in every respect.

In pursuance of this report, concerning the production of cellophane, Mr. Kolb answered that a promulgated interdiction of such a superfluous production during the present situation could be avoided by a more suitable camouflaged procedure, viz., the nonallotment of indispensable raw material (softeners and solvents) with the effect that "La Cellophane" cannot start its work.

The final discussion of the transport question resulted in the readiness to assist us as far as possible.

We agreed that the parties of I. G., Paris, hindered by transport difficulties should get in touch with the man in charge of the transport, attached to the trade department (von Sussdorf) find out a way, until the transport question becomes less difficult—which probably takes place within 4 weeks—which will bring about a sufficient discharge.

3. *Chief of the home administration, group medical affairs (Dr. Bardenheuer).*—In order to avoid wrong dispositions which may occur by the state of supply of pharmaceutical products within the medical political direction of German authorities in Paris, the commissarial director of this group was informed of the pharmaceutical situation and Leverkusen's sufficient delivery possibility.

4. *German Embassy—(a) Legation's councillor Rahn*—In order to keep the German embassy posted, which in addition to the existing German offices will perhaps establish a special trade organization, legation's councillor Rahn was informed of the different I. G.'s spheres of interest.

(b) *Legation's councillor Gardemann*: Legation's councillor Dr. Gardemann who was intrusted with agrarian matters within the limits of the embassy was likewise informed of the particular questions concerning this territory. We agreed to a close contact and transmission of details.

5. *Propaganda Department, Paris.*—Owing to the eminent importance the propaganda work of the film sector signifies for Agfa, technical discussions with Mr. von Mallinckrodt in connection with the manager of the department, Wächter, were prepared. During the technical discussions with Mallinckrodt we found out that the lack of raw film really is an essential element for the signification of Kodak's situation in France, a point which will be cleared within a conference held by all parties concerned during the first week in September in Berlin.

It can be assumed that by Agfa's Paris now established contact with Mr. Wächter, there is the possibility to clear I. G.'s interest as to the distribution of the French film production.

(Translation: Rechtenberg/Spies)

6) In several negotiations conducted among other persons with *Maitre Loncle*, the juridical aspect of the integration of the "Pharmaceutical Department France", in the Sopi was clarified, so that it can be executed after consul-general Mann and Herr von Schnitzler having talked over the matter.

Besides the above-mentioned negotiations, all persons taking part in the travel have had *informatory* interviews with businessmen of their friends and with all gentlemen of the I. G. in Paris they could reach. In order to secure a useful cooperation and also for exploiting all informations obtained, the gentlemen of the I. G. residing in Paris have mutually agreed upon their meeting together regularly.

Among the abundant informations gathered at these meetings, the following details, compiled as brief notes, are particularly interesting:

Duchemin is keeping in touch with Kolb and is said to be "reasonable."
Teshmar is in Paris and is feebled by the German offices as "nicer than the people of Kuhlmann."

Frossard as well as Rhein are in the unoccupied zone, namely at Toulouse. Frossard—he declares it himself—cannot come in the occupied zone as he must

expect difficulties being made to him as "German deserter." Rhein has told an informant, that Kuhlmann will shortly "go on making very grandly."

Information from the pharmacist who has been reengaged by Herr Dr. Grobel of Rhône-Poulenc, that as well R.-P. as Kuhlmann were apprehensive for the I. G. not having yet attempted to reestablish relations in any form.

III. CONFERENCES AT BRUSSELS ON SEPT. 4, 1940

(1) *Oberkriegsverwaltungsrat Keyser*.—Keyser, informed about the fundamental interests of the I. G., especially about the pharmaceutical situation, pointed out his not being in a position to make up his mind with regard to every single technical question of the I. G. He sketched, however, a picture of the present economic situation of Belgium and underlined the great reach which must be attributed for the work of reconstruction to the interlacing of German and Belgian economy desired by Reichsmarschall Göring.

Of peculiar interest was his pointing out the facts that coal production has again reached 85% (of the prewar figures), that surprising improvements had been obtained in the transport and that foreign trade also was reviving gradually.

He further gave the essential information that, as a result of Schlottterer's travel to Belgium the deliberations about the great firms which exist precisely in Belgian economy, as Solvay, Ougrée-Marihay and others, would not be continued in Brussels but in Berlin.

The following details on this point could be found out: Otto Wolff has a special interest in the firm Ougrée-Marihay; Steinbrinck will assume the regulation of the heavy industry.

Keyser underlined that the Luftwaffe has taken a special interest in Gevaert.

[Translation: Haag/Mungall]

GROUP CHEMISTRY/DR. KRAFT

After General consul Mann had explained the situation of pharmaceutical business in Belgium, Kraft said, that the head of the firm Meurice, Mr. Terlinden, some time ago had come to see him. In consideration of the export losses of Meurice Terlinden had applied for the permission of compensatory exports to Germany, Holland, and the Southeast. Kraft had refused this permission, that is to say, he had pointed out to Terlinden that he better discuss these questions with Leverkusen.

The method to be adopted was shortly discussed and it was decided to do nothing at the present time till Terlinden had applied to Leverkusen.

Kraft declared on the dyestuff complex (Tertre) that as far as he knew, the matter could be regarded as settled financially. It only required a formal conclusion by a conference between I. G. and Tertre.

In a later discussion Mr. Sonnenburg declared to this question, that as far as he found out and according to what he had learned from the Belgian party, Tertre's preparations for taking up the production of dyestuffs were limited to the purchase of the site. Therefore one could not speak of any plans of production.

The result of a discussion on September the 7th in Berlin was that contrary to the statements of Keyser and Sonnenburg the situation ought to be gone into again more carefully, as Ansias is of the opinion that the preparations for the production have proceeded further than Keyser and Sonnenburg supposed. In this connection Mr. v. Schnitzler received a letter from Mr. Blaise.

In connection with the dyestuff-problem France it is of interest, that according to statements made by Kraft the delivery of ingredients, produced in the northern parts of France under the administration of Brussels, can easily be directed to France, as a respective system of control has been installed in the meantime.

The photographic line of business was discussed only in a general way. The result of this discussion was that the firm Gevaert had considerable protection, that the northern French production of Gevaert again has been put into operation and that because of the shortage of films Brussels also gave permission for export to France.

In the important question of prices of the photographic business Mr. Kraft underlined the necessity of quoting nearly the same lower prices of Gevaert, as the present development will result in higher prices because of increasing costs of production.

Regarding the Solvay complex, Kraft repeated the above-mentioned statements made by Keyser concerning Berlin's method of dealing. Worthy of notice is that he underlined Solvay's readiness to cooperate in the reconstruction-work.

Besides these conferences other discussions for the purpose of inquiry were held with:

Legationsrat Werkmeister, the representative of the Foreign office at the military C. in C. of France.

Dr. Flad, the head of the "group foreign trade" in the department for economics, Belgium.

Dr. Hartenstein, the head of the group "Belgian alien property."

Sonnenburg, who is charged with some investigations of the Belgian industry.

Dr. Bard, office of chemical stocks, Brussels.

The result of the discussion with *Dr. Flad* is: I. G. lets him know as soon as possible all custom requests, and explains the real connections of the production of northern France with the French dyestuff production, in order to make the direction of export from the northern France to France easier for him.

It is important in this connection, that the application of I. G. begging not to permit the reopening of the French dyestuff factories in the near future, was made known to *Dr. Bard*. *Dr. Bard* promised to adopt a negative attitude if applications for heavy chemicals from the Kuhlmann factories in the mentioned departments were made by organic factories in the occupied area.

[Translation: Kretschmer/Heldrich]

IV. DISCUSSION IN WIESBADEN ON SEPT. 5TH, 1940 (ARMISTICE-DELEGATION FOR ECONOMIC QUESTIONS, AMBASSADOR HEMMEN)

Hemmen, being informed of the results and impressions of the Paris discussions, on principle placed himself at the disposal of supporting our planned private economic discussions, but he pointed out that, with regard to the new situation towards France, created by the loosening of the demarcation line, he thinks it better that the necessary pressure for our discussions should arise from the historical development of increasing difficulties of the French economic conditions, and in a way not be forced too soon by an action of the armistice delegation.

By referring to some important developments separately (French colonies, coal situation, government crisis in Vichy, etc.) Hemmen declared that under these conditions an effective basis for our discussions should be given by tactics delaying and by our going on waiting patiently until late in the autumn or the beginning of winter.

Remarkable points of his speech were:

1. The present intention of redeeming the treasury notes, the fact of which means to pass the formal responsibility for finances to France.

2. The statement of our resolution, to introduce again autonomously the minimum tariff in the customs district.

By these measures Hemmen hopes to be able to revive the essential export to France. On account of our objection, that even the minimum duties might not be sufficient to enable us to export, e. g., photographic articles and pharmaceuticals to a larger extent, he asked for a statement of substantiated I. G. wishes re customs referring thereto, in order to use them eventually in further discussions with the French.

In addition to Hemmen's statements it is important to know of the result of a discussion with the "Reichswirtschafts-ministerium" (Reich-Ministry of economics) according to which the introduction of the minimum tariff by the Germans will naturally cause France also to introduce the minimum tariff for the German export to France. The final formal settlement of this problem has not yet been quite finished up till now, but I hope it will be in a few days.

14.9.1940.

EXHIBIT No. 50

EXTRACT OF LETTER FROM AMBROSE TO KRAUGH, DATED SEPTEMBER 1, 1942, ON SLAVE LABOR EMPLOYED BY FARBEN

"Already before the official agreement between Germany and France was made, General Director J. Frossard made a proposal to send a certain number of his workmen as volunteer workers to Ludwigshafen. Of the 100 workmen that were provided for this job, 45 specialists have arrived meanwhile, who are led by a chemist and work as a closed unit. Another 50-60 men will arrive in the near future. Those 100 men are specialists which we have employed in the respective fabrication, thus forming an assistance in executing the PSV and Buna project."

EXHIBIT No. 51

MEMORANDUM, DATED AUGUST 21, 1942, ON SLAVE LABOR EMPLOYED BY FARBEN

Berlin W9, August 21, 1942.
128 Saarlendstr.
Tel. 120048.

The Commissioner for the Four-Year Plan.

The Deputy Commissioner in charge of Special Problems of Chemical Production.

CONFIDENTIAL

Record LT5 Eu/Kr. Journal Nr. 128997/42.

Re: *Group Employment of French Industrial Workers.*

To: Dr. G. von Schnitzler, I. G. Farbenindustrie A. G., 20 Grüneburgolatz, Frankfurt on the Main.

MY DEAR DR. V. SCHNITZLER: With reference to the contract closed between I. G. plant Ludwigshafen and Francolor, with which the Francolor took over the obligation to send 100 workmen in a closed unit to Ludwigshafen, I would like to ask you to used your influence on Francolor that the French company decides to send a larger number of labourers for employment in one group [Gruppeneinsatz] to Germany.

Attempts have hitherto been made to encourage employment of French labor in Germany, and consequently one has tried to raise the figure of French workmen who should work in Germany, to 350,000, but up to now only 36,000 were sent to Germany. To meet Germany's continued urgent labor requirements, all possible sources will have to be exhausted in order substantially to increase the number of French workers in Germany. For this reason the proposal was made by German offices to form closed units of workmen which should be taken over by the different German works. For this purpose the Deputy Commissioner of Manpower [Generalbevollmächtigte für den Arbeitseinsatz] and my Agency developed the group-labor employment plan. In this connection French firms furnishing labor replacements pursuant to a wage and tariff agreement with a German enterprise are obliged to cover the latter's specified labor requirements by setting up closed labor units consisting of the desired combination of workers. The individual labor contracts between German enterprises and workers furnished by the French firm, are made under the terms of the wage and tariff agreement. The workmen would remain employees of the French mother company [and return to France after their work is completed¹] but the binding commitments under [French] labor laws would be suspended for the duration of their employment in Germany. Such an arrangement is, in comparison with employment of individual workers, more advantageous for the French firm, inasmuch as the French workers will be sent back to the latter as a closed unit after termination of the employment-period term.

Out of the negotiations which took place up to now I have learned that Mr. Frossard is entirely of the opinion of the German officers concerned that the use of closed units is the right way to bring the employment of French workmen in the German works on a broad basis. Mr. Frossard has, therefore, used his known initiative for the conclusion of the first unit-work contract with the I. G. Ludwigshafen. I hope, therefore, that further workmen of Francolor will be sent to Germany. Not only Ambassador Abetz, who would welcome the idea of having employment units of French workers sent to Germany, but also the German Military Government, Paris, is of the opinion that out of the workmen of Francolor companies about 700-1,000 workmen could be sent as units to Germany. In consideration of the urgent labor requirements in the sector of Chemical War Preparedness, this should be done as promptly as possible.

I should appreciate it very much, if you dear Dr. v. Schnitzler, would use your influence with the leading men of Francolor and the Kuhlmann Concern for the purpose of making arrangements for employment units on a larger scale. If you will advise me accordingly, I shall instruct my Paris office to indicate to Francolor such I. G. construction projects and plants—especially in the mineral oil sector—as ought to enjoy priority in securing labor, and to start negotiations with Francolor, with respect to the execution of the most urgent employment projects.

Thank you very much in advance for your efforts.

Heil Hitler!

Sincerely yours,

(Sgd.) DR. RITTER.

¹ Not as such in original text.

AUGUST 26, 1942.

Re: *Group Employment of French Industrial Workers.* Your letter LT 5 En/Kr.—128997/42, of August 21, 1942.

To the DEPUTY COMMISSIONER IN CHARGE OF SPECIAL PROBLEMS IN THE FIELD OF CHEMICAL PRODUCTION.

128 Saarlandstr., Berlin W. 9.

(Attention Dr. Ritter.)

MY DEAR DR. RITTER: You can be convinced that General Director Frossard handles the question of sending workmen in closed units to works of the I. G. with just as much understanding as goodwill and one cannot doubt that there would be another company in France which is in the same way willing to solve the problem of sending workmen as the Francolor. In this sense Mr. Frossard expressed his readiness for collaboration opposite myself, Dr. ter Meer, and Dr. Ambros on the occasion of his visits to Frankfort and Ludwigshafen, respectively, at the beginning of July. He made arrangements, especially with Dr. Ambros, in regard to the execution of the individual details, and I shall, therefore, forward your letter to him and enclose a copy of my today's reply to you. [Dr. Ambros will handle this question directly¹] and presumably he will be able to submit to you rather accurate data in regard to the labor contingents which the Francolor works, will further be in a position to furnish. Those labor units are limited, which already arises from the fact that the Francolor plants—as far as they are situated in the occupied zone—are working to a large extent directly for the armament on the field of organic intermediates and that the production of dyestuffs, which exists today to a limited extent, serves more or less also for the armament, as it provides first the textiles etc., industries working in France for Germany's armament with such dyestuffs as we would otherwise have to produce in Germany from German raw materials while using in part, German labor.

Heil Hitler!

Very sincerely yours,

(Signed) V. SCHNITZLER.

EXHIBIT No. 52

STATEMENT BY DR. VON SCHNITZLER REGARDING THE FRENCH CHEMICAL INDUSTRY

The relations between the German and French chemical industries have always been somewhat closer than the relations between the other producing companies in the dyestuffs domain. In former statements, I reported of the technical help which the French dyestuffs industry, from the very beginning of its existence, desired to get from I. G.; the first contract between the Compagnie Generale des Matieres Colorantes, and the I. G., the so-called Gallus-Vertrag, signed in 1921, had its basis in the granting of a large scale technical equipment which I. G. had to furnish. The factories of Azo-dyes and their intermediates, in Oissel-Villers, are entirely built up on the plan gotten from Leverkusen and based on the model of Leverkusen.

The procedure for phthalic acid, an intermediate for vat dyes, as well as a component for lacquers, goes back to a license and to the know-how granted by Ludwigshafen. The Gallus-Vertrag became the victim of the Ruhr War. When in 1927, in connection with the Franco-German negotiations for a commercial treaty, a new scheme for further teamwork was elaborated and the idea of a cartel based on the reciprocal turnover first materialized, this time, again, it was provided that technical help should be granted whenever it was in the interest of both parties concerned. Hereby, it was understood that whenever the French group should be under-delivered, the I. G. would, among other measures to be taken on the commercial side, supply the French group with licenses on new products and eventually the necessary know-how, in order to help them break even again.

This special Franco-German agreement including technical help, remained in force during the whole time that the existence of the so-called four-party cartel agreement was in effect, which in itself had only commercial clauses, and purposes.

When Duchemin in November 1940, in Weisbaden, made the suggestion to renew the cartel agreement, he undoubtedly had this technical problem as its first aim in mind, and we ourselves in our counterproposals laid down in the memorandum of Weisbaden, took the same line, knowing that only by offering the

¹ Not as such in text.

technical teamwork, we would convince the French group to accept our proposals. In the Francolor agreement the clauses dealing with the technical help to be given, have always been considered by us as being the most important ones for the French group, notwithstanding the fact that the Francolor agreement had only been in force for a little more than two years, a substantial technical help particularly in the field of accessory products for textiles and for cleansing purposes materialized.

I am certain that the French industry would only be too glad to resume those cartel relations with I. G., and if this supposition of mine is right, I am ready to elaborate more fully the propositions which are adapted to the present situation.

G. VON SCHNITZLER.

FRANKFORT, *Sept. 5th, 1945.*

EXHIBIT No. 53

STATEMENT BY DR. VON SCHNITZLER ON NEGOTIATIONS WITH THE BRITISH AND THE FRENCH AUTHORITIES AND INDUSTRIES AFTER THE CONCLUSION OF THE VERSAILLES TREATY

When the World War I came to an end, the factories of I. G. on the borders of the Rhine were occupied and so-called control officers were appointed, who had the task not only to supervise that no products for an eventual warfare should be fabricated but endeavoured to study all processes in order to get full knowledge of the whole dyestuff, pharmaceutical, and nitrogen industry. It was a legalised "Werk-Spionage" of the highest degree. The men appointed by the British and French military authorities were chemists, partly employed by the state, partly by the private chemical companies of England and France. Dr. Bosch who at the time was the head of the Badische Anilin und Sodafabrik, was the first one, who in autumn 1919 started negotiations with the well-known French minister Loucheur for the construction of a factory of nitrogen after the so-called Haber-Bosch process near Toulouse.

Shortly afterwards negotiations with the French dyestuff industry represented by Mr. Frossard were inaugurated and lead to the conclusion of the so-called Gallus-Vertrag, which provided for a technical help in the whole dyestuff domain to be given by the I. G. firms. This help has been carried through under the leadership of Dr. Krekeler, first technical director of Leverkusen.

As a countervalue the French group paid a lump sum of I think some 6 million francs suisses, and had additionally to pay an annuity of 50% of their net profits for a very long period.

A third agreement was concluded on behalf of I. G. by Carl von Weinberg with the Reparation Commission by which the clauses of the Versailles treaty concerning the delivery of 25% of the current production in dyestuffs and nitrogene to the Allies as reparations in kind were substituted by the obligation of I. G. to supply the Allies at "most favoured prices" on reparation account. How successfully Mr. von Weinberg had dealt with that question became evident by the fact that instead of the theoretical 25% of the production upon which they theoretically had a right the Rep. Commission only has claimed 7% in the average of the years 1920-25.

Hand in hand with these 3 agreements the technical control in the factories was lifted and the officers of control disappeared; the control of the production became invisible in such way that it was limited to a mere supervision of prices.

On the verge of the year 1922-23 a change took place as the German government declares itself unable to continue the payment of reparations as it had done up to then and the so-called Ruhr war which lasted nearly 10 months brought a break into the fulfilment of the 3 before-mentioned agreements. During the year 1923 the Etablissements Kuhlmann got control over the Compagnie Générale des Matières Colorantes, which had signed the Gallus-Vertrag, and Kuhlmann refused to recognise the validity of the Gallus-Vertrag, when the Ruhr war was over. Thus the Gallus-Vertrag had only lasted for 2 years and no payments apart from the lump sum had been made as the French group pretended not to have made any profits during those 2 years. A state of tension between the two industries followed, which only was bridged after the conclusion of the cartel agreement in 1927. During the so-called Ruhr war it came again to an occupation of the factories of Hoechst and Ludwigshafen/Oppau by French troops and with the aid of Alsatian workmen great quantities of dyestuffs and nitrogen were taken away.

The factories came to a complete standstill which practically persisted the whole year. Only in November 1923 negotiations were started in Coblenz,

which resulted in a reprisal of the deliveries of dyestuffs and nitrogen as well as of the current production. These negotiations have been conducted in a moment of the extremest emergency, but it was doubtful if the Reich would recognize this agreement as valid, as it had been made at a time when the official obstruction was still going on. Fortunately for I. G. as well as for the negotiators, who acted under their own responsibility and did expose themselves to punishment by the authorities of the Reich—the Reich took over the financial obligations arising from the agreements of Coblenz and the agreements made formerly by Mr. von Weinberg was coupled with the treaties of Coblenz in such a way, that the last year of the reparations in kind—1924—passed without further incident. It will be remembered that the British government did not participate in the Ruhr war. Thus the factory of Leverkusen was neither occupied by British troops nor was the production of it hindered. Leverkusen could continue its business without interruption and even could send its goods unmolested through the French occupied Ruhr territory in the unoccupied Germany as well as into foreign countries.

At what precise date the British control of Leverkusen came to an end, I can't recollect, it had never been as sharp as the French one in Hoechst and Ludwigshafen. At all events it ceased with the readiness of the I. G. firms to conclude with the British Dyestuff Corporation a similar agreement as had been concluded with the French industry. The two industries came to terms but the British government refused its approval. Negotiations of the same kind were never renewed.

Only at the beginning of 1932—in the meantime Brit-Dyestuff Corp. had been absorbed by Imperial Chemical Industries—this latter Co. joined the so-called 3-party cartel agreement, which was destined to last till 1968.

FRANKFURT, Aug. 31st, 1945.

(Signed) G. VON SCHNITZLER.

PS.—The chief reasons for the French group to conclude the Gallus-Vertrag consisted in their need for technical help as they were technically far behind I. G.

This technical inferiority in comparison with I. G. can up to now be considered as a motive for the French industry to renew commitments with I. G.

(Signed) G. v. S.

CHAPTER VI¹

EXHIBIT No. 1

LETTER OF DR. VON SCHNITZLER, JUNE 24, 1940, ON PREPARATION OF PLANS FOR NEW ORDER IN WORLD CHEMICAL INDUSTRY

Dr. G. von Schnitzler

FRANKFORT ON THE MAIN 20, June 24, 1940.

To the Members of the Business Committee:

Director Dr. ter Meer, Frankfort on the Main 20.

Director Dr. von Knieriem, Ludwigshafen on the Rhine.

Ministerialrat A. D. (Ministerial Adviser, retired) Dr. Buhl, Frankfort on the Main 20.

Director Dr. Anderhub, Wiesbaden-Biebrich.

Director Bachmann, Knapsack near Cologne.

GENTLEMEN: On the 21st of this month, the Office of the Business Committee issued invitations for the next meeting of the Business Committee, which is to take place on June 28th and June 29th in Frankfort on the Main. A copy of the invitation is included for those gentlemen who are not members of the Business Committee and to whom I also extend my most cordial invitation to be present on the 28th of June. The main topic—Number 1 on our agenda—is the "Report on Economic Policy," which is the subject for the discussion of all problems affecting an economic policy, which have become acute because of the rapid development of military events in the west. The Reich Government has given definite orders to prepare in the shortest time possible a program containing our suggestions as to a new order comprising all European interests in the field of chemical products, which is to be incorporated into future peace treaties. The problem should be considered not only in regard to those countries with which Germany is at war, but also in regard to those which are allied with Germany or which have been neutral up to now. The problem, therefore, is by no means one dealing with the treatment to be accorded to England and France only, but the southeastern territory and Italy as well.

The above-mentioned gentlemen, ter Meer, von Knieriem and Buhl, have expressed their willingness to appear at this meeting. May I ask, in the name of Councillor Schmitz, that Messrs. Dr. Anderhub and Bachmann also be present. I should furthermore like to ask the managers of the other marketing organizations, with the exception of those of "Dyes" and "Chemicals," to advise their colleagues of the date of this meeting but to leave it up to them whether they want to participate or not.

Heil Hitler!

(S) G. VON SCHNITZLER.

EXHIBIT No. 2

LETTER FROM FARBEN TO REICH ECONOMIC MINISTRY, AUGUST 3, 1940, ON FARBEN'S NEW ORDER PLANS

Strictly confidential

I. G. FARBENINDUSTRIE AKTIENGESELLSCHAFT,
Unter den Linden 78, Berlin NW 7, August 3, 1940.

Ministerial Director Dr. SCHLOTTERER,
Reich Economic Ministry,
45 Behrenstrasse, Berlin W. 8.

MY DEAR MR. MINISTERIAL DIRECTOR: Pursuant to various discussions which we have had with you concerning the question of a possible formation of a European economic sphere, the appropriate board of our company has studied through what contributions we might facilitate the planning initiated by you, and to what extent we wish, in this connection, to make special suggestions and express requests concerning our own firm. As a result of these considerations, investigations and preliminary studies have been initiated, which are based on the following fundamental principle:

¹ Exhibit No. 8 is on file with the committee.

1. It is thought, basically, that in shaping a major economic sphere in Europe, planning for the chemical field is also required. The objective of such planning is:

(a) To insure economic independence of said sphere by securing ample supplies for its requirements;

(b) To regulate the productive forces of said sphere accordingly by planning rational utilization of the existing production facilities, and to adjust them to the present requirements and to foreseeable requirements of the future, in such a manner that particularly mismanagement of available manpower and capital may be avoided.

2. This major continental sphere will, upon conclusion of the war, have the task of organizing the exchange of goods with other major spheres and of competing with the productive forces of other major spheres in competitive markets—a task which includes more particularly the recovery and securing of world respect of the German chemical industry. In the observations and planning to be made in regard thereto, it is necessary to bear in mind especially the shifting and development trends in the international economic forces which resulted from the last war, such as may be seen more and more in the increased influence of the United States in Latin-America, of Japan in the Far East, and of Italy in Southeast Europe and the Near East.

3. Such a major spherical economy, designed for self-sufficiency and its planned position with respect to the remaining economic spheres of the world must, at once, give consideration to all the factors incident to the economic defense requirements of Greater Germany. These requirements must be viewed not only from the mere standpoint of furnishing imports which are important to economic defense, but also from the angle that interlocking interests, which have existed or may in the future exist between European countries in the German sphere of influence with countries outside of Europe and which may affect the latter's economic defense potential in the chemical field, should be so arranged as to do justice to the interests of Greater Germany. In this connection, thought is given to cartels, capital investments, and exchanges of experience.

The studies prepared on the basis of this fundamental principle, are divided into a "General Part" and a part which is arranged according to countries.

The "General Part" consists of a study of the situation in the international chemical market prior to the World War, of the situation which developed under the effects of the Versailles Peace Treaty in the years following the World War, and of a brief illustration of the situation of world economic forces which may be expected in the new order of the international chemical market.

The part which is arranged according to countries, includes primarily those countries with which negotiations concerning a fundamental new order may, in keeping with the military and political developments, be expected within a reasonable period of time under the armistice or peace terms, to wit:

- (a) France,
- (b) Holland,
- (c) Belgium/Luxembourg,
- (d) Norway,
- (e) Denmark,
- (f) England and Empire.¹

Expositions concerning Holland and the Protectorate are likewise being prepared on account of the basic decisions to be expected. Preparatory work has been started for the formation proper of a major European sphere as such including the Nordic and Southeast European sphere as well as Switzerland. The conclusion of said work depends, to a large extent, on concrete knowledge of the ultimate formation of said major sphere. The same applies to the studies already made of questions pertaining to the foreign trade of the chemical industry, within the framework of the major European sphere's relation to other major spheres. In working out the country studies, especially, the following points are taken into consideration even though general regulations encompassing the entire German industry may have to be expected for specific items:

- (a) Measures affecting the commercial policy, such as—
 Tariffs.
 Quotas.
 Licenses.
 Export regulations.
 Certificates of origin and compulsory declarations.
 Compulsory registration.

¹ Obviously the British Empire.

- (b) Measures affecting the foreign exchange and currency policy.
- (c) Questions bearing on the right of settlement, especially in regard to—
 - Business establishments.
 - Operating licenses.
- (d) Measures affecting the tax policy.
- (e) Questions bearing on patent and trade-mark law.
- (f) Industrialization tax—
 - Expansion of existing industries.
 - Establishment of new industries.
- (g) Treatment of foreign firms in Germany.
- (h) Questions resulting from hitherto internationally interlocked capital, and more particularly from the control system of the armament industry of the enemy in the chemical sector, and connections among such armament industries, as well as from future infiltration of German interests in line with the formation of a major sphere.
- (i) Questions regarding transfer of the main offices of international economic associations, unions, and institutions.
- (k) Supply of raw material and problems inherent thereto.

In view of the ample variety of material to be elaborated upon, and considering the intricacies of the problems to be worked out, some time will be required to take definitive stand to all the questions resulting from the above-mentioned arrangement. Since, on the other hand, a series of questions must be considered as being urgent, we believe to be acting also in accordance with your wishes in submitting first the "General Part" and our exposition on France, for the pending negotiations at Wiesbaden, while we shall transmit expositions of our position with respect to the other questions, individually, as they are completed.

In keeping with the above, we beg to hand you enclosed herewith:

1. The "General Part" referred to above.

Pursuant to a request formulated by the Reich Economic Ministry, a compilation has been added to said "General Part" covering direct damages sustained by I. G. in the form of its legal predecessors and syndicate companies as a result of the Peace Treaty of Versailles. A compilation of the direct and indirect war damages sustained from September 1, 1939, to the present, will gladly be made available to you upon request.

2. The position of I. G. Farben Industrie concerning the questions resulting from the Franco-German relationship in the chemical field in regard to production and sales.

Our exposition on Holland will follow shortly.

Heil Hitler!

I. G. FARBENINDUSTRIE AKTIENGESSELLSCHAFT,
(Signed) VON SCHNITZLER.
(Signed) KRÜGER.

P. S.—A letter worded like the above is being sent to the following: Ministerial Director Dr. Bergemann, Ministerial Director Dr. Mulert, Dr. Ungewitter/Chemical Industry Examining Office (Envoy) Hemmen, German Armistice Delegation.

(Pencilled footnote refers to a paper covering discussions with v. Schnitzler at Wiesbaden of August 9, 1940.)

EXHIBIT No. 3

NEUORDNUNG, (NEW ORDER) GENERAL

Strictly Confidential

General Part

The premise for a basic study of both the planning tasks of Greater Germany's chemical industry in the major European sphere and the incorporation of such a sphere into the world economy, is furnished by the realization that, in prewar years, the German chemical industry ranked readily first with respect to both the volume of absolute quantities and values of production and its position in the chemical foreign trade of the world, and that, by reason of the prewar development trends, coupled with its productive capacity, and scientific attainments, it was ready not only to maintain its outstanding position but also to improve it. The end of the World War with all its economic consequences suddenly interrupted this clear-cut development. Territorial changes, the industrialization of countries which were formerly customers of Germany, and measures which were

parability of foreign trade figures, become even more evident when bearing in mind that Germany's total share of approximately one-fourth is partly to be ascribed to the fact that in the German exports for 1938, e. g., the item "pharmaceutical products" shows approximately 127,000,000 as compared to approximately 70,000,000 for 1913, and that the item "photo-chemical products" shows approximately 32,000,000 as compared to approximately 19,000,000 for 1913. In both of the latter fields the build-up amounts less to a recovery of the positions lost as a result of the World War, than to a typical demonstration of the fact that new fields of consumption have been created in whose development, guidance, and satisfaction the German chemical industry has played a prominent role.

If, on the other hand, we limit ourselves to considering the development of the German export share in the principal major spheres of the inorganic and organic chemical industry, which are comparable with prewar times, it becomes obvious that the loss sustained as a result of the last war has been a permanent one. This is clearly shown in the decrease of export values for "inorganic chemicals and wood carbonization products" from approximately 186,000,000 for 1913 to approximately 153,000,000 for 1938. The most marked and the heaviest loss which has been sustained by Germany lies, however, in the field of dyes and intermediate products.

Until the outbreak of the World War, organic aniline dyes were produced almost exclusively in Germany—quantitatively 82% of the total world production. Germany's actual position in the world's dyestuff production is, however, not fully expressed by the share of 82%, because the German dyestuff factories were forced by France, England, and Russia, through corresponding patent and customs legislation, to conduct part of their production in those countries. This was accomplished through the establishment of branch factories the production of which amounted, for 1913, to approximately 6% of world production. Germany's share in the world's dyestuff business amounted thus to almost 90%.

The dyestuff industry of Switzerland, which is practically as old as the German dyestuff industry, produced only 6% of world production.

Smaller well-established dyestuff plants existed prior to the World War, only in France, England, and the United States. Minor production activities which, in addition thereto, were in progress in a few countries, were practically of no importance.

The internal structure of dyestuff production which existed outside of Germany prior to the World War, was almost exclusively dependent on Germany's supplying the basic and organic intermediate products required therefor.

The world picture for 1913 appears as follows:

	Dyestuff production in tons	Percent of total
Germany.....	127,000	=82
German branch factories abroad.....	10,000	=6
France.....	2,000	=1
England.....	5,000	=3
Switzerland.....	10,000	=6
U. S. A.....	3,000	=2
Total.....	157,000	=100

= Mk. 350-400,000,000.

World exports in aniline dyes amounted for the same year, to:

	In tons	In millions of Mk	Percent
From Germany.....	109,000	218	=90.5
From Switzerland.....	9,000	23	=9.5
Total.....	118,000	241	=100

In the field of organic intermediate products for the production of aniline dyes, Germany exported in 1913:

[To:]	Tons	In thousands of Mk.
France.....	1,087	1,151
England.....	421	721
Switzerland.....	4,191	4,298
U. S. A.....	3,420	3,130
Poland/Russia.....	746	962
Total.....	9,865	10,262

The large consumer countries were offered a welcome opportunity by the World War to proceed against Germany's leading position. In this connection, England alleged as a reason therefor that the foundation of every chemical war industry could be found in the organic dyestuff production. Thus, "national" dyestuff industries sprang into existence in a series of countries. From the start, these efforts received governmental support through the furnishing of funds at the time of foundation, or through current subsidies. Upon conclusion of the World War, considerable protection was provided through import prohibitions and prohibitive import duties. This protection became even more effective as a result of the anti-German attitude of the consumers which was constantly encouraged.

This new "national" production in the field of dyestuffs, and the measures which were taken to build up and maintain the same, and which were partly anchored in the provisions of the Versailles Peace Treaty, led to the alteration of Germany's share in the supplying of world requirements of dyestuffs and in the world foreign trade in dyestuffs, as illustrated, in detail, in Appendices I and II.

It is thus shown that, as a result of the development of "national" dyestuffs industries in many parts of the world, German commerce supplied, in 1938, only about 27% (quantitatively) and approximately 40% (according to value) of the world requirements which amounted to approximately 700,000,000 Mk., as compared to approximately 90% for 1913, and that the German exports of 218,000,000 Mk. (=90% of world exports) for 1913 dropped to 126,000,000 Mk. (=55% of world exports). On the other hand, based on her prewar share of approximately 90%, Germany might, theoretically speaking, have had a share of approximately 495,000,000 Mk. in the foreign consumption which, for 1938, amounted to approximately 550,000,000 Mk.

Exports in intermediate products for the production of aniline dyes dropped from approximately 10,000,000 Mk. to approximately 4,000,000 Mk.

The various countries, no doubt, even without the World War, would eventually have proceeded with the production of dyestuffs. Today's extent of non-German production, however, is distinctly the result of the political and politico-economic forces which have been directed against Germany for the last 20 years. The effect of this development goes beyond the field of dyes, because dye chemistry furnished the basis for additional production in the field of organic chemistry such as, particularly, in the fields of auxiliary products for dyeing purposes and auxiliary textile products, pharmaceutical products, vulcanization accelerators, solvents, varnishes, synthetic products, and the like.

The foregoing considerations regarding prewar and postwar situations may, insofar as their ultimate effect is concerned, be summarized by stating that, as a result of the World War, the leading position of Germany's chemical industry in world production and world foreign trade has, in the pertinent fields of large-scale production, resulted in a condition which is characterized by the obstinate defense of the keenly contested markets, against the growing competition of new foreign producers of chemicals who, due to direct or indirect governmental aid, enjoy a more favorable position. The direct damage caused to Germany's chemical industry as a result of the World War, is unproportionately greater than the direct losses of material and other assets of I. G. alone, which, e. g. in the case of seized German claims and stocks, sequestered branch factories, etc., can be expressed by figures. (For a compilation of direct damages, see Appendix.)

¹ See p. 9, *infra*.

It will no doubt be impossible to resume where we left off at the outbreak of the World War. Neither can we reduce to its original state, the economic development which in the last twenty years has taken place in the various countries or areas to the detriment of Germany. It will be necessary, therefore, to a certain extent, to accept the deterioration of the German position in comparison with 1914 as being irreparable. It will, however, appear all the more justifiable in planning a major European spherical economy, again to reserve a leading position for German chemical industry commensurate with its technical, economic, and scientific rank. The decisive factor, however, in all planning relative to this European sphere will be the necessity of securing determined and effective leadership in the discussions which must necessarily be conducted with the other major spherical economies outside of Europe, the contours of which are already distinctly drawn at this time.

In order to guarantee that the chemical industry of Greater Germany and the European Continent can assert itself in such discussions, it is urgently required clearly to appreciate the forces which, in the world market, will be of decisive importance after the war.⁴ Their importance is briefly sketched hereinafter:

1. The principal weight of the discussions bearing on a new arrangement of the world market will rest on the relationship with the *North American* concerns. Forced away from European business for reasons which were effective already prior to the war and which will become increasingly effective after the war, the Americans will do everything within their power to maintain and promote the development of their exports of chemicals, which, during the war, they were able to send to countries other than European. In this connection, appears in the foreground the Latin-American market, the importance of which must be measured not only by the economic volume of prewar sales, but also from the standpoint of economic development possibilities and trends which that part of the American Continent offers in the future. Efforts made by the Americans in the prewar period to increase their sales in the Latin-American markets were largely hampered by difficulties arising from commercial policies, inasmuch as the United States was not in a position to liquidate the credits, accruing to her from exports to these countries, by sufficient purchases from the latter, and inasmuch as said countries, on the other hand, did not have at their disposal sufficient amounts of free foreign exchange to overcome the barrier standing between the balance of payments and the balance of trade. It must be expected, however, that, as a result of war developments, there will be a change in the relationships between the United States of America and the principal countries of the Latin-American Continent and that said change may readily facilitate the position of the American competitors. This applies not only to the field of chemicals. The strengthening of Pan-Americanism will coincide with the effects of the fact that England will now completely lose her role as financier of the Latin-American countries, which was affected quite adversely already after the last war, and that the United States of America will take her place. As a result of increased influx of American capital, Latin-America not only can, but probably will have to buy more in the United States. It will, therefore, depend on the degree of order or disorder of the European economic sphere and on the creation of a determined commercial policy, in how far and at what pace Europe, and more particularly Germany, will be able to rebuild, maintain, and develop its position as a regular "trade partner" in the Latin-American Continent. To a certain extent, the statements made with respect to Latin-America might also apply to Canada.

The field, second in importance in the discussions with the United States, will be the countries of the Far East including what is today known as British India and the Dutch [East] Indies.

2. The discussions with the Americans with respect to the Far East will largely center around the fact that, concerning the same sphere, it must be decided in how far the European position can, in respect of *Japan*, be maintained in the Far East. The weakening of Japanese forces as a result of the Chinese conflict which is still in progress today, may offer trade-political and other opportunities for slowing up or temporarily deferring the crystallization of the economic hegemony which Japan has striven after within the sphere of the countries bordering on the Pacific Ocean. In the long run, however, it must be expected that heavier pressure upon the European economic interests in the Far East will be brought to

⁴ The important question bearing on the trend of England's chemical industry in relation to the chemical industry of the European Continent, and the equally significant question of the future position of Switzerland's chemical industry within the major continental sphere, will be discussed within the framework of country studies, as soon as political conditions allow of a more concrete exposition.

bear by Japan—possibly also in connection with the effects of a new era of industrialization in China—rather than by the U. S. A. Probably it is not wrong, therefore, to recognize the future trend of East Asiatic trade policy in the difficulties which are today already being encountered, for example, in connection with imports into Manchukuo, Japan, and Northern China.

3. It is impossible thus far to take a clear-cut stand with respect to the problem of *Italy's chemical industry*, since the possibilities of constituting a major Italian sphere cannot as yet be envisaged in detail. On account of the particular difficulties, however, which no doubt will arise in connection with a major Italian sphere and in view of the expansionist efforts of Italy in Southeast Europe and Latin-America, which can already be felt at this time, it is necessary to emphasize already at present that it will hardly be possible, considering the general relationship between Germany and Italy, which may be expected for the period following the conclusion of the war, to negotiate with Italy on the basis of the status quo of times prior to the outbreak of war, unless, instead of seeking increased exports, it is primarily desired to secure a greater share in the supplying of the domestic market.

4. A similar special exposition is likewise being taken into consideration for *Russia*, which, in this connection should be mentioned as a factor which, if the political conditions remain as they are, is capable of influencing and disturbing the discussions between the European chemical industry and the remaining major spheres.

In evaluating the power relationships described under 1 to 4 and their bearing on the plans to be made, one point which generally affects the economic spheres outside of Europe may not be disregarded. The present war has again started a wave of industrialization in countries outside of Europe. This development not only has a bearing on chemical production directly in the form of new or expanding chemical production centers in countries outside of Europe which will affect German and/or European chemical exports, but will, in addition, make itself felt through industries which, with a reasonable period of time, will still spring into existence in those areas which will manufacture such finished products as have until now been imported from Europe, and which will have ample need of chemicals for such manufacture.⁶ The requirements for chemicals which for these purposes are increasing in countries outside of Europe, however, cannot be taken advantage of fully, or at least not at the same prices, because they will be subject to greater competition, particularly by the Americans and Japanese or even by new national producers of chemicals.

The extent and effects of this industrialization wave are being heightened by the fact that European flight capital in such non-European markets, particularly in South America, is seeking investment opportunities, and that such investments are partly supported by [patented] processes as well as by personal and material experiences which have been taken along.

The above outlines are indicative of the extent and importance of the shifting which, as a result of the World War, took place to the detriment of Germany's chemical industry. In addition to the review of past events, there is an illustration of the forces which after the war will have to be faced in serious discussions not only by Germany's chemical industry, but, in the final analysis, by the chemical industry of the European Continent. Both review and outlook show that it is necessary to direct all planning toward a successful conclusion of these discussions, and that diverging interests in European industrial countries which can be influenced politico-economically by Greater Germany, must, to this end, be subordinated to said objective.

This trend of thought is the guiding principle and decisive factor on which we are basing our expositions and suggestions with respect to the individual countries.

⁶ (Translator's note: This sentence appears to be incomplete in the German text.)

[APPENDIX]

Compilation of direct damages sustained by IG in the form of its legal predecessors as a result of the armistice conditions of November 11, 1918, the provisions of the Peace Treaty of Versailles and the conflict of the Ruhr

[In thousands of Reichsmark]

	France	Belgium	England and Dominions	Russia	Various countries not specified	Total
(1) Branch factories and sales agencies ¹	23, 674	1, 466	16, 580	28, 711	3, 697	¹ 74, 128
(2) Securities ²	5, 955		3, 076			¹ 9, 031
(3) Stocks, claims, notes ²	1, 245	539	11, 493	3, 610	4, 908	¹ 21, 795
(4) Outstanding claims against customers in enemy countries which were reported to the Reich Compensation Office (Reichsausgleichsamt).....	1, 876	507	6, 742	18, 833		¹ 27, 958
Total	32, 750	2, 512	37, 891	51, 154	8, 605	132, 912
(5) Loss of exchange and interest on reparation—and other deliveries of dyestuffs as per letter sent from Frankfurt/M to the Delegate of the German Accounting Office to the Reichskommissariat for reparation deliveries, Berlin, under date of September 21st, 1926.....						70, 000
Total						202, 912

¹ Documents and vouchers of:

(1) *Badische Anilin- & Soda-Fabrik, Ludwigshafen*.—Schlussentschädigungsbescheid (final indemnification notice) v. 17.4.1934, Akt IV D, Vergl. 4349 und v. 4.1.35 Akt E 2, VA Ea 65 263 IV des Landesfinanzamts Berlin als Abwicklungsstelle der Restverwaltung für Reichsaufgaben.

(2) *Farbenfabriken vorm. Friedr. Bayer & Co., Leverkusen*.—Schlussentschädigungsbescheid (final indemnification notice) d. Reichsentschädigungsamts Berlin f. Kriegsschäden v. 30.11.1929 Akt IV D, Vergl. 4302, Abt. III D und v. 9.9.1929 Abt. C I Gruppe für Wertpapiere.

(3) *Farbwerke vorm. Meister Lucius & Brüning, Höchst a. M.*.—Schlussentschädigungsbescheid (final indemnification notice) v. 29.9.1932 Akt IV D, Verl. 4038 der Restverwaltung f. Reichsaufgaben, Berlin.

(4) *Leopold Cassella & Co. GmbH, Frankfurt a. M.*.—Schlussentschädigungsbescheid (final indemnification notice) v. 10.1.1933 IV B, Vergl. 10633 und v. 25.3.1931, E, III/IV B 10633 des Reichsentschädigungsamts für Kriegsschäden, Berlin.

(5) *Aktiengesellschaft für Anilinfabrikation, Berlin*.—Schlussentschädigungsbescheid (final indemnification notice) v. 24.9.1930 Akt IV D, Vergl. 16186 d. Reichsentschädigungsamts f. Kriegsschäden, Berlin.

(6) *Chemische Fabrik Griesheim-Elektron, Frankfurt, a. M.*.—Schlussentschädigungsbescheid (final indemnification notice) v. 14.10.1931 Akt IV D, Vergl. 4645 der Restverwaltung für Reichsaufgaben.

(7) *Chemische Fabriken vorm. Welter-ter Meer, Urdingen*.—Schlussentschädigungsbescheid (final indemnification notice) v. 17.7.1930 Akt E, Akt. IV D Vergl. 9349 d. Reichsentschädigungsamts f. Kriegsschäden, Berlin.

(8) *Kalle & Co., Bielefeld*.—Schlussentschädigungsbescheid (final indemnification notice) v. 20.6.1929 Akt IV D, Vergl. 9330 d. Reichsentschädigungsamts f. Kriegsschäden, Berlin.

(9) *Wulfsberg, Dahl & Co., Barmen*.—Schlussentschädigungsbescheid (final indemnification notice) v. 5.9.1929 Akt II 6A (S) 803 Dad. d. Reichsentschädigungsamts f. Kriegsschäden, Berlin.

² In [foreign] enemy countries.

³ (10) Schadensanmeldung für "Aussonderungen" beim Reichsausgleichsamt, Berlin, laut unseren Büchern. (Damage claim for "unpaid balances" submitted to the Compensation Office in Berlin in accordance with our books.)

The damages acknowledged by the appropriate official agencies therefore amount to a total of approximately Mk. 133,000,000 to which must be added the 70,000,000 Mk. reported as losses of exchange and interest on reparation and other deliveries of dyestuffs. The approximate amount of Mk. 203,000,000, however, comprises only part of the direct damages sustained by German national economy, because there are a series of major damage items which, at that time, were not reported to either the Reich Indemnification Office or the Reich Compensation Office. In this connection, especially the following items are involved:

(a) Loss in export values as a result of the computation prescribed by the Versailles Treaty for reparation deliveries at the lowest world market price instead of the normal export price.

(b) Damages resulting from months of paralyzation of the plants in Western Germany during the time of occupation and the Ruhr action.

(c) Sanction damages during the conflict of the Ruhr due to collection of duties between the occupied and unoccupied zones.

(d) Confiscation and expropriation of patents and trademarks, through the enforcement of low rates of compensation for compulsory and other licenses, and through depreciation of the agreed equivalent as a result of currency depreciation.

The effects which the damages, referred to under items (a) to (d) have had on German economy can, of course, not be measured accurately. Their extent, however, exceeds several times the amount on which compensation for damages was based at that time. Thus, for example, an amount of Mk. 126,000,000 accrues from item (a) alone.

EXHIBIT No. 4

NEUORDNUNG (NEW ORDER) FOR FRANCE

These considerations are based on the fact that, as a result of the industrialization which began in all major states upon the conclusion of the World War, the chemical industry in France also underwent a certain development, the retrogression of which cannot possibly be the last objective in a European new order. In contrast to the great chemical industries of the remaining principal industrial countries of the world [i. e., Germany, U. S. A., England, the French chemical industry was, however, directed in the first place toward supplying the needs of the domestic market, and has made itself felt, in export only in a few fields and even in the latter frequently rather for reasons for prestige than for considerations of economic necessity. Its technical status, viewed from a general cross-sectional standpoint, was also far from being able to meet the requirements of the highly developed domestic standard in France. Regular import requirements were and remained considerable. If, as a result of political and monetary developments, they were reduced in recent years, such reduction did not correspond to the real economic situation. As a matter of basic principle, therefore, we are of the opinion that the French chemical industry should retain its own existence in the coming new order, but that the artificial barriers which have been erected against German imports by means of excessive import duties, quotas and the like, should be removed. It will likewise be necessary to base ourselves on the premise that, in general, exports of the French chemical industry should be maintained only by way of exception and insofar as they had already formally been established, i. e. prior to the beginning of the world economic crisis, and that French activities should consequently be restricted to the French domestic market. In our following considerations we have been guided by the desire to draw up a program designed to ascertain how, on the basis of economically reasonable viewpoints, an economic optimum could be attained through collaboration between German and French chemical industries. In the Franco-German trade treaty of August, 1927 a plank was created for German imports into France which, in general, offered prospects for a successful and economically purposeful activity in France. Due to the fact that said trade treaty, as time went on, became subject to limitations which were opposed to the original objectives provided therein, a condition was created in recent years which actually excluding activities of the German chemical industry in the French market which would have been commensurate, with both the status of German technique and the French consumers' requirements. For purposes of the new order, therefore, we must base ourselves not on the status quo of imports of the last few years preceding the beginning of the war, but on the period which immediately followed the conclusion of the Franco-German trade treaty, in which the volume of German exports of chemicals to France, according to French import statistics, attained an amount of up to 80 million RM. annually. On the other hand, French exports should be limited to such material and sales fields which correspond to the natural status that has been established for decades and was attained by the time referred to above of the world economic crisis. French exports which, particularly in the last few years prior to the war, were made to all different parts of the world such as primarily to Southeast Europe, Scandinavia and South America for purely prestige political reasons, should be discontinued as being uneconomical.

Before making suggestions, within the meaning of the preceding exposition, it appears advisable to furnish, for the individual fields of sales, an historic review of the status and development before and after the World War.

I. DEVELOPMENT AND STATUS OF THE FRENCH CHEMICAL INDUSTRY, WITH PARTICULAR EMPHASIS ON GERMAN EXPORT INTERESTS, ARRANGED BY FIELDS OF SALES

1. *Dyestuffs, Auxiliary Products for Dyeing Purposes, Auxiliary Textile Products.*—The only independent "national" producers of dyestuffs prior to the World War were the following firms:

Societe Anonyme des Matieres Colorantes et Produits Chimiques
Produits Chimiques de St. Denis (formerly Poirrier),

and—

Etablissements Steinber, Vernon,
which supplied approximately 10% of the French consumption of dyestuffs.

The "Gesellschaft für Chemische Industrie" at Basle had a branch factory at St. Fons. J. R. Geigy A. G., Basle, likewise had a branch factory at Maromme.¹

The branch factories of German dyestuff producers which were established prior to the World War under the influence of French patent law and the import duty of Frs. 1.00 per kilogram (= 0.81 Mark), to wit:

Succursale de la Badische Anilin- & Soda-Fabrik, Neuville s/Saone (Ludwigshafen),

Societe Anonyme des Produits Chimiques Fredr. Bayer & Co., Flers (Nord) (Leverkusen),

Compagnie Parisienne de Couleurs d'Aniline, Creil (Oise) (Höchst),

Manufactur Lyonnaise de Matieres Colorantes (Usine la Mouche), Lyon (Rhône) (Cassella)

Succursale Francaise de l'Aktiengesellschaft für Anilinfabrikation, St. Fons (Agfa, Berlin)

Societe Anonyme des Etablissements Weiller-ter Meer, Tourcoing (Uerdingen). were taken away from Germany during the World War and placed at the disposal of French industry. Due to this fact, not only the plants but also the technical and commercial knowledge of the employees so taken over passed into the hands of the enemy.

The patent and trade-mark assets of the German dyestuff industry were utilized by the French national industry.

After the World War, German imports were subject to the general tariff rates which amounted to four times the minimum tariff rates and were therefore prohibitive for dyestuffs. In addition, imports were subject to licenses. The dyestuffs which were needed for purposes of increasing their own productive capacity were acquired from Germany principally duty free on the strength of Appendix VI of the Versailles Peace Treaty and at preferred prices. On each shipment outside of the framework of reparations, the French Treasury collected from the French buyer 26% of the amount of the invoice as a reparation levy.

A law governing licensing of imports of dyestuffs was promulgated in 1938.

The French dyestuff industry under French ownership consists today of the following firms:

- (1) Compagnie Nationale de Matieres Colorantes et Manufactures de Produits Chimiques du Nord reunies Etablissements Kuhlmann, Paris.
- (2) Societe Anonyme des Matieres Colorantes & Produits Chimiques de Saint-Denis, Paris.
- (3) Compagnie Francaise de Produits Chimiques et Matieres Colorantes de Saint-Clair-du-Rhone, Paris.
- (4) Societe des Produits Chimiques et Matieres Colorantes de Mulhouse, Paris.
- (5) Etablissements Steiner, Vernon.
- (6) Societe Anonyme pour l'Industrie Chimique, Mulhouse-Dornach.
- (7) Mabboux & Camell, Lyon.
- (8) Societe des Matieres Colorantes de Croix-Wasquehal (Burel), Roubaix.
- (9) Prolor, St. Die.

The firms 1 to 6 are interconnected by capital and united through the "Centrale des Matieres Colorantes, Paris." The firms 7 to 9 are controlled by the Centrale des Matieres Colorantes.²

These firms, with the exception of Soc. An. des Matieres Colorantes & Produits Chimiques de St. Denis and Etabl. Steiner, Vernon, which were already in existence prior to the World War, are based *exclusively* on the potential [output] of the

¹ This paragraph was crossed out in pencil in the German document, obviously for omission.

² In addition there is, at St. Fons near Lyon, the firm Societe pour l'Industrie Chimique a Bale, Usine Succursales a St. Fons, which belongs to the I. G. of Basle.

above-mentioned branches of German dye plants in France. Today they are either still operating the old plants (St. Clair-du-Rhone/La Mouche) or have erected new plants in the immediate neighborhood of former German plants in which are concentrated the industrial operations which, prior to the World War, were distributed among several factories. The latter applies particularly in the case of the largest of the French dyestuff companies—which was merged with the Compagnie Nationale de Matieres Colorantes et Manufactures de Produits Chimiques du Nord reunies, Etablissements Kuhlmann—namely the Compagnie Nationale des Matieres Colorantes, the main plant of which was newly erected at Villers-St. Paul (Oise) diagonally across from the former Höchst factory i. e. Societe Parisienne de Couleurs d'aniline, which is now in ruins.

Under pressure of the French authorities controlling the German factories, and in order to make an end to the work espionage conducted there, the German dyestuff factories concluded, at the end of 1920, an agreement for 45 years with the last-mentioned Compagnie Nationale, pursuant to which said Comp. Nationale had to pay, as a consideration for technical assistance to be furnished, an amount of 16¼ million French francs in cash—equivalent to approximately 5.5 million GM—and one-half of its net profits until December 31, 1965. The nonrecurring¹ cash amount was paid in part.² A share in the profits, however, was never paid since in the course of the two years during which this agreement was enforced, said French company showed no profits.

During the Ruhr conflict the Comp. Nationale was absorbed by the above-mentioned Etabl. Kuhlmann. The latter stated that they did not consider themselves bound by said agreement and cancelled the same unilaterally in 1924. In view of the powerlessness of Germany at that time, it was necessary to refrain from legal prosecution of this case. Such breach of contract was all the more unheard of as, in the two years during which the agreement was in force, the³ plants of the Comp. Nationale were completely reequipped with our most valuable⁴ processes and experience⁵ as a result of technical consultation under the direction of director Dr. Krekeler, the former first technical manager of Leverkusen.

In view of the close technical and personal connections between Kuhlmann and St. Denis—Kuhlmann holds a major interest in St. Denis and has several representatives on the latter's board of directors—St. Denis benefited to a large extent by the technical services which Kuhlmann received.

As a consequence of the above happenings. German dyestuffs in France were finally almost completely pushed into the background, and in the Franco-German trade treaty of 1927, Germany had to be satisfied with an import quota of 5 million GM, which also included auxiliary products for dyeing purposes. In addition, a considerable burden continued in force on account of the customs tariff. In comparison therewith, the sales of dyestuffs in France and her colonies amounted, for the same year, to a total of 48.5 million Mk., of which approximately two-thirds were supplied by the "national" dyestuff industry and approximately 25% by Swiss production centers and through imports from Switzerland. Thus Germany's share in the dye stuff supplies for French consumption dropped from approximately 90% for 1913 (turn-over approximately 22 million Goldmarks)⁶ to approximately 9% for 1927. In this connection particular attention should be devoted to the fact that Alsace Lorraine with its highly developed dyestuff consuming industry and approximately two million inhabitants fell to the French domestic market.⁷ Besides dominating the French market to a large extent, the French dyestuff industry began devoting itself more and more to exports. As a result of these efforts the German dyestuff volume in foreign trade suffered considerably not so much through the loss of customers—the German dyestuff industry competed with all its might against the French dyestuff industry—but much rather due to the fact that, as a result of French underbidding, the German export price structure suffered on a large scale.

After years of stiffest competition which insofar as German industry was concerned, could not be conducted in the French market on account of discriminatory treatment of German imports, and had therefore to take place in the world market, a cartel agreement for market control was brought about in 1927 in line with the Franco-German trade negotiations referred to above. Said cartel agreement

¹ The word "nonrecurring" is crossed out in pencil in the German text.

² "In part" is inserted in pencil in the German text.

³ Originally: "all the" but "all" has been deleted in pencil from the German text.

⁴ "Most valuable" has been inserted in pencil in the German text.

⁵ This sentence has been amended in pencil in the German text to include "within the framework of dye stuff production." The pencil insertion, however, is not readily legible.

⁶ This parenthetical insertion has been deleted in pencil in the German text.

⁷ This sentence has likewise been crossed out in pencil in the German text.

was designed to eliminate competition between the German group and the French group, and largely attained this objective although German industry had to sacrifice essentially its activities in the French market, and was obliged to honor the export volume which, in the competitive struggle, had been reached by the French, and which centered around 10 million R.M.¹⁰ annually during the last few years.

No amends, however, have ever been made for this dual injustice of 1918 and 1923/24.

2. *Chemicals*.—Prior to the World War, the French chemical industry supplied the demand of its own country and its colonies. Only the surplus production was exported. Together with the known stiffening of the French trade policy in the form of an extraordinary tariff and quota system; with further increased difficulty of the import by enforcing labeling of the country of origin; with the increased difficulty of obtaining the right of domicile; with discrimination by propaganda in favor of the national industry; an effort was made to force the export of French chemicals above its former quota under any circumstances. Besides the general impairment of German exports resulting therefrom, the insufficient knowledge of the market situation led to considerable reduction in prices which unfavorably influenced the German export interests on third [neutral] markets.

3. *Pharmaceutical products, dental products, insecticides and veterinary-medical products*—"Bayer" products—Sera and vaccines Behringwerke.—Prior to the World War there were in France seven important producers of pharmaceutical specialties and pharmaceutical chemicals, viz.:

Societe Chimiques des Usines du Rhone, Paris,¹¹

Etablissements Poulenc-Freres, Paris,¹¹

Laboratoires Clin, Comar & Cie., Paris.

Laboratoires Midy, Paris,

Etablissements Byla, Paris,

Etablissements Chatelain, Courbevoie (Seine),

Institut Pasteur, Paris.

There were besides a number of medium and small producers of only local importance. Their total production did not cover France's requirements in pharmaceutical products. Only special products were exported and those were manufactured by the seven above-mentioned producers.

The volume of the sales to France, the French colonies, and the French protectorate in the years before the World War of the firms which later were fused into the I. G. Combine, amounted to approximately 1.5 million. The Commercial Treaty of August 17, 1927, made possible the exportation of our products again, which resulted finally in limited sales in the years after 1927, and which amounted to approximately R.M. 600,000 in 1939. While the average yearly export to France before the World War was approximately 6% of the total export of the aforementioned I. G. firms, exports in the amount of R.M. 600,000 in the year 1929 represented less than 1% of the total exports of "Bayer." While the total export in 1939 increased 2½ times, the sales to France dropped to 40% of the sales before the World War.

This development is the result of the very difficult and unfavorable circumstances prevailing during the years after the war and caused by the dictates of Versailles. The forced exclusion of all German pharmaceutical products from the French market for almost 15 years, the confiscation of German trade-marks, the exploitation of German ideas ["mental property"], as well as the chauvinistic attitude which existed after the World War and which has been encouraged by the authorities and used by all concerned for their purposes, led to an extraordinary development of the pharmaceutical industry in France. Therefore it was possible for France to supply the domestic market from its own production. Furthermore, for reasons explained in the preamble, purely economic export interests were added, which led to an impetus on the international markets. Backed by their strong home market, the French firms showed great activity on the markets of almost every country of the world. This resulted in underbidding, by which German exporters lost valuable markets to the French. In any case, the German export proceeds were considerably reduced.

An examination of the products put on the market by the French industry after 1914 revealed that most of the products were plagiarisms of German original

¹⁰ Originally: 11 million R.M. but subsequently corrected in pencil in the German text.

¹¹ These two firms were merged in June 26, 1928, and have since operated under the name of Societe des Usines Chimiques Rhone-Poulenc, Paris.

preparations.¹² No legal steps could be taken against marketing of the French plagiarized products, which in most cases were undeniable infringements of the German patent law because France has no protection by patents for pharmaceutical products, a condition which in the future should be abolished as a matter of principle, in accordance with our proposal laid down elsewhere. Only in a few exceptional cases the French industry came out with its own inventions and discoveries. The above-mentioned general development since 1914 and 1918, respectively, appears further marked by the following facts:

By the law of November 7, 1919, German pharmaceutical products could be imported to France by special license only. This regulation was enforced in respect to German preparations only. This measure in conjunction with the application of the maximum tariff, i. e., four times the said basic tariff rates, completely stopped the importation of German pharmaceutical products until 1927. The same applies to the French colonies, its protectorates, and mandates for approximately the same period. The conclusion of the German-French commercial treaty of August 17, 1927, eliminated these difficulties. However, the absence of our product from the French market for a period of fourteen years, together with the development of the French pharmaceutical industry during this time, restricted our business in France considerably until the present time.

The sale was made still more difficult by the high custom rate on imports, which had a protective character and amounted to 15% of the retail price for pharmaceutical specialities, which amounts to an additional 35% on the tariff-free value.

Their regulations concerning the import of sera and vaccine as stipulated by the French law of April 25, 1895 and the amendment of June 14, 1934, respectively (published in "Journal Officiel" of June 22, 1934) made the import and distribution of German serum-bacteriological products practically impossible and were issued only for the purpose of protecting the whole industry. Repeated complaints during the negotiations concerning the German-French Commercial Treaty were to no avail, notwithstanding a conciliatory attitude on the part of the Germans. Although there were no difficulties with respect to the import of special veterinary preparations, veterinary sera and vaccines, an improvement in the business of this branch was possible only to a limited extent. The reason for this may be seen in the fact that 95% of the French veterinarians are organized in an association (Syndicat National des Veterinaires de France et des Colonies), which is pledged to buy only from recognized French veterinary firms. As compensation, these firms attached a valu-stamp to each of their products and paid the equivalent of these stamps into the old-age pension fund of the French Veterinary Association. It is practically impossible for us to be included in the ring of these French veterinary firms.

Imports in the entire line of opotherapeutical products for parenteral injection, which achieved importance during the last few years were severely hampered. Domestic products also had to be registered but licenses were granted without restriction, while it took years of endeavor to obtain admission for any of our products.

A further difficulty was the necessity of labeling the greater part of the important advertising material (*Imprime en Allemagne*), as provided by customs law.

The discriminations against German preparations in the placing of orders by the French Government, municipal or other authorities was a further disadvantage in the sale of our products.

The establishing of agencies in France met with considerable difficulties. Tax regulations and labor laws made it almost impossible to build up well organized agencies to represent our interests.

The condition with respect to trade-marks proved to be particularly disadvantageous to our business. The relinquishing of our trade-marks, stipulated by the dictates of Versailles, together with the impossibility of taking legal action against infringements of our trade-mark rights until 1928, resulted in considerable damages. For instance the trade-mark "Aspirin," granted to us, was used in France by eight companies.

We suffered heavy losses, particularly in business prospects, because of the lack of a patent law. For instance, we were compelled to conclude license agreements

¹² "What was to become of the expensive plants, which were built to manufacture the products invented by the Germans and which had hardly been paid for?" "Generally speaking, it is of no importance whether the manufacturing process was patented or not. If we consider only the French confirmation and those countries in which German industry was not able to obtain patents, we have the possibility based on our law of utilizing the manufacturing processes invented by the Germans and it would be ridiculous on our part not to take advantage of the legal conditions." From a lecture by Professor Fournau held on April 17, 1915, before the Society for the Promotion of National Industry in "England's Commercial War and the Chemical Industry." Prof. Dr. E. Hesse and Prof. Dr. H. Grossmann, Stuttgart, 1917.

with various companies in France concerning such valuable products as Abrodil, Betaxin, Germanin, Naganol, Asuntol, Atebrin, Plasmochin, and Prontosil. The provisions of the agreements do not in any way correspond to the real value of the scientific contribution of the French partners and were executed in their present form on our part only under the pressure of unfavorable circumstances.

The matter is similar with respect to agreements in the field of international pharmaceutical chemicals, in which Germany predominated—for instance "Bayer" in acetylsalicyl acid—by which exclusive areas and export quotas were granted to the French which were far beyond their deserved share.

It is difficult, if not impossible, to determine the loss which the pharmaceutical department of I. G. suffered in this manner. By means of carefully collected evidence, which is at your disposal we estimate the loss suffered by the pharmaceutical branch of I. G., since 1914, at approximately R.M. 80,000,000.

4. *Photographica*.—Previous to the World War, France had a domestic photographic industry, which was well protected by the existing tariff policy. Of the firms existing at that time, the firm of Pathe was acquired by the American Kodak Corporation, Rochester. At the time of the outbreak of the war in 1939, the following factories produced photographic equipment:

1. Kodak—Pathe.
2. Soc. Lumiere.
3. L'Industrie Photographique (Gevaert).
4. R. Guilleminot, Boesflug & Cie.
5. "As de Trefle" (Anciens Etablissements Grieshaber).
6. Etablissements Grumiere.
7. M. Bauchet & Cie.

In addition, the following firms were also engaged in the production of photo-cameras and small-film cameras:

1. Societe Lumiere (cameras).
2. Coronet Camera Cie. (cameras).
3. Soc. Andre Levy & Cie., Ets. Boyer (cameras).
4. Etablissements Enel (small film cameras).
5. Soc. des Etablissements Krauss (lenses).
6. Oehmichen (small film cameras).
7. Pathe-Natan, Pathe-Cinema (small film cameras).
8. Soc. Francaise, Pathe-Baby (small film cameras).
9. Etabl. Andre Debrie (small film cameras).
10. Service Commercial "Ericsson" (small film cameras).
11. Pathe-Rural (small film cameras).
12. Cine Gel (small film cameras).
13. Eresam (small film cameras).
14. Lapierre Cinema (small film cameras).
15. Su Ga (small film cameras).
16. Camera Facine (small film cameras).

After the Treaty of Versailles, the protective tariff policy towards all importing countries was continued. However, it was more strict in regard to Germany; by employing the general tariff until 1924, through the system of reparations deliveries, and by the preference given the "pays amis" (allies) with respect to quota allotments, still practiced even after the Commercial Treaty of 1927 was concluded.

By the granting of the minimum tariff after the conclusion of the German-French Commercial Treaty in 1927, it was possible for the German photographic industry to give more attention to the French market. As a consequence, our exports increased tenfold between 1929 and 1931. This favorable development was stopped by the quota policy adopted by the French Government. The execution of the regulation concerning the quota policy proved particularly disadvantageous to the photographic industry. In view of the fact that the quotas were based on the imports of previous years, there was hardly any possibility of providing the French market with certain new products, such as color films, small-picture films, etc.

Particular difficulties were experienced on account of the control of the camera quota, which was in the hands of the Comite Interprofessionnel. The establishing of this Comite Interprofessionnel resulted in individuals having to decide on German import quotas, who were direct competitors of the importing German manufacturers and who took advantage of this situation in favor of their French products. The manner of control of the quotas resulted in conditions which did not permit a fair distribution and did not permit the full use of the quotas allocated. A further disadvantage to German importers was that for deliveries to

public and government institutions and authorities, the domestic French products were definitely preferred or demanded. These tendencies were furthered still more by the depreciation of the currency and the circumstances connected therewith, which made the competition of German photographic products very difficult.

It was, therefore, impossible to ensure an adequate share for German products on the French market, to which they were entitled by reason of their superiority.

The French photo industry did not only supply its own market, but also appeared as competitor in the world market. Particularly disturbing was the competition by Kodak-Pathe, Societe Lumiere and Guilleminot in South America and in the Balkans.

On the French market, besides the German exporters, the American Kodak, the English (Kodak and Jlford), the Belgian (Gevaert) and the Italian firms (Ferrania/Tensi) were well represented.

The French industry was organized in the "Chambre syndicale des Industries et du Commerce photographiques." This organization took care of the price and market regulations. Representatives of important foreign manufacturers, who exported to France, were organized in the "Chambre syndicale pour l'Importation d'articles photographiques et cinematographiques et annexes."

Matters concerning the market were decided by these two offices. In general the market regulations formulated by the French industry was usually recognized as decisive.

5. *Aromatic Substances.*—The industry of synthetic aromatic substances existed in France even prior to the World War. The leading firm was the Societe Chimique des Usines du Rhone. This industry was protected by a customs duty, which amounted to 15% of the value for the item 112a of synthetic aromatic substances. In spite of this duty the German industry was able to export to France in the year 1913, 79,000 kg. representing a value of 1.2 million Marks.

After the World War the duty on synthetic aromatic substances was raised to 20% of the value which was added to 5% for importing and the turn-over tax. This duty as well as the fact that the general tariff was applied until 1924 to German imports complicated the building up again of aromatic substance exports to France. As additional protection for the French industry a system of restrictive quotas was adopted in 1932. Although including all importing countries, this system was especially detrimental in its effect on Germany, as France granted preferential treatment to the "pays amis" [friendly countries], i. e., England and Belgium.

Owing to the fact that the French Government used its currency policy as a factor in its commercial policy the German aromatic substance industry was in many instances unable to keep up with the steadily declining prices of French products in France and on foreign markets.

For this reason the industry of synthetic aromatic substances in France, headed by the firm of Rhone-Poulenc, was able to expand considerably so that up to the year 1938, exports of aromatic substances from Germany to France dropped to 11,000 kg. representing a value of 69,000 RM.

This trend of declining prices due to obstacles resulting from trade policy was accentuated by the fact that the German aromatic-substances industry made international agreements concerning all foreign trade in vanillin, ethyl-vanillin, and cumalin with the French manufacturers of these products, which resulted in the German exporters' losing the French market for the aforesaid three products, though to be sure they still had the German market for themselves.

6. *Artificial Fibers.*—Not until after the World War did we begin to export artificial fibers manufactured by us, i. e., cell wool, especially Vistra fiber, and artificial silk.

Vistra: Having taken up the manufacture of Vistra fiber in the year 1919 we were able in the year 1920, through a business connection, the "Industrie Gesellschaft für Schappe" in Basle [Industrial Company for Spun Silk in Basle] to get in touch with their branches in France, the Societe Ind. pour la Schappe, Tenay, and Societe Anonyme de Filatures de Schappe, Lyon.

After overcoming various difficulties connected with marketing and technical matters, the turn-over increased, beginning with the year 1927. After we had thus created the possibility of processing cell wool in France, the group in France interested in this production, the Comptoir des Textiles Artificielles in the year 1929 was instrumental in bringing about a considerable increase in the duty. While until that time the duty had amounted to 2.20 French frs. per kg., a rate which had been considered reasonable in view of the former price of 4.50 RM. per kg. of Vistra fiber, this rate was increased in the year 1929 to 8.75 French frs. per kg. because of the aforesaid intervention. It ought, however, to be mentioned

here that later on after the price for Vistra fiber had dropped considerably the duty was again decreased to 3.40 French frs. At any rate the favorable development of Vistra sales was interrupted by the increase in the duty in 1939.

The business was revived to a certain extent as a result of the organization of the "Association Vistra" in 1931 which had been founded in France through our efforts. The following firms belonged to it:

Le Blan & Cie, Lille
 Filatures G. Vermersch, Lille
 Cotonniere Lilloise, Lille
 Th. Barrois, Lille
 Charles Mieg & Cie., Mulhausen
 Ets. Valentin Bloch, Mulhausen
 Filature de Colmar, Colmar
 Union Textile S. A., Guebwiller

According to the agreement on which this association was based, our experience in the spinning of Vistra [fiber] was placed at the disposal of the aforesaid spinning firms. In addition, the wealth of experience which had been acquired meanwhile in Germany in connection with the dyeing, printing, and finishing of Vistra products was also made available. Owners of spinning and weaving mills were stimulated to a great extent by assorted samples, which we sent to them. In addition to this we instructed French producers in the finishing of goods made from Vistra and gave them every assistance in this field. On the other hand, the spinning mills, which were members of the "Association Vistra," were under the obligation to process Vistra exclusively.

In order to develop its plans for the manufacture of cell wool the aforesaid Comptoir des Textiles Artificielles brought pressure to bear on the spinning firms belonging to the "Association Vistra," by having them threatened with the blocking of their supplies, whenever French production started and German cell wool would no longer be imported into France. Thus the Comptoir succeeded in having two spinning mills leave the "Association Vistra" and in influencing the others in such a way as to make the existence of the Association Vistra impossible. In addition, the Comptoir Textiles Artificielles organized an "Association Velna" modelled after the "Association Vistra."

The banning of Vistra from French markets which had resulted from the above situation was to be lifted only in the year 1939 with the aid of the "Industrie Gesellschaft für Schappe" in Basle by supplying conveyor belts. In this way we were able to restore our connection with the French market via the Soc. Anonyme de Filature.

Artificial silk: The development of our artificial silk business with France showed until the year 1933 a tendency to increase. The customs rate under the Tariff Agreement, which varied from 16.25 to 19.50 French frs. as well as the customs regulations, affected the business adversely. Nevertheless it had been possible up to this point to carry on a certain amount of business. Because of the devaluation of the French currency, which was the beginning and the decrease in profits in our artificial silk in France resulting therefrom, the business decreased continually and finally had to be discontinued in the year 1937. We would have had to raise the prices in francs considerably in order to make up for this devaluation. In doing so, we would no longer have been able to meet the very strong domestic competition.

In addition to our losing the French market to French industry, the latter, as a result of the currency devaluation, was able to expand its exporting business. The French artificial silk industry at that did not concentrate its efforts on any one special market but offered its artificial silk to the whole world at prices which were always considerably lower than the German quotations. Our whole export trade was essentially disturbed thereby as it became necessary to sacrifice price considerably in order to keep up the volume of German export business.

7. Nitrogen and Nitrogen Products.—In the field of nitrogen the World War did not interrupt developments and constructions which had been going on for a long time; on the contrary, it furthered and shaped the beginnings of the European nitrogen industry. The construction of the Oppau plant, the first installation for the production of synthetic nitrogen was finished in 1913, one year prior to the World War. During the World War itself the urgent need for nitrogen in Germany led to the construction of the Leuna Plant, which ensured meeting the demand for nitrogen in Germany during the war and created an output, which made possible the export of nitrogen by Germany after the war.

Before the World War Germany's supply of nitrogen besides that produced by the German coking kilns consisted of an annual import of 775,000 tons of Chilean

salt-peter valued at R.M. 171,000,000. Up to that time Chile had been the chief source of nitrogen supplies for the other European countries which had highly developed agriculture and nitrogen industries.

Up to the time of the outbreak of the World War France too had received its supply of salt-peter required for its agriculture and its armament industry (1913—322,000 tons) chiefly from Chile. As yet there was no production of synthetic nitrogen. The development of the German synthetic nitrogen industry and its considerable growth due to the urgent demands brought about by the World War created, however, in France the desire to build up a synthetic nitrogen industry for the future—both for war and peace—so as to be independent of the import of nitrogen. Not only the outcome of the war which was so unfortunate for Germany, helped France to realize this desire to follow the example set by Germany during the war but also the Versailles treaty was largely instrumental in that it permitted France, without having to go through any initial stages to use without further ado, the basis built by Germany and to organize a French synthetic nitrogen industry by making use of German scientific and practical experience and German help. Although as early as the time of the World War a nitric-acid plant had been set up in Soulom pursuant to the request of the French Government and the already existing lime nitrogen plant in La Roche-de-Rame had been enlarged and [although] despite the fact that Georges Claude had begun his experiments in the field of ammonia synthesis with high pressure (about 1,000 atmospheres) as far back as 1917, the year 1919 must be designated as the year of the actual beginning of the synthetic nitrogen production in France. During that year after Claude had had the opportunity to inspect the Oppau plant thoroughly, as the result of the occupation of the Rhine Palatinate the Société de la Grande Paroisse was founded for the exploitation of the Claude patents. During the following years, a number of plants using the Claude process were established [to be operated] in connection with the coking kilns of the coal mines.

After the cessation of hostilities, the French Government made a serious effort to carry an ammonia synthesis on a large scale. Under the pressure of political events the French government in 1919 concluded an agreement with the Badische Anilin- und Soda-Fabrik in Ludwigshafen-Oppau, under the terms of which the B. A. S. F. had to cede its patents and share its experiences in the field of production of synthetic ammonia, ammonia sulphate, nitric acid, ammonia nitrate, sodium nitrate, salts of urea and mixtures of the above products. Furthermore the said firm was obliged to hand over all its plans and data and to give its technical assistance in the construction, the putting into operation and the operation itself of a plant for the daily production of 100 tons of pure nitrogen in the form of ammonia water. Later, however, this project was changed so that in the actual ammonia synthesis besides the Haber-Bosch process the Casale process which is likewise a modified Haber-Bosch process was used in a third of the output. The nitrogen plant constructed by the French Government according to these plans in the former powder plant at Toulouse started operations on a very small scale only in 1927. In general most of the nitrogen plants in France, constructed in accordance with the Claude process as well as those built later according to the Casale process, did not begin operations until the years 1927, 1930. The total output of the synthetic plants as given us is approximately 275,000 tons N. We, however consider this figure as too high, since the production in these plants up to now may be estimated at 130 to 140 thousand tons N. The total production of all the existing nitrogen plants, that is including coking kilns, gas plants and lime nitrogen plants amounted to about 180,000 tons N. in 1938/39.

As long as France itself had no production of its own worth mentioning, Germany was obliged under the terms of the armistice agreement and the Versailles treaty to deliver to France considerable quantities of sulphate of ammonia (in the years 1920 to 1922, 6,000 tons N. each year, in the form of sulphate of ammonia). In addition, during the struggle in the Ruhr the French occupational authorities seized at the B. A. S. F. plants alone 13,000 tons N. in the form of sulphate of ammonia and had demanded for the first time pursuant to an agreement with the occupational authorities (Coblentz agreement) a free-of-charge delivery of about 2,600 tons N. for the months from December 1923 to February 1924. The Coblentz agreement was renewed many times, that is until October 21, 1924, and stipulated a further delivery, mostly free of charge of about 7,000 tons N. Deliveries during later years, that is from November 1924 to the fertilizer year 1929-30, inclusive, made pursuant to contracts on reparations concluded between the Nitrogen Syndicate and the Comptoir Francais, amounted

during this period of time to about 173,000 tons N. in the form of calcium nitrate and about 7,000 tons N. in the form of soda saltpeter. At the end of the fertilizer year 1929-30, in which reparations deliveries stopped, French plants were able to meet their demands for sulphate from their own production. Although in the meantime production on a large scale of saltpeter fertilizers had been begun there was still a need for an annual import of about 64,000 tons N. in the form of soda saltpeter. France's demand for nitrogen, during the last ten years, therefore, was considerably greater than her own production. A considerable part of this additional demand was covered by imports from Germany. The need for imports did not prevent the French Government from introducing compulsory licensing in 1931, and from levying a comparatively high tax (about 4.8 pfennig per kg. N.) in connection with the granting of import licenses. The French Government wished to open up thereby a source of income which was supposed to benefit the French nitrogen industry in lieu of compensation for the lowering of prices and which perhaps would also benefit French agriculture to a certain extent. The Chileans, who up to that time were practically the sole suppliers of France's additional demand for saltpeter, refused to pay the required license tax. Thanks to pressure brought to bear by Tardieu, the then French Minister of Agriculture, a delivery agreement was concluded in December 1931 between the Nitrogen Syndicate and the Comptoir Francais, for an annual delivery of at least 150,000 tons soda saltpeter (about 24,000 tons N.). At the time of this agreement there was an exchange of notes between the German and the French Governments. During the first year of this agreement (fertilizer year 1931-32) its terms were faithfully carried out by the French. But as early as the following year the French created considerable difficulties, in [their manner of] observing the terms of the agreement. Notwithstanding the clauses of this agreement 20% of France's demands for imported soda saltpeter was to be met by Norway. Furthermore, by the beginning of that year France again began to import large quantities of soda saltpeter from Chile and the United States. In consideration of an agreement existing between Norsk Hydro and the I. G., the Nitrogen Syndicate at the request of the French Government, in accordance with an understanding with the German Government gave its consent to deliveries ex Norway; this arrangement benefited German interests since according to the I. G. agreement with Norsk the proceeds had come in via Germany. American imports were likewise approved since the Syndicate found them acceptable, because within the framework of the agreement with American producers, it thus obtained potential outlets on other markets. The objections raised by the Nitrogen Syndicate against deliveries from Chile—objections based on the agreement with the Comptoir Francais were disregarded during the first few years. Actually therefore, the agreement during the period of time from 1932 to 1933 had not been fully observed; it remained valid, however, and was formally recognized by the French as such. Beginning with 1936-37 the French by way of economic rapprochement again showed a greater inclination to import larger quantities from Germany in accordance with this agreement. The Comptoir Francais again acknowledged the claims of the Nitrogen Syndicate with regard to the possible import of Chilean saltpeter. Deliveries of Chilean saltpeter from this time on were made each time with the consent of the Nitrogen Syndicate. As a result of a set-back in its own production which was due to labor conditions (strikes, shorter working hours, etc.) France again experienced during the last years a need for imported sulphate of ammonia which was satisfied by deliveries by CIA partners.

This survey shows that a purposeful influence on the industrialization in France in the nitrogen field was made impossible for the German nitrogen industry as a result of the conditions of the armistice and the Versailles Treaty. The German industry had to resign itself to having its processes, which had been perfected by years of experimentation, taken away from it or exploited and utilized by French chemists and technicians, who during the occupation found out all the particulars on operation and technique at the B. A. S. F. plants. Even delivery agreements concluded by private enterprise were respected by the French Government as is shown by the events of 1932, only insofar as they were agreeable to it and coincided with its other provisions.

Finally the German nitrogen industry after 1930 was obliged in its cartel policy to reckon with the French industry, which had been organized in the meantime, and to include it in the European Nitrogen Agreement (C. I. A.). The French group, however, was no longer a co-signer of the so-called CIA agreements and was not therefore a formal partner to this agreement; on the other hand it carried

out the obligations of the agreement and contributed partly to its expenses. Nevertheless it occupied a certain privileged position, which must be denied to it in the future.

II. PROPOSALS OF A GENERAL NATURE WITH REGARD TO PRODUCTION AND SALES WITHIN THE FRAMEWORK OF GERMAN-FRENCH RELATIONS

The preceding survey on the development and situation of the individual branches of the French chemical industry plainly shows that the chief obstacle blocking German interests in the French market was to be found in the field of commercial policy. If, therefore, participation in the French market—the remaining colonies, protectorates and possible mandated territories included—corresponding to the importance of the German chemical industry is to be built up and maintained, then this aim can be achieved only by a fundamental change in the forms and media of French commercial policy in favor of German imports. With this intention the following is proposed:

I

(1) Development of a French preferential tariff system favoring Germany, whereby the absolute rate of the tariff must exclude any possible unfavorable effect on German [exports]. The extent to which these preferential rates are to be effective with regard to other countries should be fixed for each item and stipulated accordingly.

(2) Sufficiently large quotas must be established. While taking into consideration the necessity of establishing an equilibrium in the French balance of payments, purchases of goods, which were previously made [purchased] in other countries should be shifted to Germany. Such shifting would have to be accomplished with a view to securing a sufficiently large market for high quality products, which may be used in barter (e. g., synthetic tanning agents, crude varnishes, synthetic fibers, and artificial materials).

(3) In connection with the issuing of new measures which may be expected in the field of exchange and currency policy, German interests should be borne in mind.

(4) All discriminatory measures as to certificates of origin, compulsory declarations and registration should be abolished.

II. QUESTIONS REGARDING THE RIGHT OF SETTLEMENT

(1) German nationals should be granted resident's permits without any restrictions.

(2) Work-permits should be granted to German nationals in accordance with business requirements to be decided by Germany.

(3) A free right of establishment should be granted, taking into consideration the pertinent provisions of the trade police and the like authorities, which are also applicable to French business enterprises.

III. MEASURES AFFECTING TAX POLICY

The establishment of industrial enterprises of German firms within the meaning of the terminology of the double taxation agreements concluded by Germany (e. g., branch establishments, manufacturing centers, branches, agencies) as well as the establishment of subsidiaries of German enterprises should not be hampered by tax measures. By this is meant:

A. Industrial enterprises:

(a) Taxation must be limited to the assets set aside for said industrial enterprises including real estate, profits deriving from same and the turn-over.

(b) As to the taxation of such enterprises, the latter must not be placed in a more unfavorable position than other business enterprises of the country in question with respect to tax classification rate or facts of the case.

(c) Profits must not be assessed on the basis of the balance sheet of the German parent firm but solely on the basis of percentage of the turn-over made by the enterprise. This percentage should be agreed upon for each individual category of products. In case of dispute the decision of a mixed commission of representatives of both countries shall decide. Insofar as the profits of industrial enterprises result from the sale of articles produced in Germany, the assessment of such percentage shall cover only the dealer's profits and not the manufacturing profits.

B. The preceding provisions under A. (a) and (b) also apply to the taxation of subsidiaries of German enterprises

Insofar as taxation of such subsidiaries, decisions shall in principle be based on their accounting records insofar as these have been kept according to regulations. If the foreign tax authorities prove that profits resulting therefrom are obviously not in proportion to the profits made by businesses of the same or similar type, profits shall be computed on the basis of a percentage of the subsidiary's turn-over. In this connection the provisions referred to under A. (c) shall apply accordingly.

IV

Provisions, regardless of whether they are issued by official authorities, associations, or others, which discriminate against the use of German products in favor of French products or those of other countries, should be abolished.

III. CONCRETE PROPOSALS WITH REGARD TO CERTAIN FIELDS OF PRODUCTION

1. *Dyestuffs.*—In order to achieve a New Order as planned and to compensate in part for damages suffered in and because of France, the best solution seems to be to bring about such regulation of French production and its marketing for all time to come by the participation of the German dyestuffs industry in the French dyestuffs industry, as to prevent further encroachment on German export interests. To this end concrete proposals could be made as for example, I. G. might be allowed to acquire 50% of the capital of the French dyestuffs industry from the Reich.

For the purpose of carrying out such a transaction it would be necessary for the Etablissements Kuhlmann, which in addition to its dyestuffs plants operates large enterprises in the inorganic and nitrogen fields to separate its dyestuffs division [from the rest of the establishment] and to absorb the following subsidiaries:

Compagnie Francaise de Produits Chimiques et Matieres Colorantes de St.

Clair-du-Rhone, Paris;

Mabboux & Camell, Lyon;

Societe des Matieres Colorantes de Croix-Wasquehal (Burel), Roubaix;

Prolor, St. Die;

and the—

Etablissements Steiner, Vernon.

The Societe des Produits Chimiques et Matieres Colorantes de Mulhouse, Paris, and the Societe Anonyme pour l'Industrie Chimique, Mulhouse-Dornach have been omitted since it is assumed that these firms will go back to the Reich with the return of Alsace and Lorraine.

In this way the Comp. Nationale, which would have to be newly organized, would have either to merge with the Soc. des Matieres Colorantes et Produits Chimiques de St. Denis or to enter into a close community of interests agreement with it. In either case the administrative board of the company or companies would have to be set up—part German, part French—so that each would be represented by an equal number of members.

Furthermore the following regulations would have to be issued in line with the provisions under the peace treaty:

(a) The German-French dyestuffs company or companies only shall be permitted to establish in France new plants for the production of dyestuffs (including lac dyes) or their intermediate products, or introduce new products into the plants already existing or to expand the latter. In addition the French Government is to issue a decree prohibiting the establishing of plants for the manufacture of dyestuffs and intermediate products.

(b) As a general rule the output of the German-French company shall be intended for the French domestic and colonial markets only.

(c) In imports to France, its colonies and protectorates Germany shall receive preferential treatment in that such products as are not manufactured by the German-French companies shall as a general rule be purchased only from Germany and at reasonable tariff rates. The recently levied minimum tariff rates on dyestuffs would seem appropriate provided that the exchange-rate of the French franc did not exceed 0.06 RM.

(d) As to the Societe des Produits Chimiques et Matieres Colorantes de Mulhouse, Paris, and the Societe Anonyme pour l'Industrie Chimique Mulhouse-Dornach we have written to the Reich Ministry of Economics under date of July 13, 1940, that we have placed a trustee for these companies at its disposal.

The ultimate fate of these two enterprises can be determined only at a later date. As, after the war, there would be no economic basis for the existence of the first-named firm, it is questionable whether it would be advisable to have this enterprise continue to operate.

AUXILIARY PRODUCTS FOR DYEING PURPOSES AND AUXILIARY TEXTILE PRODUCTS

We propose that the following regulations be adopted:

(a) Reduction of the prohibitive and unduly high customs rates and establishment of preferential tariff rates for German imports.

(b) Enforcement of a French quota and licensing system in favor of Germany which will have as its purpose that French demands for imports be supplied by Germany only.

2. *Chemicals.*—Because of the large variety of products to be considered, we have summarized our plans in the field of chemicals in a chart. We should like to make the following preliminary remarks:

The granting of preference tariffs to Germany is not only a means of compensating the German chemical industry for damages suffered in consequence of the Versailles Treaty and of the trade policy based upon it; it is rather a necessary political instrument to be used in relation with non-European countries which, through a depreciation of their money and through other measures might be able to disturb the commercial agreements to be concluded with France. It must therefore be stressed particularly that the basic tariffs between France and other countries can be lowered only with German approval.

Ordinarily, preference import quotas will be dealt with in the individual syndicate agreements. (See below.) One reason, however, for insisting upon preference quotas for basic materials used for military equipment must under no circumstance be revealed during such negotiations. This reason is that our marketing organizations, by gaining first-hand knowledge of the domestic markets of the country in question are thus enabled to determine whether secret rearmament is going on.

Licenses for the construction of new plants and for the expansion of existing facilities are imperative in regard to products which are important to the armament industry. We hope that the requiring of licenses for the production of these articles will be supplemented by rigid control of the production itself.

Such licenses are necessary even for products not important to the armament industry, in order to avoid the unnecessary accumulation of labor, raw materials, and capital in certain places particularly in those parts of Europe, where this condition exists. In these instances, however, the licensing system might be abolished as soon as an average quota of production had been reached.

Furthermore, technical progress should not be obstructed by too rigid an application of the licensing system. We believe that precautions should be taken not to deny a license if this should block important technical progress and if the production of the new plant (a) were to be used to satisfy a new and additional demand and (b) if this production were to be placed on the market by shutting off or decreasing the production of existing plants at the same time. In other words, a license should be granted as long as this procedure does not run contrary to the interests of the German producers either directly or indirectly and insofar as it is not contrary to agreements concluded with producers in other countries.

The cooperation between German and French industry, which is the necessary basis for a sound and planned economy, can best be achieved—while continuing already existing agreements—by the creation of *long-term international syndicate agreements*, which would have to be preceded by the creation of French national syndicates. In contrast to previous arrangements between the German and French chemical industries, these syndicates should be under a unified and strong leadership, which because of the greater importance of the German chemical industry should be in German hands and should have its administration headquarters in Germany. The export of French chemicals would be handled exclusively by these syndicates, except for territories, to which the French industry may freely export the products in question or except in other cases to be defined precisely. The French chemical industry, limited now to supplying the domestic markets, may be asked to make compensations within the framework of the syndicate for possible export deficits.

Product	A	B	C	D	E
	Proposals for preference tariff rates from Greater Germany to France	Proposals regarding French tariff rates with respect to other countries	German proposals regarding quotas and import licenses concerning France	Proposals regarding the French market and French export	Proposals for obligatory approval concerning new construction and expansion of plants
Caustic potash*	Present duty of frs. 90% per 100 gross kg. to be reduced to about R.M. 2.75% per 100 net kg. for 90% caustic potash and to R.M. 1.50 for 30% potash lye. No duty for import quotas of Thann for France, otherwise preference duty for Germany R.M. 2% per 100 kg. net.	Import duty for Germany and France on caustic potash R.M. 9% per 100 kg. net. As above R.M. 7 per 100 kg. net.	Germany foregoes importation.	France foregoes export, produces only for the domestic market.	Yes; relaxation in proportion to the increase of French domestic requirements upon agreement with competent German authorities.
Carbonate of potash*			No duty on import quotas of Thann to the extent of its former participation in the French market. Import right for all German producers otherwise only for specialties which cannot be supplied by French industry and emergency deliveries.	See C. France foregoes exportation. Syndicate in cooperation with German firms (at present Elpro).	As above.
Chloride of lime/chlorine*	Preference tariff 5% ad valorem.	Maintenance of present tariff with regard to other countries.	Right of import for Thann within the scope of its previous participation in the French market.	France produces only for its domestic market. Market regulated by Syndicate.	Construction of new plants only upon agreement with competent German authorities.
Fuming sulphuric acid*	Preference tariff 5% ad valorem.			Export prohibition for France.	
(1) Zinc chloride product containing sal ammoniac*	Preference tariff 5% ad valorem.	Protective tariff 15% ad valorem.	German exports: 20% of French demand.	(1) Export prohibition for France.	
(2) Zinc chloride...				(2) Participation in exports arranged for by the Syndicate on a par with prewar quantities.	
Sodium sulphide crist. conc.*	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	As above.	As above under (2).....	
Hydrochloric acid	No duty on importations from producers in Lorraine and Alsace which do not exceed present quantities.		See under A.	No exports to Germany.....	
Sodium sulphite.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	German exports: 20% of French demand.	Participation in exports arranged for by the syndicate on a par with prewar quantities.	
Barium chloride*					
Antichlor*					

Product	A	B	C	D	E
	Proposals for preference tariff rates from Greater Germany to France	Proposals regarding French tariff rates with respect to other countries	German proposals regarding quotas and import licenses concerning France	Proposals regarding the French market and French export	Proposals for obligatory approval concerning new construction and expansion of plants
(1) Barium carbonate..... (2) Products containing fluoride and hydrofluoric acid.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	{ German exports into France: (1) 30% of French demand, (2) 25% of French demand.	Export prohibition.....	(2) Construction prohibition.
Potassium chlorate..... Sodium chlorate..... Potassium chlorides..... Phosphorus.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	{ Right of delivery to France (the amount depends on which factories will be ceded to Italy).	{ Organization of Syndicate under German leadership by which the French are to be restricted to the average yearly exports 1924-26.	License required (products important to defense economy).
Potassium perchlorate.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	Delivery privileges for Germany amounting to 10% of the demand.	Organization of Syndicate with prohibition for exports to France. As above.....	
Perchloron.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	German export into France..	France produces for the domestic markets only.	It should be ascertained what plants are still operating and whether their capacity is sufficiently large. Licensing of constructions and expansions. Prohibition of expansions.
Bichromates.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	Right to export to France to an extent still to be agreed upon, but no less than 40%.		No expansion allowed.
Chrome alum.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	Only German exports into France allowed.	As above.....	
Chromosol.....	Preference tariff 5% ad valorem.	Protective tariff 25% ad valorem.	Only German exports allowed into France (50% of the demand).	French plants supply 50% of domestic demand exports.	Licensing of construction of new plants.
Synthetical tanning products.	Abolition of duty.....	50% protective duty of the value.		The establishment of a syndicate will be necessary only after more producing firms participate. Compulsory admixture with regard to synthetic tanning products.	
Oxalic acid*.....	Not higher than R.M. 6.50 per kilo, about the same as the prewar tariff after prices had dropped.	Import duty per kilo 16.50 R.M. (about the same as at the time of the establishment of the tariff).	German export quota for France 1/3 of the French demand.	France to produce for the domestic demand only. Exports to the French colonies to be kept on the 1937-39 level. Amounts exceeding this level to be furnished exclusively by	Licenses for the restoration of plants destroyed during the war. Said licenses to be compulsory also for plant-expansion on account of potential surplus production in either case. German

man exports should be no less than 6,000 tons annually.

In addition to the report of the dyestuff division it is desirable to stop the production of the following products which are essential for the production of military requirements: Pentaerthrit, Dinitrophenylamine, Chloracetophenone, Cyanidin Nitrate, Special Products. Establishment of plants only in accord with competent German authorities.

German industry until over-all exports amount to 6,000 tons per year. Exports to non-European French territories to be handled by the offices for the sale of oxalic and formic acid.

Prohibition of exports.

French industry to produce only for the French market. Prohibition of exports. Regulation of the further development by syndicate agreement.

As mentioned above $\frac{1}{4}$ of the French consumption. The license system must be handled in a way that practically only German intermediate products may enter France.

German imports to be allowed.

R.M. 16 per kilo. Otherwise above. Protective tariff of 50% of the value.

Import duty of 100% on the sales price of the individual products.

As mentioned above. Preference tariff 5-10% of the value.

Lowering of tariffs for the following items in order to make German exports possible:

Item 0338 quarter:
Vulcanit D/Vul-
kacit 1,000 frs. 345
per kilo—R.M.
21.72.
Vulcanit, M. DM,
Z. U. and A. 7 frs.
385 per kilo—
R.M. 238.
Vulcanit P. P extra
N and 74 frs. 090
per kilo—R.M.
68.20.
Vulcanit Thiuran
Vulcanit J frs.
1850 per kilo—
R.M. 104.48.
Vulcanit CA. CT.
P.P. TB 57% and
57% extra 21.30%
of the value.
Item 0381: Antioxydant
BR 10. NB. Aldol,
DNP, 4010 25% of the
value.

Formic acid. Organic Intermediate products.

Vulcanisation accelerators.

Product	A	B	C	D	E
	Proposals for preference tariff rates from Greater Germany to France	Proposals regarding French tariff rates with respect to other countries	German proposals regarding quotas and import licenses concerning France	Proposals regarding the French market and French export	Proposals for obligatory approval concerning new construction and expansion of plants
Solbrol.....	Reduction to 5% of the value instead of the present 25%.				
Microbine.....	Reduction to 5% of the value instead of the present 25%.				
Preventol.....	Reduction to 5% of the value instead of the present 20%.				
Basilit.....	Reduction to 5% of the value instead of the present 20%.				
Benzolic acid.....	Reduction to 5% of the value instead of the present 25%.				
Benzoate of soda.....	Reduction to 5% of the value instead of the present 25%.				
Iron oxyde colors.....	Reduction to 5% of the value instead of the present 20%.	50%.....	{Export quotas accorded to Germany: 30% of the French requirements.	No exports.....	License for construction and expansion.
Kaurit glue incl. hardening agents.....	Reduction to 5% of the value instead of the present 30%.	50%.....	German share: 30% of the French internal requirements but no less than 1,000 t.	It would be advisable and in the French interest to establish an organization of other manufacturers—French odore exports are now 50% of the 1938 exports. Exports to be prohibited to Germany.	
Membranite.....	Reduction to 5% of the value instead of the present 15%.		German share: 1/3 of the entire sales.	French exports to be prohibited.	
Cohesant.....	Reduction to 5% of the value instead of the present 20%.	50%.....			
Cosavult.....	Reduction to 5% of the value instead of the present 25%.				
Titanium White.....	Protective tariff to be 5% of the value.	Protective tariff to be 25% of the value.	German exports to France must be sustained.	See under E.....	Interdiction of new constructions, as the demand can be satisfied by German production.

Butyl products.....	10% of the value.....	50% of the value.....	In addition to the share of Fabrique Alsacienne de Levure et Alcools at Strassbourg, a 45% share for German manufacturers in the French market. Exports from Germany into France to be unlimited.	Previous French exports were negligible. In the future the French export activities should be allowed only when approved by the German syndicate. Inclusion in German-European cartel to be formed with H. Q. in Germany. No exports allowed for France.	Construction and expansion of plants should be subject to licenses.
Glycol..... Glysaatin.....	} Preferred tariff vote of 5% of the value.	Protective tariff vote of 25% of the value.	As above.....	As above.....	France should be limited to the production of glycol. Construction and expansion of plants should be subject to licenses because the product is important for armaments. Construction and expansion of plants should be subject to licenses.
Ethylen chloride..... Ethylen oxide.....	} Preferred tariff vote 5% of the value.	Protective tariff vote of 25% of the value.	Unlimited German exports into France.	France should be limited to own markets.	Construction and expansion of plants for plastics subject to license.
Thermoplastics and new condensation products.	} Preferred tariff vote: 5% of the value.	Protective tariff vote: 30-50% of the value.	France to supply own markets only. Extent of German exports to depend on decision whether French magnesium plants in Savoy will go to Italy.	No exports permitted for magnesium of any kind, including semifinished products. Syndicate for all Europe.	Licenses for new construction, expansions and for the starting of operations in plants heretofore idle. Reason: Importance of such plants for the production of armaments.
Magnesium of all kinds..... Magnesium alloys.....	} Preferred vote: 5% of the value.	Protective tariff vote: 25% minimum.	As above.....	No exports permitted.....	Same.
Beryllium chloride..... Beryllium alloys..... Inflammable cerium..... Cerium alloy.....	} Preferred tariff vote: 5% of the value. } Preferred tariff vote: 5% of the value.	Protective tariff vote: 25% minimum. Protective tariff vote: 50% of the value.	German exports into France to be 25% of French demand. French exports may be 50% of actual German imports.	Establishment of a syndicate with quantity and price agreements. Independent sales because the article is protected by the trade-mark.	French firms which have so far produced only "misch metal," must not produce inflammable cerium. Construction of plants should be subject to licensing as German production can fully supply world market demands. Product brings in much foreign currency.
Ferrotungsten..... Ferromolybdenum..... Ferrovanadium.....	} Preferred tariff vote: 20%.....	Protective tariff vote: 20%.....	Production for French market only. The extent of German exports to France should be subject to future regulations. Quota to depend on how much of French industry will go to Italy.	No exports permitted. Syndicate for the purchase of raw materials for French market. Establishment of compulsory cartels.	Construction of new plants subject to licensing.

Product	A	B	C	D	E
	Proposals for preference tariff rates from Greater Germany to France	Proposals regarding French tariff rates with respect to other countries	German proposals regarding quotas and import licenses concerning France	Proposals regarding the French market and French export	Proposals for obligatory approval concerning new construction and expansion of plants
Tungsten molybdenum Vanadium and their acids.....	Preference tariff vote 2%..... Preference tariff rate: 2%.....	Protective tariff rate: 20%..... Protective tariff rate: 15%.....	..... Extent of German exports to France to be subject to future regulations, which depend on the problem of raw material	As mentioned above.....	Prohibition of new constructions. Compulsory licenses.
Precious stones.....	Preference tariff rate: 2%.....	Protective tariff rate: 20%..... Possibly special regulation for Switzerland.	Right for Germany to demand up to 25% of the domestic market	Production for own demand only. Exports by compulsory cartel under leadership of Germans.	Prohibition of new constructions.
Water-proof sandpaper and ordinary sandpaper.	Preference tariff rate: 5%..... Preference tariff rate: 2%.....	Protection tariff rate: 25%.....	Right for Germany to import up to 25% of the domestic market	Production for domestic demand only. No exports. Syndicate for the domestic market to be established.	

*These statements are valid only if agreed to by the other German members of the syndicate. Products subject to this restriction are marked by †.

3. "*Bayer*" *Pharmaceutical Products, Dental Supplies, Chemicals for Pest Control, Veterinary Products. "Berhringwerke" Serums, Vaccines.*—As reported under I-3, the pharmaceutical branch of the I. G. business suffered considerably, although on the other hand, the German pharmaceutical industry, and "*Bayer*" in particular, have shown during the postwar period that they lead in this field, with respect to scientific development and economic progress. We therefore believe ourselves to be justified in insisting upon the carrying out of the following proposals, especially since this is a necessary requirement in the sound planning of a European New Order.

A. All rights derived from trade-marks used in the pharmaceutical field which were seized previously should be restored. All trade-marks which were seized during the World War and which after the war were treated as free trade-marks because of our inability to protect them through legal channels and which thus became inaccessible to us, must be restored to the owners and registered and protected with retroactive effect.

B. The French market is to be opened to firms of the German pharmaceutical industry on a basis of free competition. With regard to important pharmaceutical products, this free competition must be regulated by syndicate agreements.

The carrying out of these proposals would seem to be sufficiently assured if our proposals expounded under II are accepted. From the point of view of the pharmaceutical industry, the following detailed remarks have to be made:

To I (1).—The maximum tariff on special pharmaceutical products should not exceed 10 to 15% of the tariff-free value.

To III A (c).—A profit percentage of 5% of the turn-over seems to be a reasonable figure with respect to the pharmaceutical business.

C. In addition, several French administrative regulations concerning the pharmaceutical field in France must be abolished or changed on account of their restricting influence:

(a) German pharmaceutical products must be given the same consideration as domestic products by French authorities or French public institutions when issuing invitations for bids or when otherwise placing orders.

(b) Regulations protecting the domestic serum industry must be abolished in order to guarantee free import of German serums and vaccines.

(c) Official French quarters must be prevented from fostering the nationalistic attitude which is prevalent particularly among doctors and pharmacists and which is detrimental to the German pharmaceutical industry, in that domestic medicines are recommended or their sale promoted and their use is even obligatory. Necessary precautions must be taken that such practices are not introduced by administrative acts aimed at protecting domestic products. Such a state of affairs as exists for example among the organization of French veterinaries must disappear or at least German firms must be able to compete on an equal footing.

(d) In the field of plant pest control, the regulation forbidding the use of mercury disinfectants in plant cultivation must be abolished, as this no longer conforms to present scientific standards. This step should be taken particularly in the interest of French agriculture in order to make available modern methods used in pest control and to make possible the disinfection of cultivated fields on the widest possible scale.

D. The "General Part" has pointed out the necessity of organizing the whole pharmaceutical industry in Greater Europe under the leadership of the German pharmaceutical industry in such a way as to achieve its great objective in the most direct way possible. In the interest of these plans it is therefore necessary to define precisely future activities of the French pharmaceutical industry.

The French pharmaceutical industry should be compelled to restrict its activities to the domestic market. Exports should be allowed only insofar as price and market regulation agreements made with German firms of the pharmaceutical industry permit. This should apply in particular to the more important pharmaceutical chemicals, whenever their export is the subject of a world wide general agreement. In this connection, we reserve the right to submit separate suggestions on the part of the German pharmaceutical industry.

To safeguard such cooperation in the export markets we should plan either to have French firms financially participate in these enterprises or to affiliate them with German export organisations abroad. This planned cooperation makes it imperative to determine and to examine international cartel agreements made by the French pharmaceutical industry so as to adapt them, if necessary, to the newly created situation and thus to prevent non-European firms from profiting from German ideas.

Particular emphasis must be placed on the dangerous situation resulting from the fact that at the present time chemists who have worked in France emigrate to other countries. In these countries they might create new national industries by using French and also German production methods the knowledge of which they had acquired in France. These industries in turn might have a detrimental effect on German exports.

These agreements, should stipulate that the licensing agreements between ourselves and the French firms of Societe Parisienne d'Expansion Chimique (Specia), Paris, Les Laboratoires Francias de Chimio Therapie (Chimio), Paris, and Societe des Usines Chimiques Rhone-Poulenc, Paris, which were concluded under political and economic circumstances different from those existing at present and which refer to important special pharmaceutical articles, should be abrogated. Insofar as French firms have effectively cooperated in the production of particular products, new licensing agreements on a sounder basis may be concluded. Such agreements will give to our French partners such advantages as they are entitled to in proportion to their participation in the discoveries of these compounds.

In the field of serums, agreements must be made concerning the sale of French serums and vaccines, in particular those produced by the Pasteur Institute. As in the case of the pharmaceutical industry, they should stipulate that the French domestic market must be open to free competition. In the field of exports, however, the French producers of serum would be obliged, just as the producers of pharmaceuticals, to consult with the German industry on questions of price and of market regulations. This takes into consideration the facts that the discovery of antitoxins which make the blood immune to certain toxins and the serum therapy, which is based upon this discovery, are German inventions.

Special arrangements should also be made for the business in dental supplies in France, which is characterized by the existence of very complicated international agreements. The French market receives a large part of its dental supplies through the firm of de Trey (U. S. A., England, and Switzerland) which has secured its position through financial participation in the more important French dental supply houses. In the interest of the German dental supply industry, it would be desirable also to bring out German dental products on the French market. This could be achieved, if necessary, by parallel agreements with the leading firm of de Trey. It should be insisted, however, that the buying of these supplies, which heretofore has been mainly done in England and the United States should be switched to Germany in the future.

In the Carpule field the firm of Rhone-Poulenc should be urged to conclude a new agreement with us, as its cylindrical Scurocain-ampulla is a plagiarism of our registered Carpule.

On the French side, this New Order established in our mutual relations would have to be supplemented by a decree forbidding the construction of plants producing pharmaceutical products. In addition, a number of small and unimportant laboratories most of which are of local importance only should be closed.

4. *Photographic Products* ["*Photographika*"].—In order to reorganize and develop export of German photographic products to France in the future, it would be desirable to prevent further development of the French photographic industry insofar as such development relates to products which can be supplied through German productive facilities.

In order to insure continued existence of the French photographic industry, a 5% tariff protection for photographic products, including cine-rawfilm, of French industry is deemed sufficient. In this connection, said tariff should be granted Germany as a preferential tariff, whereas a tariff of 25% should be imposed on imports into France from the Photographic industry of the remaining foreign countries (thus covering American and English photographic products). Under these circumstances, we consider quotas superfluous. They should therefore be removed.

In order also to participate in the supplying of French colonies, it is advisable to have German photographic products placed on a basis of equality with French photographic products, for purposes of customs treatment.

The French photo industry should limit its sales to France and the French colonies. Exports to other countries should be allowed only in accordance with the requirements of German exports.

5. *Aromatic substances*.—In order to organize future exports of synthetic aromatic substances¹ to France, it will be necessary to remove obstacles which are now standing in the way of imports and more particularly to reduce the tariff of

¹ Translators note: i. e. perfumes, etc.

20 plus 5 percent to 10% including all incidentals. In this connection it should be borne in mind that the tariff applies not only to synthetic aromatic substances but also to compounds of aromatic substances, and by compounds should be understood mixtures of oils, resins, and synthetic aromatic substances.

6. *Artificial Textile Fibers*.—Cellwool (Vistra, etc.): Requests concerning future organization and development of German exports of cellwool (Vistra, Cuprama, Lanusa, Aceta Fiber) to France, will on behalf of the entire German cellwool industry, be submitted to the Reich Economic Ministry by the Professional Group for Chemical Production of Fibers and/or the Economic Group for Chemical Industry.

Artificial Silk: With respect to artificial silk, it would be desirable to provide regulating controls through guiding principles similar to those existing for German producers within the Association of German Artificial Silk Producers, in order to prevent the sales policy of French competitors in the different foreign markets, from causing further damage to Germany's artificial silk industry. The individual requests of the entire German artificial silk industry will be submitted in detail by the Association of Artificial Silk Producers through the Economic Group for Chemical Industry.

7. *Nitrogen and Nitrogenous Products*.—Without considerable limitations inherent to the present exposition, it is not possible, in the field of nitrogen, to make suggestions concerning the shaping of future relations between Germany and France. On the one hand it would be impossible to separate French production from European nitrogen production as a whole. This was demonstrated under the European Nitrogen Convention (CIA) already prior to the present war and will be demonstrated even more clearly in the future. Consequently French production should not be considered separately. The shaping of Franco-German relations in the field of nitrogen should preferably be fitted into the structure which will be set up in the economic sphere of Greater Germany upon the final conclusion of this war. On the other hand, it is not up to I. G. alone to determine this structure, but it is one of the tasks of the Nitrogen Syndicate¹ which safeguards the interests of all German nitrogen producers. Consequently, detailed suggestions concerning the shaping of the relations between and among the European nitrogen industries should be left to the Nitrogen Syndicate. The important problems in connection therewith are therefore being only roughly sketched at this point.

Before nitrogen industry can be fitted into the European sphere, and its relationship with the rest of the world can be established, there are three main problems which, on the one hand, should be solved separately, and which, on the other hand, should be coordinated:

1. Development of agriculture in the European sphere and its relation to the agrarian markets of the world.

2. Systematic arrangement of the European nitrogen markets, taking into account imports of nitrate (Chile saltpetre) advisable for politico-economic reasons, and regulation of nitrogen exports from the European economic sphere to the nitrogen markets of the world.

3. Taxation of industrialization in the field of nitrogen production, within the borders of Greater Germany's economic sphere, and influence exerted on the development of the remaining nitrogen output of the world.

In many respects, these problems are closely related to one another so that, in connection with any new order in the nitrogen industry, it will be necessary to take their reciprocal effects into consideration. Bearing in mind the fact that the nitrogen production of France did not, until the outbreak of war, suffice to cover France's own requirements, and that considerable quantities had to be imported (sulphate of ammonia, sodium nitrate, etc., for fertilizing purposes, as well as sal ammoniac and urea for technical purposes), the following will be a requisite for the nitrogen situation in France:

Participation of French industry in exports should be prevented also in the future.

This request is primarily based on the prior situation described hereinbefore. In conjunction therewith, attention is called to the fact that France's total consumption of nitrogenous fertilizers for 1938-39 amounted to approximately 180,000 tons N. A comparison of this figure with the consumption figure of 745,000 tons N during the same period in Germany (including annexed Austria²) reveals that a considerable increase in the consumption of nitrogenous fertilizers is possible in

¹ "Stickstoff-Syndikat."

² "Ostmark."

France proper. The use of nitrogen in France amounted to an average of approximately 5 kg. pure nitrogen per hectare of agricultural exploitation area in comparison with e. g. 32.6 kg. in Belgium and 21.4 kg. in German.

Then, too, attention should be called to the fact that France appropriated processes of I. G. which had been developed as a result of long years of research, and that, due to the work espionage conducted during the occupation of Oppau, she was in a position to speed up considerably the development of her own synthetic nitrogen industry.

In December 1931 the Nitrogen Syndicate concluded an agreement with the Comptoir Francais de l'Azote,⁴ Paris, by virtue of which the Nitrogen Syndicate enjoys priority in supplying France's additional requirements of sodium nitrate. Said agreement was ratified by an exchange of notes between the two governments. Each year an understanding was reached with respect to the quantities to be delivered by Germany, and, in connection therewith, requests expressed by other producers (Norway, Chile, U. S. A.) were taken into account within the framework of cartel agreements. Said agreement has not been cancelled.

For the future, it is desired that—in a manner similar to that proposed for other markets—Germany be given *priority* for [the supplying of] all additional requirements of nitrogen of any kind. This step shall be designed, in particular, to exclude or control North American imports⁵ and imports of Chile saltpetre.⁶ Chile saltpetre can be substituted by other synthetic nitrogen products, as has also been done in Germany.

In order to insure German exports to France it will be necessary to clear or remove the following obstacles which are now standing in the way of exports to France of German goods as well as of foreign goods insofar as the latter are exported through the intermediary of Germany:

Licensing system.

Caisse de Péréquation.

Levy of $\frac{1}{2}$ Pf⁷ per kg N (for the benefit of France's nitrogen industry and agriculture).

Prohibitive tariff for technical nitrogen products.

In accordance with political developments, control of the armament industry in those countries which were or still are at war with Germany, will probably have to be expected. Attention should be called to the fact that, for reasons of economic defense, such control, in the field of technical nitrogen, should appropriately begin with raw materials, e. g., with nitric acid and ammonium nitrate. Said control would be a task incumbent among other things, on a new "central office" to be set up, pursuant to the plans of the Nitrogen Syndicate, at the latter's headquarters in Berlin, and should encompass, on the strength of an agreement,⁸ all nitrogenous fertilizers—i. e. also calcium cyanamide which was not taken into account by the former cartel—and nitrogenous products for technical purposes.

Finally it appears important in this connection to refer to the fact that French capital holds an interest in *Norsk Hydro A/S*, domiciled in Norway, with which I. G. maintains close technical and business relations. Said interest, however, is widely distributed and the votes inherent thereto are largely represented by French banks. Individual shareholders are I. G. and its Swiss friends, "I. G. Chemie" in Basle.

8. *Imports*.—In connection with the question of imports, mention should be made of the fact that I. G. has, in the last few years, imported from France and her colonies and mandates an annual average amounting to approx. RM. 1,100,000 including especially—

Chromium ore

Phosphate

Bauxite

Aromatic substances

Antimony, etc.

I. G. is, of course, greatly interested in securing continuation of the import of these products also in the future. At this point, however, we refrain from making concrete suggestions or requests, since imports of these products for I. G. are relatively small in comparison with the import requirements of the Reich, and since we also assume that the requests of I. G. will be taken into account in drafting the regulations respecting imports from France, which are to be enforced by the appropriate German Government authorities.

⁴ French Nitrogen Office.

⁵ Obviously "Imports from North America."

⁶ Nitrate (of soda).

⁷ Abbreviation for German pennies.

⁸ Convention.

We should like to reserve the right to supplement the suggestions and proposals made in this exposition, if warranted, and to cover additional problems which may arise in the course of the negotiations.

EXHIBIT No. 5

NEUORDNUNG (New Order) FOR HOLLAND

I. G. FARBENINDUSTRIE AKTIENGESellschaft,
82, Unter den Linden, Berlin NW 7, August 23, 1940.

Re: *Netherlands.*

Ministerial Director Dr. SCHLOTTERER,
Reich Ministry for Economic Affairs,
43 Behrenstrasse, Berlin W. 8.

MY DEAR MR. MINISTERIAL DIRECTOR: Referring to our letter of August 3rd with which we submitted our papers on France relative to the question of the potential reorganization of the European economic sphere, we beg to enclose herewith our outlines on Holland. Our exposition on Belgium will follow shortly.

Heil Hitler!

I. G. FARBENINDUSTRIE AKTIENGESellschaft,
(Sgd.) WEBER-ANDRAEAE.
(Sgd.) ILGNER.

P. S.—A letter worded like the above is being sent to: Ministerial Director Dr. Bergemann; Ministerial Director Dr. Mulert; Dr. Ungewitter, Chemical Industry Examining Office.

DEVELOPMENT AND SITUATION OF THE NETHERLANDS CHEMICAL INDUSTRY WITH SPECIAL CONSIDERATION OF GERMAN EXPORT INTEREST, DIVIDED ACCORDING TO SALES TERRITORIES, AS WELL AS SPECIAL PROPOSALS FOR CERTAIN FIELDS OF PRODUCTION

The development and importance of the chemical industry of the Netherlands are characterized, in general, by the fact that her comparatively undeveloped chemical production, which took its initial upswing in the course of the general industrialization during the World War¹ was further expanded during the postwar boom and under the famous planned economy of the Minister of Economic Affairs Gelissen to a point exceeding a quarter of a billion Reichsmarks.

This production which included principally the manufacture of artificial silk, fertilizers, chemicals, mineral dyes, pharmaceuticals, and aniline dyes, showed the following typical features:

1. It was [largely] distributed over a wide range of minor and very small enterprises; only the artificial silk industry developed its well-known large enterprises.

2. Lacking domestic raw materials, it was mainly based on imports of raw materials and semifinished products; and

3. Individual branches [of the chemical industry]—especially in the field of artificial silk, fertilizers, and pharmaceuticals—were geared somewhat one-sidedly, and in increasing measure, to produce primarily for other markets of the European Continent, but in addition they also supplied the American, Asiatic, and African markets.

This typically Dutch penetration of the world markets by chemical exports from the Netherlands—which entailed set-backs in prices and whose importance is illustrated by the credit balances, which even though small are positively held by the Dutch export industry—is, in general, characteristic of the development of the trade policy of the Netherlands.

In contrast to the customary concept, Dutch commercial policy which for decades stood for free trade as the type of foreign trade best suited to the basic structure of Dutch economy, developed after 1930—in line with the new trend arising from the world-wide economic depression and despite all the attempts at establishing liberal foreign trade principles (Oslo) which remained only in theory—into protectionism which, among other things, was characterized by tighter tariff measures, a strict quota system, and deliberate industrialization.

This development started with the undermining of the most favored-nation treatment by means of reciprocal trade agreements, and led—by way of a quota system initiated in 1932 on the basis of the Law of 1931 Governing Imports During the Depression, which was followed by the introduction of quotas through

¹ Translator's note: First World War.

commercial treaties as an instrument of trade policy (Law of Retorsion, 1933) and by the increased customs rates of the new tariff of 1934—to further intensification of the planned economy trend of Dutch industry, as initiated by the Minister of Economic Affairs Gelissen and systematically continued by his successors.

Although, within the scope of this development, Germany was also in a position to secure, through pertinent negotiations, a number of quota preference for her chemical products, this change in Dutch commercial policy which, while breaking the traditional market ties with Germany, aimed at spreading all over the world and multilaterally funding [the Netherlands'] foreign trade, unquestionably was fully carried out at Germany's expense. The fact that the German-Dutch exchange of goods which, as late as 1929, and discounting the Dutch colonies, showed German imports from Holland in the amount of 701,000,000 Reichsmarks and German exports to Holland in the amount of 1,355,000 Reichsmarks, and which, essentially due to compulsory clearing, had by 1938 been cut down to German imports amounting to 197,000,000 Reichsmarks and German exports amounting to 447,800,000 Reichsmarks, clearly reveals the extraordinary loss sustained by Germany as a result of the protectionist development of Dutch commercial policy.

As exports of German chemicals to Holland which, as late as 1929, amounted to 113,500,000 Reichsmarks, and which, by 1939, had dropped to one-third, were considerably affected by this decline in Germany's total exports to Holland, we are of the opinion that, in the course of the reorganization of the German-Dutch relationships, every effort should be made to free German exports to Holland largely from all burdens of a trade political nature (tariffs, quota systems, etc.). In the addition, however, Dutch exports—provided that in view of both the dependence on Dutch raw material, and Germany's unlimited supplying capacity, Dutch production appears at all reasonable, should be so regulated as not to interfere with German exports.

From this general outline we have derived a series of basic proposals which we have listed hereinafter before submitting both a picture of the production and market conditions of the Dutch mother country, and our specific wishes. Since, however—due to the close interlocking relationships between the Dutch mother country and its colonies, the considerable functions of the mother country as an intermediary, the transit nature of certain exports, and the far-reaching scope of international connections converging precisely on Holland—the essential aspects of the Netherlands' over-all economy have not yet been discussed in our report, except for individual problems (such as the Quinine Trust) our statements necessarily represent only a partial picture of our interests in Holland [with her appendages] as a whole. We therefore reserve the right to supplement our description of the Dutch mother country in due time by a systematic presentation of our interests in the Dutch colonies.

With this reservation in mind, we are giving you hereinafter an outline—divided into fields of sale—of the development and status of the Dutch chemical industry, taking into consideration German export interests to which we are adding, in each individual instance, our specific proposals regarding certain fields of production.

I. G.'s oil interests are not yet discussed in this outline. It remains to be decided in concurrence with the Economic Group Fuel Industry ["Wirtschaftsgruppe Kraftstoffindustrie"] whether I. G. shall express its opinion in regard to this matter, or whether said Economic Group will submit its own views on the subject.

BASIC PROPOSALS ARISING OUT OF GERMAN-DUTCH RELATIONS WITH RESPECT TO PRODUCTION AND SALES

As has already been shown above, our exports to Holland were impaired less by the particular trade-policy measures, which were deliberately and exclusively directed against Germany, than by the effects of the *over-all* Dutch commercial policy, the tendency of which was characterized, in recent years, by the fact that, as a result of the application of the principle of reciprocity, the Dutch market became increasingly open to important countries supplying chemical products in competition with us. Dutch commercial policy however, sought to check this development by introducing a quota system applicable to all countries; but, in this connection, it failed on the whole to take into account specific facts and contingencies resulting from the natural market ties between the two economies. If,

therefore, a participation [by us] in the Dutch market, corresponding to the importance of Germany's chemical industry, is to be built up and maintained, such a goal can be attained only by reforming the general Dutch trade policy in favor of German imports. With this in mind, we suggest:

▲

1. Development of a Dutch preferential tariff system in favor of Germany. In this connection the absolute rate of the preferential tariff should exclude any effects detrimental to Germany. The extent of such preferential treatment in regard to other countries should be fixed by agreement for each item.

2. Insofar as a quantitative regulation of the exchange of goods in the German-Dutch trade may remain necessary, sufficient quantities will probably be secured for Germany. In this connection [and] with due reference to the necessity of establishing an equilibrium in the Dutch balance of payments, purchases from other countries in particular should be shifted to Germany. Such shifting will have to be accomplished also especially with a view to securing a sufficient market for high-grade exchange materials (e. g., synthetic tanning material, raw materials for varnishes, artificial fibers, synthetic materials).

3. All discriminatory measures as to certificate of origin, compulsory declaration, obligatory registration and like measures should be discontinued.

4. Provisions containing discriminatory features for the use of German products as compared with Dutch products or products of other countries should be eliminated regardless of whether they have been issued by governmental authorities or by syndicates and the like.

B. QUESTIONS REGARDING THE RIGHT OF SETTLEMENT

1. German nationals should be granted residence permits without any restrictions.

2. Work permits should be granted to German nationals in accordance with business requirements at the discretion of German authorities.

3. The free right of establishment should be granted, taking into account the pertinent provisions of the trade police and like authorities which are also applicable to Dutch business enterprises.

C. TAX-POLICY MEASURES

1. The establishment of industrial enterprises of German firms within the meaning of the terminology of the double-taxation agreements concluded by Germany (e. g., branch establishments, manufacturing centers, branches, agencies), as well as the establishment of subsidiaries of German enterprises should not be complicated by tax measures. This shall be construed to mean:

1. *Industrial enterprises.*—(a) Taxation must be limited to the assets set aside for said industrial enterprises, including real estate [as well as], to the profits yielded by them and to their turn-over.

(b) In taxing such industrial enterprises the latter may not be placed in a more unfavorable position than other business enterprises of the country in question with respect to tax classification, rates, or facts of the case.

(c) Profits may not be assessed on the basis of balance sheets of the German parent firm but only on the basis of a percentage of the turn-over of such industrial enterprises. Said percentage should be agreed upon for each individual category of products. In case of dispute a mixed State commission of both countries shall decide.

Insofar as profits of industrial enterprises result from the sale of products which are manufactured in Germany, the assessment of such percentage shall cover only the trading profits and not the manufacturing profits.

II. Insofar as taxation of subsidiaries of German enterprises is concerned, the provisions referred to under I (a) and (b) shall be applicable accordingly.

As to the taxation of profits of such subsidiaries, decisions shall, in principle, be based on their accounting records providing that the latter shall be kept in proper order. If the foreign tax authorities prove that profits resulting therefrom are obviously not in proportion to the profits which are yielded by businesses of the same or similar type, profits shall be computed on the basis of a percentage of the subsidiaries turn-over. In this connection, the provisions referred to under I (c) shall apply accordingly.

DYESTUFFS, AUXILIARY PRODUCTS FOR DYEING PURPOSES, TEXTILE AGENTS

In Holland after the World War there were two firms, which were engaged in the production and sale of aniline dyes and these were the *N. V. van chemische Produkten Vondelingenplaat*, Schiedam, and the *Niederlaendische Farben-und Chemicalien-Fabrik*, Delft.

The Schiedam Firm after the end of the World War took up the production of aniline dyes in line with the trend toward the erection of so-called "national" dye plants, which was then prevalent all over the world. The volume of production of the enterprise, judged from German standards, was not very considerable. Schiedam had not only acquired for itself a steadily growing share in meeting Dutch demands for dyes, but in addition exported approximately three-fourths of its total production. We estimate the yearly volume of trade at approximately 3.3 million RM. Because of this company's activity, especially because of its heavy underbidding, German export interests were constantly hurt to a considerable extent.

Schiedam has no source of supply for intermediate products; the company formerly imported the necessary organic basic products from non-German producers, in the past few years, however, began to use German intermediate products, in order in this way to get a return from the proceeds of its sales in Germany.

We have had friendly relations with the Delft firm since 1929. By virtue of an agreement, concluded with us in the year 1933, the company has in principle to make its sales in accordance with general directives given by us. Delft has accordingly been included in the "German I. G." group in international agreements.

Delft's own production was small and, moreover, was based chiefly on primary products bought in Germany. The greater part of the business consisted in the resale of I. G. dyes delivered or mixed or adulterated by us.

The inland sales as well as exports were effected in accordance with the stipulations of the agreement in close cooperation with us; therefore, no harm has been done to German interests by Delft.

Under the circumstances the activity of the firm *N. V. van chemische Produkten, Vondelingenplaat, Schiedam*, could be made to fit in with German interests by limiting the delivery of German intermediate products. Since, however, there is among other things, the possibility after the conclusion of peace that Schiedam will again import intermediate products, for example from the U. S. A. and with products made from these will disturb the world dye market, foresight must be exercised under all circumstances so that no organic intermediate products reach the Dutch market from sources other than German and if in line with the general economic reorganization the Dutch dye industry is considered worth preserving at all.

The same holds true in dealing with the firm *Niederlaendische Farben-und Chemicalien-Fabrik, Delft*.

Hence we propose forbidding the erection and operation of other plants, for the production of dyestuffs and organic intermediate products, consequently the erection of new plants for the production of dyestuffs and organic intermediate products, as well as the manufacture of [those] products not produced heretofore in the plants already existing and the expansion of the present plants. Moreover, we think it advisable that imports of German dyestuffs, dyestuff aids, and textile aids remain exempt from duty as heretofore, and in case that there are any Dutch exports in dyestuffs, dyeing and textiles aids at all, a disturbance of the German export price level be avoided by means of private economic agreements.

2. CHEMICALS

The beginnings of the chemical industry in the Netherlands date back to the period before the World War. Yet it was not until the Dutch market was shut off during this period and afterwards that there was any great development. Especially the production of heavy chemicals has been strongly developed and has led in part to not inconsiderable exports. On the basis of our knowledge of the Dutch market the following is to be said of the development of the various main groups.

Dutch production in the group of those products derived from chlorine by the electrolytical process up to the time of the World War, was not very important. Sales were for the most part for the domestic market. In the development which began later, it was chiefly the *N. V. Zentrale Potaschraffinaderij Bergen op Zoom*, which engaged in the production of potash on the basis of coal residue, which is a byproduct of sugar and alcohol, in Holland and Belgium. With regard to the

increasing production of sugar, Bergen op Zoom was greatly in need of a market after the World War. Our various attempts to come to an agreement with Bergen op Zoom failed. As for this company it was less a matter of obtaining a certain profit, than of being able to sell this commodity generally. Holland's export of potash which must have amounted in the last few years to approximately 2,000 tons yearly, went primarily to Scandinavia, Italy, England, and Australia. As to caustic potash the only Dutch producer formerly, the firm of Jan Dekker, supplied about 50% of the Dutch requirements while the rest was supplied by Germany and France. When the N. V. Koninklijke Zoutindustrie Boekelo appeared on the Dutch market stiff competition ensued, which ended only in the latter part of the year 1939 through an agreement which we concluded with Boekelo and which led to the stopping of caustic potash production by Boekelo.

In the chlorine business Holland had supplied a considerable part of its domestic market from its own production. The remainder was supplied by imports from Germany and Belgium by virtue of agreements with respective producers. There are hardly any Dutch exports of chlorine (in fluid form) to other countries. As to chloride of lime about 1,000 tons per annum went to England.

As to sulphuric acids Dutch production barely covered 50% of the domestic needs. The remainder was purchased up to the present from Germany and Belgium, i. e., at a ratio of about 35 and 19%, respectively, of the total Dutch requirements.

In the field of solvents, the Dutch, that is Nederlandsche Gist-en Spiritusfabriek, Delft, and the N. V. Electro Zuur-en Waterstoffabriek, Amsterdam, appeared on the market about eight years ago. While prior to the war the latter firm produced acetic acid, chlorinated hydrocarbons, ethyl-acetate, and lead acetate from carbide bought elsewhere, it has turned since the beginning of the war to the production of its own carbide and, likewise, has added that of trichloroacetic ethylene. They plan in the future to take up production on a larger scale of other acetylene derivatives. The Nederlandsche Gistven Spiritusfabriek, Delft, recently in addition to its original manufacturing program, has recently been engaged in making other products and has taken up production of fermentation butanol.

As to competition on the Dutch market of [products of] other countries with our own products, it may be considered as insignificant in the field of heavy chemicals insofar as those competitor firms which have not reached an understanding with us, are concerned. In regard to higher grade, special products as for instance various solvents and vulcanization accelerating agents the competition by the U. S. A. was especially noticeable in Holland.

Because of the variety of products to be considered, we have condensed our specific proposals in the following chart.

Products	A Proposals for preference tariffs for exports from Greater Germany to Holland	B Proposals for tariffs to be established between Holland and other countries	C Proposals for German quotas and import licenses with regard to Holland	D Proposals regarding the Dutch market and Dutch exports	E Proposals concerning compulsory licenses for new construction and expansion of plants
Caustic potash of all types and concentrations.*	Preference tariff R.M. 0.50 per 100 kg. net.	Protective tariff R.M. 9 per 100 kg. net.	Germany supplies 50% of the Dutch demand for caustic potash. Import from other countries to be prohibited.	Holland produces only for its domestic market. Cooperation with the German syndicate.	New construction and expansion only upon approval of German authorities.
Potash of all types and concentrations.*	Preference tariff R.M. 0.50 per 100 kg. net.	Protective tariff R.M. 7 per 100 kg. net.	Germany supplies the Dutch demand for potash.	The production of potash from molasses (alcohol) is to be terminated since molasses must be used as fodder.	Resumption of potash production which had been discontinued and construction of new plants may be undertaken only in concurrence with German authorities.
Chloride of lime* Liquid chlorine* Sulfuric acid.....*	Preference tariff 5% ad val. Preference tariff 5% ad val.	Protective tariff vis-a-vis other countries at least 25% ad val. Protective tariff 25% ad val.	Germany to be granted import rights. Germany to be granted unlimited import rights. Germany to be granted also rights to import into the Dutch colonies 35% of the requirements.	Holland produces only to supply her own requirements. Holland to be limited to her domestic market, with the exception, if necessary, of her customary sales to DAVV, Bochum, Holland, to supply 2/3 of the demand of the Dutch colonies.	Construction and expansion of plants to be subject to licensing. Construction and expansion of plants to be subject to licensing.
Hydrochloric acid.....*	Preference tariff 5% ad val.	Protective tariff 25% ad val.	German import rights to be the same as heretofore.	The amount of production to be the same as heretofore.	Construction and expansion of plants to be subject to licensing.
Oleum..... Zinc chloride products containing sal ammoniac. Zinc chloride..... Sodium sulfite..... Sodium bisulfite..... Barium chloride..... Antichlor..... Barium carbonate..... Products containing fluorine and hydrofluoric acid.	Preference tariff 5% ad val.	Protective tariff 25% ad val.	Germany to be granted unlimited import rights.	(Since there is no production in Holland, requirements to be supplied by Germany.)	Construction and expansion of plants to be subject to licensing.

Sodium sulfide*	Preference tariff 5% ad val.	Protective tariff 25% ad val.	Germany to be granted unlimited import rights.	Besides Germany, only Belgium should be permitted to import into Holland. In case production at Schiedam cannot be discontinued, Schiedam shall be permitted to produce only for its own consumption and not for the remaining Dutch market let alone for export.	Construction and expansion of plants to be subject to licensing.
Potassium chlorate.....			<p>Germany to be granted right at least to continue former volume of imports; in the case of soda bleaching lye we must see to it that we regain at least our former quota.</p> <p>(1) Right to import into Holland; the amount of such imports remains to be agreed upon, but should be at least 50%. (2) (3) Only Germany to be granted rights to import into Holland. (4) Unrestricted freedom to import [into Holland].</p> <p>Germany to be granted import rights.</p>	No domestic production. A mixing compulsory in the case of synthetic tanning agents.	Construction of new plants to be subject to licensing.
Sodium chlorate.....					
Perchlorate.....					
Phosphorus.....					
Potassium permanganate.....					
Perchlorone.....					
Bleaching soda lye.....					
(1) Bichromates.....					
(1) Chrome alum.....					
(3) Chromic salts.....					
(4) Synthetic tanning agents.....					
Formic acid *	Preference tariff up to R.M. 0.50 per 100 kg.	Protective tariff R.M. 10. per 100 kg.		Dutch producers should not export to Germany. The export of Dutch producers should be restricted to 10% of the German-Dutch export, and should not exceed 350 tons.	Resumption of operations of plants which may have been destroyed by the war as well as the expansion and the construction of new plants to be subject to licensing.
Sodium formate*.....	Preference tariff R.M. 0.25 per 100 kg.	Protective tariff R.M. 5 per 100 kg.	Germany to be granted unlimited import rights.	As stated above, however, Holland produces only to supply her domestic market and refrains from exporting to the Netherlands Indies.	As stated above.
Calcium formate*.....					
Oxalic acid*.....	Preference tariff R.M. 0.50 per 100 kg.	Protective tariff R.M. 10 per 100 kg.	Germany to be granted import rights.	Holland should refrain from exporting to Germany. Holland's right to export to other countries should be 15% of German-Dutch exports, and should not exceed 400 tons annually. Organization of a syndicate.	As stated above.

Products	A	B	C	D	E
Proposals for preference tariffs for exports from Greater Germany to Holland	Proposals for preference tariffs for exports from Greater Germany to Holland	Proposals for tariffs to be established between Holland and other countries	Proposals for German quotas and import licenses with regard to Holland	Proposals regarding the Dutch market and Dutch exports	Proposals concerning compulsory licenses for new construction and expansion of plants
Organic intermediate products. (See memorandum of the "Dyes" branch.)	Preference tariff 5-10% ad val. (Also for ethyl chloride).	Protective tariff 50% ad val.	Only Germany to be granted import rights.	The dimethyl sulphate production of the N. V. Ned. Chemiefabriek, Maarsse, which because of its insignificant output is not economical, should be stopped. Maarsse should be compensated by German producers in the form of deliveries at exceptional prices. There was no Dutch production.	Manufacture of intermediate products hitherto not produced and expansion of production should be prevented.
Vulcanization accelerators antiaging chemicals.	Preference tariff 2% ad val.	Protective tariff 25% ad val.	Germany to be granted import rights, if possible, exclusively.	There was no Dutch production.	Licensing should be enforced.
Hexamethylenetetramine	Preference tariff 2% ad val.	Protective tariff 25% ad val.	Germany to be granted exclusive import rights.	There was no Dutch production.	Licensing should be enforced.
Zinc oxide special.	Preference tariff 2% ad val.	Protective tariff 15% ad val.	Germany to be granted import rights.	Dutch production of zinc white for paints should not be converted into production of special zinc white for rubber industry.	Conversion of production (see D) and construction of new plants should be subject to licensing.
Zinc oxide active.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			New constructions to be subject to licensing.
Benzoic acid.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Benzoate of soda.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Iron oxide dyes.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Solbrol.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Microbline.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Preventol.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Basille.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Kauri glue including hardeners.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Membranite.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Cobesol.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Cosavul.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Cadmium dyes.	Preference tariff 2% ad val.	Protective tariff 50% ad val.			
Molybdate red.	Preference tariff 6% ad val.	Protective tariff 25% ad val.	Unlimited import rights.	So far as we know there is no Dutch production.	Licensing should be enforced.
Titanium dioxide.	Preference tariff 6% ad val.	Protective tariff 25% ad val.	As stated above.	See E.	Licensing should be enforced since up to now Germany has supplied the Dutch requirements and can readily continue to do so in the future.

Glycol.....	Preference tariff 5% ad val.	Protective tariff 70% ad val. (as in U. S. A.).	(Germany to be granted un- limited import rights to supply the Dutch market.	A syndicate having its main place of business in Ger- many should be organized.	Holland to be restricted to the production of glycol. Construction and expan- sion of plants to be subject to licensing since this prod- uct is essential to the war economy.
Lithopone] to follow					
Bianc fixe.....					
Ethylene.....	Preference tariff 5% ad val.	Protective tariff 25% ad val Protective tariff 100% ad val Protective tariff 100% ad val (All rates as in U. S. A.).	As stated above.	As stated above.	Construction and expansion of plants to be subject to licensing.
Ethylene chloride.....					
Ethylene oxide.....					
Magnesium in any form.....	Preference tariff 2% ad val.	Protective tariff 20% ad val	Germany should, in prin- ciple, be granted exclusive import rights.	Heretofore, except for unim- portant foundries, there has been no Dutch in- dustry.	Licensing should be extended to include the manufacture of half-finished products from light metal, and light metal foundries.
Magnesium alloys.....					
Cerium inflammable metal.....	Preference tariff ad val- rem-5%	Protective tariff ad val- rem-50%			
Cerium mixture.....	Preference tariff ad val- rem-5%	Protective tariff ad val- rem-50%			
Beryllium chloride.....	Preference tariff ad val- rem-5%	Protective tariff ad val- rem-25%			
Beryllium alloys.....	Preference tariff ad val- rem-5%	Protective tariff ad val- rem-25%			
Ferromolybdenum*.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-20%			
Ferromolybdenum*.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-20%			
Ferrotungsten*.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-20%			
Metallie tungsten*.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-20%			
Molybdenum metal.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-20%			
Vanadium metal and acids thereof.*.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-20%			
Nickel metal.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-15%			
Precious stones.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-20%			
Waterproof emery paper.....	Preference tariff ad val- rem-5%	Protective tariff ad val- rem-25%			
Dry emery paper.....	Preference tariff ad val- rem-2%	Protective tariff ad val- rem-25%			
Alkydals.....					
Mowilith.....					
Solizens.....					
Solvents E 13.....					
Colloidum cotton.....	Preference tariff 2% ad val.	Protective tariff 50% ad val	(Germany to be at liberty to import [into Holland].)	(Demand to be supplied ex- clusively by German pro- ducers since there is no Dutch production.	Licensing should be enforced after consultation with German industry.

Products	A Proposals for preference tariffs for exports from Greater Germany to Holland	B Proposals for tariffs to be established between Holland and other countries	C Proposals for German quotas and import licenses with regard to Holland	D Proposals regarding the Dutch market and Dutch exports	E Proposals concerning compulsory licenses for new construction and expansion of plants
Butyl alcohol..... Butyl acetate..... Ethyl acetate..... Acetone.....	Preference tariff 5% ad val.	Protective tariff 50% ad val.	{ Germany to be granted unlimited import rights.	{ Dutch producers should be limited to the production of butyl alcohol, butyl acetate, ethyl acetate, and acetone (other products are not manufactured in Holland) not to exceed 25% of the Dutch market; they should refrain from exporting.	{ As stated above.
Methanol..... Formaldehyde..... Thermoplastic synthetic materials and new condensation products.....	Preference tariff 2% ad val. Preference tariff 115% ad val.	Protective tariff 50% ad val. Protective tariff 30-50% ad val. (as in U. S. A.).	{ Germany to be granted unlimited import rights. Germany to be granted unlimited delivery rights.	{ No production.	{ Construction and expansion of plants to be subject to licensing. As stated above.
Trichloric ethylene..... Perchloric ethylene..... Carbon tetrachloride.....	Preference tariff 3% ad val. Preference tariff R.M. 0.50 per 100 kg. net.	Protective tariff 30% ad val. Protective tariff no less than R.M. 15 per 100 kg.	{ Germany should be at liberty to import into Holland. Germany to be granted unlimited import rights.	{ Holland produces up to 50% of her domestic market requirements; the other half should be supplied by German producers. No production.	{ As stated above. As stated above.

*The validity of these data is subject to the approval of the other German Syndicate members. Products to which this reservation applies, are marked with an asterisk. In the case of individual products such as formic acid, cerium inflammable metal and others, we should like to submit proposals with respect to the supplying of the requirements of the Dutch colonies; in these cases, however, it may be more expedient to formulate such proposals only when the structural position of the Dutch Colonial Empire is clarified after the war. Therefore, we refrain at present, from submitting any proposals in connection with this matter.

PHARMACEUTICAL PRODUCTS, DENTAL PRODUCTS, INSECTICIDES AND VETERINARY PRODUCTS "BAYER," SERUMS AND VACCINES BEHRINGWERKE

Prior to the World War Holland did not have an extensive domestic production of pharmaceutical preparations, except for a well-developed industry making quinine products. This latter will be dealt with more specifically later on. There were in Holland at that time, no large pharmaceutical enterprises, which were known outside the country. The small export interests of the more important producers, were for the most part centered in the Dutch colonies, where there was a ready market. Such firms were Brocades-Stheeman en Pharmacia, Neppel which are still in existence and which made good progress in the postwar period, and the Koninklyke Nederlandsche [Royal Dutch Pharmaceutical Trade Association] Pharmaceutische Handelsvereniging which were engaged principally in the production of Galenic preparations, and the firm of Dr. J. Blomberg in the Hague. The two latter are no longer in existence. There is in addition a limited number of smaller laboratories of only local importance (Kerkhoff, Mueller, and several others), which need not be mentioned in this report.

As Dutch production was insufficient to meet the domestic demand, considerable imports had to be made. Germans, British, and French competed with varying success for the lead in sharing in these imports; the Swiss also competed in the last few years before the war. With the growing popularity of special preparations as compared with prescriptions filled individually the German pharmaceutical industry in Holland was able to make good progress from approximately 1905 on; during the years preceding the World War it was about to outstrip by far the other importing countries; the pharmaceutical divisions of I. G. Firms, which are today united under the name of "Bayer" in the ten-year period referred to, did business which increased steadily from 100,000 R.M. to approximately 400,000 R.M. In spite of the years of war and inflation, Germany was able to regain her dominant position, as a few "Bayer" figures will show:

1924.....	R.M. 642, 000.
1928.....	R.M. 1, 414, 000.
1932.....	R.M. 2, 028, 000.
1939.....	R.M. 2, 213, 000.

Thus Germany held the leading position in Dutch imports of pharmaceutical products to Holland, a outdistancing Switzerland, which in 1939 had attained second place; the French, English, and Belgians—the latter having become more active of recent years—were definitely outstripped.

The domestic producers naturally have likewise tried from 1914 to the present to expand their own production and markets, nevertheless—as the above figures show—there is still a great need for imported products, especially for synthetic specialties.

Among the domestic producers the above-mentioned firm of Brocades-Stheeman is outstanding. It offers serious competition to all German pharmaceutical producers [and], cannot be considered as pro-German. In its relations with German competitors, it has frequently overstepped the borderline of fair competition by getting out mere imitations of German products, whenever it expected such procedure to be rewarding; the firm has not even refrained from making violations of trademarks. Such procedure has in the last few years led to heated but alas thus far unsuccessful discussions between us and Brocades-Stheeman. This firm can hardly be credited with having any creative ability of its own.

The firm of Organon, a postwar organization, has moved up to second place among Dutch producers. It is engaged chiefly in the production of biochemical preparations, a field in which it has had considerable success; the firm is active in every respect; it has also attracted attention in the exporting field. We cannot accuse it of an unfair attitude.

The third largest manufacturer of pharmaceutical products in Holland is the firm of "Katwijk," which especially in its capacity as sales organization of a Dutch group of caffeine and theobromine manufacturers, plays an important part in the exporting field. It produces at the same time a number of pharmaceutical specialties of minor importance.

When Dutch statistics claim that the domestic production in the years 1936-38 equaled an annual average of 30,000,000 R.M. as compared with a total domestic consumption of approximately 25,000,000 R.M. it must be borne in mind that quinine compounds, which with the exception of a minor portion are destined for export, absolutely occupy first place in Dutch production. In the year 1939 exports of quinine compounds alone in the amount of not less than 10,380,000

Dutch florins or 13,701,000 R.M. were made. Listed in the order of importance, these exports went to the U. S. A., Greece, England, Italy, Russia, and Turkey. Production and sale are handled by a company, known as the "Quinine Trust," which prior to the World War was an outgrowth of association of producers of cinchona bark and processors and manufacturers of pharmaceutical products made from cinchona bark. We attach a special report on the Quinine Trust's position on the domestic and world markets and its attitude toward Germany and German manufacturers of pharmaceutical products.

Since 1935, our figures show that sales have been stagnant to a certain extent, which is due among other reasons to the devaluation of the Dutch currency and the result of the general depression.

Our sales efforts since the time of the World War up to the present day have been affected by the ever-active movement in Holland to boycott German products. This boycott, especially noticeable in the first years following the World War, grew less severe in the years between 1925 to approximately 1930. It again became more intense after that and remained so until the beginning of this war, after which time it became even more intense until the time of the invasion by German troops. The boycott movement was strengthened by the heavy influx of refugees and the Jewish-dominated press, which in our field tried among other things to unite the Dutch physicians into Anti-German organizations.

Obstacles of a general nature to the import of German pharmaceutical products, did not exist in Holland. Certain regulations or custom duties, however, did interfere with the unhampered development of our sales.

We feel that high supplementary duties for sugar and products having an alcoholic content to be especially unwarranted, which in addition to the basic custom rate, constitutes too heavy a burden in view of the domestic competition.

Several other regulations governing serums and vaccines such as that setting up a second control in Holland, the fixing of the period of time for which such products may be kept without deteriorating at a year and regulations concerning the labeling of individual ampullas, etc., complicate imports in a way which is unwarranted.

Under these circumstances and by virtue of the fact that the German pharmaceutical industry through its postwar development, has given evidence of its scientific and economic qualifications, we consider the realization of the following requests necessary:

A. The Dutch market must be opened for free competition to a greater extent than heretofore, to the firms representing the German pharmaceutical industry. As to individual important pharmaceutical products, of which there is a domestic production, this free competition shall be regulated by cartel agreements.

In the realization of this general proposal we make the following specific proposals:

1. The maximum tariff rate for pharmaceutical specialties must not exceed a rate of 10 to 15% of the value free at frontier; the high and unjustifiable supplementary duties on alcohol and sugar must be dropped or adjusted in such way that they do not exceed the limit of 15% the value free at frontier when added to the basic custom rate.

2. In assessing profits on sales for tax purposes, a rate of 5% of the sales seems reasonable to us insofar as the pharmaceutical business is concerned.

3. Various administrative regulations, which are in effect in Holland in regard to the pharmaceutical trade must be eliminated or modified in view of their restrictive effect on German products.

- (a) Such Government regulations as were issued for the purpose of restricting the importing business in the field of human serums and vaccines must be abolished or adapted to regulations in effect in Germany.

- (b) The superfluous and reexamination of human serums and vaccines upon their import into Holland must be discontinued, as German State tests and current supervision by German laboratories are sufficient guarantee of the quality.

- (c) Dutch requirements that human serums and vaccines keep [their qualities] for a certain period of time—this period has been fixed at a year in Holland—is for all practical purposes unnecessary and ought to be modified in accordance with German regulation on such keeping qualities.

- (d) The petty ruling concerning the labeling of the ampullas containing serums and vaccines must be abolished.

B. In view of the necessity of organizing the whole pharmaceutical industry of the Greater European sphere under the leadership of the German pharmaceutical

industry in such a way that their objectives may be clearly and unmistakably defined it is necessary to assign to the Dutch pharmaceutical industry a proper place in its own country as well as in the exporting business.

In this connection the following points must be made:

1. The Dutch pharmaceutical industry ought to concentrate its attention mainly on the domestic market.

2. Exports by Dutch producers ought to be made only under concurrent agreements regulating prices and markets [concluded] with the German firms of the pharmaceutical industry. This holds true especially for the most important pharmaceutical chemicals, in cases in which they are one of the subjects of collective agreements of world-wide scope.

Quinine Trust

The organization known by the name of "Quinine Trust" occupies a special place on the pharmaceutical markets of Holland and the world. As with its various original firms and later branches, it controls approximately 90% of the world production of cinchona bark or the quinine compounds derived therefrom, it practically has an absolute monopoly.

The Quinine Trust had its origin in the association of producers of cinchona bark and the processors of and dealers in the final products manufactured therefrom, one year prior to the World War, as a result of the initiative and under the leadership of the group of German producers. Germany lost its leadership as a result of the World War. The organization in its present form is composed of the firms mentioned below whose tasks are divided into [three categories] namely the obtaining of cinchona bark and products derived from same, sales, and advertising:

Vereinigung der Chinaproduzenten, Amsterdam.

N. V. Amsterdamsche Chininefabrik, Amsterdam.

Bandoengsche Chininefabrik, Bandoeng (Netherlands Indies).

N. V. Nederlandsche Chininefabrik, Maarsen.

N. V. Semarangse Administratie Mij., Semarang and Amsterdam.

N. V. Administratie Mij., Nedsam (Netherlands Indies) and Amsterdam.

N. V. Bureau voor Kinineverkoop Buramic, Amsterdam.

Combinatie Kininefabriken.

Ned. Ind. Combinatie v. chem. Industrie.

Cinchona Instituut, Amsterdam (Bureau tot Bevordering van het Kinine-Verbruik, Amsterdam).

Cinchona bark is obtained almost exclusively in the Dutch colonies and with the exception of such lots as are processed on the spot, passes into the hands of Dutch producers exclusively.

The Chinabuero [Cinchona Office] in Amsterdam, closely allied in its work with the Dutch colonial administration, was organized in order to supervise the agreements made between the two groups and especially to control production, market prices, etc.

The tasks of the Quinine Trust comprise adjustment of production to market conditions and regulation of prices for the purpose of allowing a sufficient profit to producers at all times in view of the fluctuating demands and at the same time to guarantee the profits to the processors. The Chinabuero has been able until now to solve these problems completely so that even today the Quinine Trust's monopolistic position may be considered as unshaken.

The manufacturers of quinine salts and quinine specialties of various countries, among them the German are incorporated as a special organization into the Quinine Trust. The German producers have been able to obtain for themselves an important position on the world market, as Germany, after Holland, definitely ranks second in the world's quinine exports; annual average exports from Germany during the last few years were equivalent to approximately RM. 6,500,000.

We reserve the right to submit separately specific proposals in this connection. In order to make sure of such cooperation on the export markets, either financial participation in some form or other, or joining German export organizations may be considered. As to the unique position which the so-called "Quinine Trust" occupies in this very connection, we refer again to the attached report.

- (3) The industry producing substitute remedies which flourishes especially in Holland and which sold for the most part imitations of German preparations, must be purged in the interest of the German manufacturers of the original products. For this purpose and in agreement with the German firms an investigation of the entire Dutch industry manufacturing these products is necessary, so as to decide in each case which products as mere imitations of German products, must be taken off the Dutch production list.

(4) In the field of human serums the State Laboratory "Rijks-Instituut voor de Volksgezondheid" in Utrecht produces human serums and vaccines without even having a regular sales organization and without regard for the country's limited market capacity. As the entire demand could be met without difficulty by the output of German manufacturers, production by the State Laboratory ought to be either completely stopped or an agreement on prices and sales ought to be reached in order to avoid disturbances of the market.

(5) The manufacture of veterinary serums and vaccines by the State Veterinary Institute ["Rijksseruminrichting Rotterdam"] ought either to be stopped, since in case of heavier demands its output does not suffice to meet the domestic needs, or agreements on prices and sales ought to be made with German suppliers.

(6) A special regulation is also necessary in regard to the Dutch dental [supply] business; the various imitation products of our Carpulse System must be eliminated. Moreover a purge of the market in the local anesthetic and dental-cement business would be very much in order, as the numerous small producers have thrown articles on the market which though low in price are inferior in quality. Agreements regulating prices and markets ought to be made with other important producers.

(7) The new regulation on relations between Germany and Holland should be supplemented by a ruling prohibiting the establishment of new enterprises of the pharmaceutical industry in Holland. Furthermore a number of laboratories ranging in size from medium to very small, which for the most part are of only local importance ought to be closed.

(8) Deliveries of supplies to Dutch firms for the production of pharmaceutical specialties ought to be controlled in such a way as to stifle competition in Holland as well as on other markets by Dutch products which are imitations of the original German products.

We challenged Quinine Trust's monopolistic position only once, when after thorough testings we put out our synthetic malaria remedy Atebrin on April 1, 1932, after having previously introduced another synthetic malaria remedy Plasmochin on the market (1928). While Plasmochin represents a valuable supplement to quinine—we had created prior to the introduction of Atebrin several preparations from Plasmochin-quinine compounds which are still widely used to-day. Atebrin may be used to advantage in the treatment of malaria as a substitute for quinine compounds. The introduction of Atebrin on the market gave us a position of independence in that we no longer had to rely on the use of quinine in treating malaria. The superiority of both our preparations is to be seen in the field of therapy as well as that of prophylaxis. It has been attested to in hundreds of reports. All over the world specialists in the treatment of malaria have hailed the introduction of synthetic malaria remedies—in therapy and prophylaxis—as a brilliantly progressive step and noteworthy achievement in the German pharmaceutical industry.

As may have been expected the Quinine Trust opposed our efforts to bring out synthetic malaria remedies, only when we introduced Atebrin. In doing so, it used all the weapons at its disposal. The Quinine Trust always pro-ally first availed itself of the facilities the Malaria Commission of the League of Nations. In view of Germany's politically weak position at that time, it knew how to direct the Malaria Commission's research work and publications in such a way that quinine salts invariably occupied first place on the Commission's recommended list. Moreover the Quinine Trust distributed pamphlets in all countries interested in Malaria control. These pamphlets in order to advertise their own products contained statements derogatory to our synthetic malaria remedies and therefore, became more than once the object of protests by us and caused us to take legal action against the Quinine Trust, i. e., against its branches in certain countries. Another line of propaganda frequently used against us, was that of distributing newspaper articles which to all outward appearances were neutral, in reality, however, were directed against us. These were distributed through camouflaged agencies, as for instance the Bureau tot Bevordering van het Kinine-Verbruik, Amsterdam (Cinchona Instituut, Amsterdam) and the Nachrichten-buero Vaz Diaz, Amsterdam, as well as other cover-up addresses, which undoubtedly all served the interests of the Quinine Trusts exclusively. Political developments were likewise exploited by the Quinine Trust [to prejudice] certain Governments against German preparations; this is easily explained by the fact that representatives of the Quinine Trust in various countries are non-Aryans. Following the events of May 10 of the current year the Quinine Trust opened a new office in New York, on whose activities we have not had any particulars

thus far. It may be correct to assume that this new organization is to take the place of the former main office in Amsterdam.

In addition to their use as remedies for malaria the quinine derivatives are also frequently used as remedies for simple fever, in tinctures, etc. The percentage of quinine derivatives used for such purposes in relation to the total sales of quinine is estimated at an average of 25 to 30%. In view of the already existing important German quinine interests, it would be desirable in the interest of all Germany if the former unfriendly attitude of the Quinine Trust were to follow a course favorable to German interests. The best way to insure this would be to move the main office of the supervisory organization, the Chinaburo, to Germany. Moreover an agreement on sales, prices, and propaganda ought to be reached between the Quinine Trust and ourselves in our capacity as manufacturers of synthetic malaria remedies, in order to assure to the synthetic products created by Germany, their due share.

4. PHOTOGRAPHIC SUPPLIES

Prior to the World War, Holland had no industry of its own, producing photographic supplies. The demand for photographic supplies was met exclusively by imports. Following the World War, there was established in Soest a domestic Dutch firm, "Photax" which produced roll films, films for X-rays, phototypes, and films for technical purposes. The firm later went into bankruptcy and was reopened only in the year 1939 under the name of "Niederlandsche Fotografische Industrie N. V.," under the management of Mr. Dale, the former manager of Kodak. The capital which is said to be of Dutch origin, amounts to 250,000 Dutch florins. The firm is making certain efforts to expand its business, which, also includes the sale of articles formerly produced by "Photax," by manufacturing cheaper cameras. The result of its efforts is not yet known. Formerly the firm did not offer us any competition worth mentioning. On the other hand, we had to fight against stiff American, English, and French competition. Nevertheless, during the period from 1924 to 1933, we were able to increase Agfa sales from 295,000 RM. to 1.8 million RM.

In the year 1933 we were hampered in our efforts to export to Holland by the development of a strange anti-German political feeling on the part of the Dutch which had a noticeable effect on our sales up to the year 1937. After September 1936, the devaluation of the guilder constituted an additional obstacle to [our] exports. For this reason our exports in the year 1937 suddenly dropped to 1.3 million RM. To be sure we succeeded in increasing [the amount] of sales to 1.4 million RM. until the year 1939. This increase, was due solely to the fact that we introduced into Holland high-quality products of a completely new type. We were never able again to reach our maximum sales figure of the year 1933. Thus sales of raw films for instance, which had amounted to 150,000 RM. in the year 1931, dropped to 21,000 RM. 1939. At the present we have only the competition of French and Belgian firms with which to reckon. Especially disturbing are the low prices of the Belgian firm of Gaevert which considerably complicate if not altogether defeat our purpose gradually to bring Dutch prices to the German level.

The exports were not complicated by quota measures. On the other hand the ad valorem duties for photographic supplies were rather high. They amounted to from 10 to 20%. To this was added a uniform compensation tariff of 1%; furthermore a sales tax of 4% was levied. It was also very difficult to obtain residence and working permits. Only those persons who could furnish proof of residence and business activity of many years standing in the country could count on obtaining residence permits without limitation or on having them extended.

The Dutch currency manipulations had likewise had unfavorable effects on our business, they threw Holland wide open to smuggling and other dishonest importing tactics, as a result of which our business in Holland, especially in rolled films and high-quality cameras, suffered considerably.

In view of the future organization of our business in Holland in the field of photographic supplies it would be desirable if the aforesaid firm "Niederlandsche Fotografische Industrie N. V.," Soest, were closed, as the Dutch market can be fully supplied by the German photographic industry and it is just possible that Dutch competition may be stopped in the period of reconstruction. We have made this proposal before to the Reich Ministry of Economics in our letter dealing with the future relationship of German firms to Dutch enterprises.

It would be desirable furthermore if in the raw film field the English firm of Kodak and the Belgian firm of Gaeverit could be prevented from placing their goods on the Dutch market at the extremely low prices set by them thus far.

Lastly it would be desirable if a tariff rate of not more than 2 to 5%, were introduced as preference tariff for German products. In this connection discontinuance of the 1% compensation tariff, as well as the 4% sales tax ought to be considered.

5. AROMATIC SUBSTANCES

In Holland there were and still are a great many firms which produce aromatic substances. They produce a number of aromatic substances for which foreign raw materials are required. As they are able to buy these raw materials from France at excessively low prices, they offer sharp competition to German producers. French and English producers of aromatic substances, offering the same at very low prices, were likewise represented on the Dutch market. After 1933, in addition to complications resulting from such competition, Germany also had to struggle against those other (well-known) difficulties, which had their origin in the devaluation of the Dutch currency, boycotting of German goods, etc.

The Dutch aromatic substances industry has not been limited to the Dutch market alone. It has on the contrary, to a considerable extent, supplied the Far East and caused us to make considerable sacrifices in price on these markets on account of its own low price range.

In the interest of the German aromatic substances industry and its export trade, it would be desirable that the further development and expansion of the Dutch synthetic aromatic substances industry be made subject to licensing.

Dutch producer firms should be compelled to join existing international cartels if they do not already belong. Such cartels would deal with matters concerning vanillin, ethyl-vanillin, and benzyl products.

6. ARTIFICIAL SILK AND CELL WOOL

The data on problems pertaining to artificial silk and cell wool are sent to the Reich Ministry of Economics by the technical division "Chemische Herstellung von Fasern" ["Chemical Production of Fibers"] in behalf of the entire German industry.

7. NITROGEN AND NITROGEN PRODUCTS

The demand by Dutch agriculture for *nitrogen fertilizers* was met prior and subsequent to the World War by Chile saltpeter. Of the annual total consumption of approximately 20,000 tons N, Chile saltpeter represented approximately 90%. The output of byproducts resulting from same was at that time still comparatively small and for the most part was for export. While this situation prevailed the Nitrogen Syndicate began to export its products to Holland in 1922-23. By means of expert sales policies and large-scale advertising the Syndicate succeeded in time in forcing Chile saltpeter from its dominant position and limiting to about 10% the latter's share in the total nitrogen consumption by Dutch agriculture, which due to the promotion policy of the Syndicate had been increased in the year 1939-40 to about 115,000 tons N (not including lime nitrogen).

In view of this steadily increasing demand for nitrogen fertilizers and the progressive development of Dutch agriculture, beginning in 1929 three enterprises were organized in Holland, which until that time had not had any synthetic nitrogen plants of its own. These were:

Staatsmijnen in Limburg (State Coal Mines) (capacity, 56,000 tons N; capital, 43.0 million Dutch florins; principal shareholder, Dutch Fisc).

Mekog, N. V. Maatschappij tot Exploitatie van Kooksoevengassen te Ymuiden (capacity, 18,000 tons N; capital, 1.0 million Dutch florins (issued); principal shareholders, De Bataafsche Petroleum-Maatschappij (Royal Dutch Shell Group) (70% Kon. Nederl.; Hoogovens-en Staalfabrieken N. V. 30%).

Compagnie Neerlandaise de l'Azote S. A., Sluiskil (capacity, 35,000 tons N; capital, 125.0 million Belgian francs; principal shareholders, Montecatini, Milan majority (Belgian-Italian financial consortium).

The Staatsmijnen as well as the Compagnie Neerlandaise de l'Azote S. A. use the Fauser process, a modification of the NH_3 synthesis, which in turn closely follows the Haber-Bosch process. The Mekog uses the Mont Ceniz process, which is likewise an adaptation of the Haber-Bosch process.

Toward the end of the year 1929 the first nitrogen produced in Holland, principally sulphate of ammonia, appeared on the Dutch market. The first deliveries of calcium nitrate followed soon, thereafter (the calcium nitrate was produced by Mekog according to a process for which it was licensed by I. G.). Until the year 1929, at which time the Dutch nitrogen industry first introduced its own products on the market, the Nitrogen Syndicate had taken over for itself about 70% of the whole Dutch market in nitrogen fertilizer.

When, in the year 1931, for the first time a cartel agreement of European producers of nitrogen was concluded, the German group and the Dutch producers reached an agreement concerning the Dutch market. This agreement was concluded in view of the Dutch domestic production which increased as more and more plants began to operate. This agreement principally regulated the sales quotas on this market and necessarily signified to the Syndicate a considerable decrease in sales as compared with its former sales in Holland. At the end of each period for which an agreement was in force or upon the renewal of a cartel agreement, the Nitrogen Syndicate was forced to make further sacrifices of some of its markets. The reason for this was the growing expansion of the Dutch nitrogen industry—an expansion, which in view of the agreements concluded ran contrary to them—and in particular the pressure brought to bear by the State-owned plants, which continued to expand their capacity under the cloak of utmost secrecy.

Measures of the Dutch Government strengthened the position of Dutch producers during negotiations concerning cartel agreements to the extent that in the spring of the year 1939, the Government in the interest of Dutch industry ruled that the quota system be applied to imports of nitrogen products. Originally the quota system adopted by the Government limited the Nitrogen Syndicate to exports [to Holland] of such quantities, as were made in the fertilizer year 1932-33. However, on January 1, 1935, the Dutch Government reduced the quota to 50% and on July 1, 1935, to 30% of the original quantity.

As a result of the aforesaid measures the import quota, as stipulated by Government regulations proved to be insufficiently large to permit the Nitrogen Syndicate its quota as agreed upon with the Dutch group and therefore another agreement between the Dutch and German Governments had to be made; accordingly a German-Dutch nitrogen agreement was reached which for the period of time it was to run, was to set the Standard for German nitrogen imports. By virtue of this agreement between the Dutch producers and the Nitrogen Syndicate it was possible at least to assure unobstructed imports under the German quota without prejudice to the aforesaid Government quota regulations. This situation shows to what extent the Nitrogen Syndicate was dependent on an agreement with Dutch producers, while on the other hand the Dutch Government, in contrast to its industry, was obviously interested in continuing some of the imports of nitrogen from Germany to Holland, as it did not want to forego [the opportunity thereby to utilize] credits which were available to it under the clearing system.

When nitrogen agreement ended at the beginning of this war, i. e., in October 1939, a new agreement was concluded between the Nitrogen Syndicate and the Dutch group which again secured the former's quota (20%) in supplying the Dutch market. This agreement has, thus far, not been canceled by either side.

Attention must be called to the fact that the output of the Dutch nitrogen industry computed on the basis of the [customary] units of N would have sufficed to meet the demand of the domestic market. As to qualities, however, the Dutch industry could not satisfy the demands of domestic agriculture, especially in regard to lime nitrogen so that the imports from Germany centered for the most part on this product. Notwithstanding the fact that their own domestic market had to be supplied from abroad, the Dutch, for reasons of commercial policy, attached great importance to the development of their export trade. Exports were made after 1932-33 in accordance with the agreement of the European nitrogen producers.

In addition to its need for saltpeter and ammonia fertilizers, Holland also needed approximately 30,000 tons of lime nitrogen. The latter was supplied chiefly by imports from Yugoslavia and Norway.

The establishment of a carbide plant in Amsterdam was planned in 1938. The plan was to produce at the same time in this plant approximately 30,000 to 40,000 tons of lime nitrogen in order to make Holland independent in regard to imports of this product. The production of carbide was begun meanwhile—i. e., in the early part of May 1940—with two lime kilns. We have had no

specific information up to the present on the beginning of the lime nitrogen production which was to be taken up in October 1940.

In our report on France, we have already indicated that it would be impracticable particularly in regard to the nitrogen field, to consider each country as a separate unit, in dealing with such problems as are bound to originate within the framework of the reorganization of the European economic sphere. In the same way the Dutch nitrogen production within the framework of the prewar European nitrogen agreement (CIA) could not—and certainly in the future—cannot, be isolated from the total European nitrogen production and therefore cannot be considered individually. German-Dutch relations in the nitrogen field, on the contrary, must rather be made to fit into the organizational structure which the greater German economic sphere is to have after the end of the war.

In order to assign to the nitrogen industry its proper place within the European economic sphere and to establish its relationship to the rest of the world [the following] three major problems must be solved individually, and at the same time be brought into accord with one another:

(1) Development of agriculture in the European sphere and its relationship to the agriculture markets of the world.

(2) Classification of European nitrogen markets with special regard for the necessity of importing Chile saltpeter for reasons of commercial policy and control of nitrogen exports from the European economic sphere to the other nitrogen markets of the world.

(3) Direction of the expansion of the nitrogen industry within the boundaries of the greater German economic sphere and exerting a dominant influence upon the development of nitrogen production in the rest of the world.

These problems are so interlocked that they must be considered in relation to their interdependence, in reorganizing the nitrogen industry.

It is desirable for the future that Germany—in a similar way as proposed for other markets—receive *preferential treatment* in Holland in regard to all imports of nitrogen of every type. By this measure especially, the North American imports and Chile saltpeter imports shall be excluded or controlled, respectively. Chile saltpeter can be substituted by other synthetic nitrogen products as has been the case in Germany.

For the purpose of protecting German exports to Holland, all export limitations must be modified or eliminated in regard to German goods and foreign goods insofar as the latter are reexported from Germany (as, for instance, the quota system which recently existed in Holland).

EXHIBIT No. 5-A

NEUORDNUNG (NEW ORDER) FOR DENMARK

The promotion proper of the chemical industry of Denmark is more or less only a segment of the industrialization policy followed since the last universal economic crisis, which considered the development of Denmark into an agricultural-industrial country as an appropriate way out of the difficulties arising from the agricultural crisis.

A change in policy from free trade to reciprocal trade was the first step of said determined industrialization attempt which was designed both to remedy the structural weakness of Danish economy that specialized unilaterally in agriculture, and to offset the lack of equilibrium between the Danish balances of trade and payments. In keeping with this objective, the exchange law of 1932 which was enforced by the well-known Exchange Office ["Valutakontor"] and which was originally intended only as a currency-policy maneuver, was soon refined into a perfectly valid politico-economic instrument in the nature of a State import monopoly, and in addition thereto, the Exchange Office was given the opportunity gradually to become a regular planning center for purposes of Danish industrialization.

The effects of the change which was thus brought on, could hardly be over-emphasized. It involved not only a change from most-favored national treatment to reciprocity, from free trade to protectionism, from imports from Germany to imports from England, but, at the same time, also a decisive breaking point in Denmark's internal economic policy, which as a result of the ensuing violent conflict between farmers and trade unions, tended to swing further in the direction of determined industrial promotion.

Consequently, from 1932 on, imports of finished products were repressed while imports of industrial raw materials and investment goods were urged—a procedure which among others affected also Germany as a supplier of finished products. At the same time, under the aegis of the exchange law, the so-called Exchange Office industries were promoted, i. e., a colorful array of large and small enterprises handling any kind of processing materials and lines of production.

Despite the rapid progress of industrialization process, which raised the volume of production by 20% as early as 1935, and although said industrialization came close to fulfilling one of the essential points of the program of the Danish Government as a result of the decrease in unemployment which it entailed, the absolute limits for Danish industrialization, however, soon became apparent. The exclusion of industrial imports from abroad resulted automatically into a corresponding decrease of exports of Danish agricultural products. Since, in addition thereto the hopes of increased Danish industrial exports were not fulfilled, and, on the other hand, the balance of trade which, for lack of domestic resources of raw materials, showed a marked tendency, due to increased imports of industrial raw and auxiliary materials, toward growing liability, there was only one possibility left open under the pressure of rising debts. The industrialization policy had to be given up and, while favoring the large countries that were customers of Denmark, exports of agricultural products had to be insured by resorting to a greater reciprocity. The latter policy had to be reverted to as a renewed principle of Danish economic policy.

Although the principle of this new policy was correct, it entailed another negative development as a result of too close relations with England. As a result of the reduction in Danish exports which was precipitated by the [British] Empire's agricultural protectionism and due to a simultaneous slump in prices, this negative development was drastically heightened.

The necessity for revising the traditional concentration of Denmark's trade policy on England by rebuilding the relations with Germany, was, therefore, clearly recognized even prior to the war, all the more as the greater German market was the only one which fully met the basic needs of Danish national economy, i. e., maximum export of agricultural products against maximum import of a wide assortment of finished high-quality products.

The fact that today Denmark has at her disposal in Germany a growing credit balance as a result of her unobstructed agricultural exports at high prices, confirms that the revision which was quickly forced on her by the war was justified. The disadvantage which still exists today due to Germany's occasional inability to effect counterdeliveries, is merely a result of the war and can, therefore, not be construed as a pertinent objection to the elementary foregone conclusion that, in normal times, Germany will be in a position to pay for the entire surplus of a Danish agricultural production running in high gear, by furnishing any quantity of finished products needed for the Danish market.

These brief references to Denmark's economic and commercial policies already reveal the prerequisites for Danish *chemical economy*:

1. In the first place, her [productive] capacity is absolutely insignificant due to the fact that the country concentrates predominantly on agricultural production, as well as for lack of domestic raw materials and fuel (except for cryolite peat, dairy byproducts, waste meat). The industrialization policy of the Exchange Office has—it is true—promoted especially the development of the chemical industry. However, the fact that this determined promotion did not result in more than 250 enterprises with approximately 5,000 workers and a total production amounting to 65,000,000 Km., clearly shows that said promotion has attained its optimum within the framework of Danish national economy.

2. The factors responsible for this limited volume are, on the one hand the operational organization of the chemical industry which includes, except for the leading "A. S. Dansk Svovlsyre-og Superphosphatfabriek" Copenhagen, only a few medium-size and generally small plants, and, on the other hand, the relatively simple structure of its production. In the foreground, in addition to the superphosphate industry which works on the basis of foreign phosphates, there is the sulphuric-acid production which, being operationally connected with the former, is dependent on imports of pyrites, and along with which the production of caustic potash, condensed gases and casein as well as the refinement of cryolite, which is a raw material under the monopoly of Denmark and Greenland, deserve mention.

The following are also noteworthy:

The paint, varnish, and printer's-ink industry, which developed as a result of great requirements in the domestic market, as well as a remarkable pharmaceutical industry which, while utilizing domestic waste-meat products, has become

specialized, as is known, in the field of endocrine and like biochemical preparations and more particularly, in the production of insulin.

3. As a natural result of the politico-economic necessity of receiving compensation for large agricultural exports in the form of imported industrial goods, and as a result of the lack of basic raw materials in Denmark proper, and the consequent production of only a small amount and limited choice of chemical products, the chemical economy of Denmark is dependent, almost more than that of any other country, on imports of chemical products from neighboring countries which are customers of Denmark, in order to meet the diversified needs of a national economy such as that of Denmark.

Denmark's chemical imports, which amount to approximately 60,000,000 R.M. (1938), are therefore not much below the volume of her own [domestic] production. Regionally speaking, practically all imports come from Europe and in this connection considerable preference is given Germany which supplies almost one-half; the other [principal] imports come from England, Norway (nitrogen), and Switzerland. Insofar as countries overseas are concerned, Chile as a supplier of nitrate, is the only one of interest.

In order of material importance, imports of nitrogenous fertilizers are by far the leading commodity as they represent one-third of the total imports, and are followed by chemicals, artificial silk, pharmaceuticals, dyes, varnishes, photographic articles, and synthetic materials.

In comparison therewith, Denmark's chemical exports, which amount to less than 10,000,000 R.M. (1938), are insignificant. They include principally special products such as insulin, casein, butter, and casein colors which are predominantly exported to neighboring countries in Europe.

The conclusions which may be drawn from these fundamental considerations for purposes of incorporating Danish chemistry into the framework of organized over-all planning, are obviously the following:

1. The chemical industry of Denmark, insofar as its size and organization are concerned, corresponds no doubt to the structure of Danish national economy. Only in the sector of pharmaceutical production would it be necessary to study whether individual corrections of the present [productive] capacity would be necessary.

2. Both the lack of domestic raw materials and fuel, and the politico-economic necessity of providing compensation for the large agricultural exports in the form of industrial imports, justify the assumption that the equilibrium of Denmark's chemical economy, which is based on minor domestic production and large imports, should not either be changed in the future.

3. Within the framework of German-Danish trade policy, it will be necessary since exports of Danish agricultural products are being increasingly shifted to Germany, to make corresponding allowances for Danish imports in order to secure a sound equilibrium of trade balance.

Based on this general trend of thought we are submitting to you hereinafter an exposition, arranged according to our fields of sale and showing the status and development of Denmark's chemical economy. This exposition, while being fitted into the framework of German export interests, also includes requests which we have formulated in connection with specific fields of production.

BASIC PROPOSALS ARISING OUT OF GERMAN-DANISH RELATIONS WITH RESPECT TO PRODUCTION AND SALES

As a result of the fact that Denmark's economic policy had already prior to the war been adjusted increasingly to the necessity of seeking a compensatory feature for her deteriorating relations with England through the development and promotion of German-Danish trade relations, it will be necessary, in planning the basic structure of German-Danish intercourse, systematically to develop the individual changes forced by the war to the detriment of England and for the benefit of Germany, and to remove, in line with such development, especially those disturbances which, until now, have burdened the German-Danish trade policy.

In order to achieve this fundamental objective, we wish to suggest as possible measures, the following:

A. MEASURES IN THE FIELD OF TRADE POLICY

1. Danish [foreign] exchange regulations which may still be required after the war, should be formulated in such manner that disadvantages in respect of Germany and in favor of third countries, as could for example be noticed in favor of England during the last few years prior to the war, will no longer be possible.

2. Insofar as quantitative regulation of the exchange of goods in German-Danish trade may remain necessary, sufficient quantities should be secured for Germany. In this connection, while bearing in mind the necessity of establishing the equilibrium in the Danish balance of payments, purchases from third countries, and more particularly those from England, should be shifted to Germany. Such shifting will have to be accomplished especially with a view to securing a sufficiently great outlet from high-quality substitute materials [Austauschstoffe] (e. g., synthetic tanning materials, raw materials for varnishes, artificial fibers, and other synthetic materials).

3. The Danish tariff should be revised for the purpose of eliminating such burdens as have proved to have primarily an adverse effect on imports of German products. (To a large extent, this may not be required since, e. g., in the chemical field the Danish tariff has, in general, already become bearable.)

4. It might be advisable to study the possibility of developing a preferential tariff system in favor of Germany. In this connection, the absolute rate of the preferential tariff should forestall any prohibitive effects to the detriment of Germany. The extent of such preferential treatment as compared to third countries should be established by items, and should be agreed upon. However, in this connection, considering the generally bearable Danish tariff level, a sufficient margin of preference could be provided in part only by increasing the tariff rates for imports from third countries, or by introducing new import duties on items which hitherto have been imported free of duty.

5. All discrimination in the fields of certificates of origin, compulsory declarations, obligatory registrations, and similar measures should be gradually discontinued.

6. Measures involving discriminatory features directed against the use of German products while favoring, in comparison therewith, Danish products, or products of third countries, should be removed, no matter whether they have been taken by governmental authorities or by syndicates and the like.

7. In connection with the issuance of regulations which may be expected in the field of exchange and currency policy, the German interests should be borne in mind.

B. QUESTIONS REGARDING THE RIGHT OF SETTLEMENT

1. German nationals should be granted residence permits without any restrictions.

2. Work permits should be granted to German nationals in accordance with business requirements at the discretion of German authorities.

3. A free right of establishment should be granted, taking into account the pertinent provisions of the trade police and like authorities which are also applicable to Danish business enterprises.

C. TAX-POLICY MEASURES

The establishment of industrial enterprises [Betriebsstätten] of German firms, within the meaning of the terminology of the double-taxation agreements¹ concluded by Germany (e. g., branch establishments, manufacturing centers, branches, agencies), as well as the establishment of subsidiaries of German enterprises should not be complicated by tax measures.

This shall be construed to mean:

1. *Industrial enterprises.*—(a) Taxation must be limited to the assets set aside for said industrial enterprises, including real estate, [as well as] to the profits yielded by them, and to their turn-over.

(b) In taxing such industrial enterprises the latter may not be placed in a more unfavorable position than other business enterprises in Denmark with respect to tax classification, rates, or facts of the case.

(c) Profits may not be assessed on the basis of balance sheets of the German parent firm, but only on the basis of a percentage of the turn-over of such industrial enterprises. Said percentage should be agreed upon for each individual category of products. In case of dispute a mixed State commission of both countries shall decide. Insofar as profits of industrial enterprises result from the sale of products which are manufactured in Germany, the assessment of such percentage shall cover only the trading profits and not the manufacturing profits.

¹ It is the translator's belief that these are agreements for the avoidance of double taxation within the meaning of U. S. treaty terminology.

Z. SUBSIDIARIES

Insofar as taxation of subsidiaries of German enterprises is concerned, the provisions referred to under 1 (a) and (b) shall be applicable accordingly.

As to taxation of profits of such subsidiaries, decisions shall, in principle, be based on the subsidiaries' accounting records providing the latter shall be kept in proper order. If the foreign tax authorities prove that profits resulting therefrom are obviously not in proportion to the profits which are yielded by businesses of the same or a similar type, profits shall be computed on the basis of a percentage of the subsidiary's turnover. In this connection, the provisions referred to under 1 (c) shall apply accordingly.

DEVELOPMENT AND STATUS OF DENMARK'S CHEMICAL ECONOMY TAKING INTO SPECIAL CONSIDERATION GERMAN EXPORT INTERESTS ARRANGED ACCORDING TO FIELDS OF SALE, AS WELL AS PARTICULAR PROPOSALS FOR SPECIFIC FIELDS OF PRODUCTION

1. DYESTUFFS, AUXILIARY PRODUCTS FOR DYEING PURPOSES, TEXTILE AGENTS

I

Up to the time of the World War the Danish dyestuff market was supplied exclusively by Germany and Switzerland. In 1913 Germany supplied 75%, and Switzerland 25% of all the dyestuffs in Denmark. At that time, the entire Danish dyestuff business amounted to about M. 850,000. In the course of the economic developments following the World War a wave of industrialization especially in the textile field, also came over Denmark, as it did in other countries. As a result of this industrialization the dyestuff market was considerably enhanced. In the years 1937-38 Denmark bought an average of approximately M. 2.8 million worth of dyestuffs, auxiliary products for dyeing purposes and textile agents as compared with M. 850,000 in 1913. These requirements however, were no longer supplied by Germany and Switzerland alone; after the World War, English competitors made a special effort to gain a foothold in the Danish market. Consequently in the years 1937-38, Germany supplied an average of only 65% of the requirements of the Danish market.

There was practically no domestic dyestuff industry, only the firm of *Sadolin & Holmblad, Copenhagen*, produced a small amount of organic dyestuffs from intermediate products, which it bought. In about 1939 the firm of *Sadolin & Holmblad* began marketing its products in the Northern² countries and later on it extended its competition to former Austria, Czechoslovakia, Yugoslavia, and several other European countries where it upset the price level maintained by us. In spite negligible success in its sales, *Sadolin & Holmblad* proved extremely disturbing in connection with Germany's attempt at improving its foreign exchange situation.

II

We are therefore taking the liberty of making the following suggestions:

1. We are trying to enlist the support of official agencies in our planned private business negotiations with the firm of *Sadolin & Holmblad, Copenhagen*, which are designed to restrict activities of said firm to the domestic market.
2. In principle, the construction of plants for the production of dyestuffs and intermediate organic products should be subject to licensing.
3. Imports of dyestuffs, auxiliary products for dyeing purposes, and textile agents should remain duty-free.
4. The quota and licensing system in Denmark should be so organized as to let only Germany supply the required imports of dyestuffs, auxiliary products for dyeing purposes and textile agents unless it were advisable to make exceptions for politico-economic reasons.

2. CHEMICALS

In Denmark, domestic production is limited to sulphuric acid and superphosphate factories, and chlorin-electrolysis plants. "A. S. Dansk Svovlsyre-og Super-phosphat fabrik, Copenhagen" is the largest of the five existing sulphuric acid and superphosphate plants. The total annual output of sulphuric acid in Danish enterprises amounts to about 180,000 tons of monohydrate.

² Obviously: Scandinavian.

"Dansk Sojakagefabrik A. S.," Copenhagen, with which we have agreements concerning the volume of its production, is the largest producer in the field of chlorine electrolysis. Denmark's additional requirements were supplied almost exclusively by Germany despite considerable efforts by English competitors [to wedge themselves into these imports].

In 1938, the last year for which Danish import-export statistics are available, Germany supplied 64% of Danish import requirements—Great Britain, 16% and Sweden, 6%. In 1937 Germany took 19% of Danish chemical exports, Great Britain 12% and Sweden 9%. About 85% of the Danish exports to Germany consisted of casein. In 1938, 6% of Danish exports of chemicals went to Germany, 8% to Great Britain, and 8% to Sweden. In 1938 only 76% of the [Danish] exports to Germany consisted of casein.

II

The above-mentioned data shows that Denmark could be considered by us as an important competitor and in general did not hamper German imports to any appreciable extent.

The following sales data gives a more or less accurate idea of the volume of our chemical exports to Denmark:

1937	approximately	1.4	million	RM
1938	"	1.6	"	"
1939	"	2.9	"	"

The principal items thereof were solvents, raw materials for varnishes, ceramic paints, chlorine products, and alkalies.

III

In the following chart we are formulating individual requests concerning our various products and in this connection, we should like to express the wish that further development of the chemical industry in Denmark shall not take place.

Products	German-Danish Items	A	B	C	D	E	F
Chloride of lime.....	2292 4.....	Proposals for preference tariffs from the Greater German Reich to Denmark	Proposals for tariffs to be established between Denmark and other countries	Proposals for German quotas and import licenses with regard to Denmark	Proposals regarding the Danish market and Danish exports	Proposals concerning compulsory licenses by German authorities for new construction and expansion of plants	Domestic production capacity
		Free of duty.....	Protective tariff 30% ad val.	Germany to be granted unrestricted import rights to the extent of Danish additional requirements.	Denmark produces to supply its own demand. If required Denmark shall receive a corresponding export quota. Syndicate to be organized.	Yes.....	Estimated at 1,100 tons Cl ₂ annually.
Liquid chlorine.....	379 8.....	do.....	do.....	do.....	do.....	Yes.....	Do.
Caustic potash of all types and concentrations.*	289 4.....	Free of duty, if necessary 2% ad val.	Protective to tariff R.M. 9 per 100 kg.	German import quota to be 86% of the Danish demand.	No Danish imports to be permitted. Imported exclusively from Germany. Cooperation with German syndicate. See C.....	Yes.....	1938: about 750 tons KOH 100%.
Potash of all types and concentrations.*	290 4.....	do.....	Protective tariff R.M. 7 per 100 kg.	Demand to be supplied exclusively by Germany.		Yes.....	No production.
Sulfite/Bisulfite.....	317 b 6.....	Free of duty, if necessary 5% ad val.	Protective tariff 29% ad val.	Germany to be granted unlimited import rights.			Sulphuric acid: 146,000 tons SO ₄ .
Chlorosulfonic acid.....	317 v 8.....						
Sulfuryl chloride.....	317 v 8.....						
Sulphurous acid.....	379 8.....						
Sulphuric acid.....	273 6.....						
Hydrofluoric acid.....	317 v 8.....						
Cryolite, synthetic.....	298 8.....						
Fluorides.....	317 v 4, 8, 52.....						
Aluminium chloride.....	298 8.....						
Antichlorine.....	317 b 6.....						
Cobalt oxide/salts.....	317 v and others 8.....						
Barium carbonate.....	317 e 4.....						
Barium chloride.....	323 53.....						
Sodium sulfate.....	283 4.....						
Hydrochloric acid.....	294 4.....						
Zinc chloride.....	272 4.....						
Calcium chloride.....	315 4.....						
	317 f 4.....						

Sodium sulfide*	317 b 6	Free of duty, if necessary 5% ad val.	Protective tariff 25% ad val.	Germany to be granted the right to import 80% of the Danish market.	No production.	Prohibition to set up new plants.	No production.
Potassium chlorate	293 4	Free of duty, if necessary 1% ad val.	Protective tariff 30% ad val.	Germany to be granted exclusive import rights.	Exports to Germany shall be prevented since German requirements can be supplied out of domestic production.	Yes	Unknown.
Sodium chlorate	317 c 4						
Phosphorus	269 4						
Phosphoric acids	317 v 4						
Pernmanganates	306 and others 8						
Acidproof putties made on an artificial resin base.	226/350 8						
Liquid artificial resin products for mixing of acidproof putties made on artificial resin base.	381 b 96						
Acid-proof putties made on potassium silicate base.	226 8						
Fireproof putties made on potassium silicate base.	223 8						
Acid-proof mortar containing water glass.	226 8						
Bituminous insulating varnishes, manganese and zinc phosphates and solutions thereof for purposes of rust prevention.	243 364/261 390 4						
Formic acid*	317 t 8	Free of duty, if necessary R.M. 3.	Protective tariff R.M. 15 per 100 kg.	Germany to be granted unlimited import rights.	No production.	Yes	No production.
Oxalic acid (including oxalates)*	276 8	Free of duty, if necessary R.M. 1.		Import rights amounts to be agreed upon.	No proposals, since there is no domestic production.	Yes	Do.
Bichromates	305 4	Free of duty	Protective tariff 30% ad val.	Unlimited import rights.			
Chrome alum	299 4		do				
Chromic salts	317 s 4		do				

Products	German-Danish items	A	B	O	D	E	F
Synthetic tanning agents	384 4.	Proposals for preferences from the Greater German Reich to Denmark	Proposals for tariffs to be established between Denmark and other countries	Proposals for German quotas and import licenses with regard to Denmark	Proposals regarding the Danish market and Danish exports	Proposals concerning compulsory licenses by German authorities for new construction and expansion of plants	Domestic production capacity
Organic intermediate products (see memorandum of the "Dyes" branch), Vulcanization accelerators, antiaging chemicals.	217 v 8 and others.	Free of duty, if necessary up to 5% ad val.	Protective tariff 50% ad val.	Germany to be granted exclusive import rights.	Export to be prohibited.	Yes	Unknown, but very insignificant.
	317 v 8 and others.	Free of duty, necessary 2% ad val.	Protective tariff 25% ad val.	Germany to be granted unlimited import rights.	No domestic production. Demand to be supplied exclusively by Germany.	Yes	No production.
Benzoin products	317 m 8.	Cancellation of the 10% additional ad valorem duty, introduced 3/27/40.	Protective tariff 50% ad valorem.			Yes	
Iron oxide dyes	329 53.	do	do			do	
Membrane	381 b 96.	do	do			do	
Cadmium dyes	332 53.	Tariff as before, D. or 1 per 100 kg. Cancellation of the 10% additional ad valorem duty.	Protective tariff 25% ad valorem.	Germany to be granted unlimited import rights.	As far as we know there is no Danish production.	Prohibition to build plants.	Do.
Molybdate red	do	do	do	do	do	do	
Titanium dioxide	332 53.	Free of duty, cancellation of the 10% additional ad valorem duty.	do	do	Germany has thus far supplied the Danish requirements and should continue to do so in the future.	do	
Igelite	381 b 94.	Free of duty	Protective tariff 30-50% ad val. (as hitherto applied in U. S. A. and England).	do	No production.	Yes	Do.
Oppanol	94.	do	do	do	do	do	Do.
Laureline	8.	No more than 5%	do	do	do	do	Do.
Emulsions	96.	do	do	do	do	do	Do.

Acetic acid.	277 44.	Free of duty	Protective tariff 50% ad val.	.....do.....	No domestic production except for glyptal resins.	Licensing requirement in which German industry should be given a strong voice; if at all possible prevention of glyptal resin production.	See D.
Acetic anhydride.	277 8.	do.					
Acetone.	(349) 4. 350 7.	do.					
Methanol.	350 8.	do.					
Formaldehyde.	351 8.	do.					
Acetaldehyde.	317 8.	do.					
Glyoxaldehyde.	317 8.	do.					
Paraldehyde.	99 8.	do.					
Camphor.		do.					
Raw materials for varnishing.		do.					
Ethyl acetate.	347 46.	Free of duty and no additional duty on alcohol.					
Carbon tetrachloride.	317 p 4.	Free of duty as heretofore.	Protective tariff R.M. 15 per 100 kg.	Germany to be granted unlimited import rights.	No domestic production.	Yes.	No production.
Tri- and perchloric Ethylene.	do.	do.	do.	do.	do.	Yes.	Do.
Magnesium.	869 a 228.	Free of duty.	Protective tariff 15% ad valorem.	do.	No proposals, since there is no domestic production.	Yes.	Do.
Magnesium alloys.	do.	do.	do.	do.	do.	Yes.	Do.

These data are subject to the approval of the other members of the syndicate. Products to which this reservation is applicable are marked with an asterisk.

3. PHARMACEUTICALS—DENTAL SUPPLIES—CHEMICALS FOR PEST CONTROL AND VETERINARY MEDICINAL PRODUCTS "BAYER," SERUMS AND VACCINES "BEHRINGWERKE"

Prior to the World War pharmaceutical preparations and pharmaceutical chemicals were produced in Denmark only in limited quantities by a few enterprises which grew out of long-established pharmacies and laboratories at the end of the last century.

In the first place we shall mention the still existing factory which even today is the most important one:

Løvens Kemiske Fabrick (Leo), Copenhagen
then: Gustav Lotze which as a result of a merger with other firms changed its name to Det danske Medicinal-og Kemikalie Kompagni (Medicinalco), Copenhagen.

Alfred Benzon, Copenhagen; Westerbro Apothke Høst Madsen.

Leerbeck & Holm, Copenhagen; Langebeck, Petersen, Copenhagen.

In accordance with consumer's requirements existing at that time in the pharmaceutical field these firms manufactured Galenic extract and malt preparations dietetic remedies, cod-liver oil products, iron preparations as well as capsules, pills, etc., containing mixtures of simpler drugs. The last-mentioned group consisted chiefly of wholesale drugs which were often dispensed on the strength of regular prescriptions of medical authorities and under the latter's names. The ingredients of such mixtures were without exception substances which were commercially well known and readily available. Furthermore several well-known pharmaceutical chemicals were produced such as chloroform and ether beginning in 1890 and later on bromides, iodine, and magnesium salts.

The volume of production of the above-mentioned groups of products was adjusted almost exclusively to the needs of the domestic market; there was practically no desire to export. The total amount of the Danish production of pharmaceutical preparations for 1941, as shown by Danish statistics, amounted to less than 1,000,000 Danish crowns.

This explains why Danish producers used only the then well-known means of production and did not contribute in any way through inventiveness to a further development of pharmaceutical products by the discovery of new preparations or new production methods.

Hormone preparations and other organic products were the only products in the manufacture which Danish industry showed considerable initiative even before the World War. Danish industry produced several articles which were known abroad as for instance: A thyroid preparation in the form of dried glands in pills and concentrated solutions and a very good peptic fluid. The conditions for this production, as a result of the highly developed cattle breeding in Denmark, were very favorable.

The foundation of two laboratories for the production of serums and vaccines for human and veterinary purposes is likewise worthy of mention.

Statens Serum Institut (founded in 1902) and

Statens Serum Laboratorium (founded in 1903)

Both of these laboratories undertook the production of the most-used serums and vaccines and after a short period of time were in a position to meet the domestic demand. In this connection they were granted subsidies and sales privileges by the State and were able to prevent foreign and especially German industry from selling these products on the Danish market. Thanks to the excellent animal and original material the products of these laboratories were of remarkable quality.

Although Danish production of pharmaceutical preparations before the World War was not of great importance in comparison with the same type of international production it was able nevertheless to meet the greater part of the domestic demand which at that time was rather small. The Danish producers, however, succeeded in exporting only a few special products, which, moreover, were sold almost exclusively in the Scandinavian market.

Prior to the World War the imports which consequently were not very large, were shared in by Germany, France, and England. Germany gradually succeeded in gaining a leading position. The "Bayer" export figures export for Denmark for example, for the years 1904 to 1913 were trebled as a result of the growing interest in synthetic medical preparations in the form of specialties.

For a number of years the domestic industry was placed in a favorable position by the outbreak of the World War which brought about the temporary absence of deliveries from Germany and other Western powers, which resulted in the imitation of formerly imported products. The firm Leo, for example increased its assortments of specialties in a very short time from about 50 to approximately 150

preparations which after the war, however, partly disappeared when the old dealers reappeared in the Danish market.

The most important firms existing at present are the following:

Løvens Kemiske Fabrik (Leo) (founded before the War).

Det danske Medicinal-og Kemikalie Kompagni (Medicinalco), Copenhagen (founded before the War).

A. S. Ferrosan, Copenhagen (founded in 1920).

A/S. Pharmacia, Copenhagen (founded in 1922).

Novo Therapeutick Laboratorium (founded in 1925).

A/S Gea, Copenhagen (founded in 1926).

F. F. Gønget & Co., Copenhagen (founded in 1934).

The total annual production of these firms has been steadily increasing since the end of the World War and/or since their organization and reached its peak in the years 1936-1938, at which time it amounted to an [annual] average of over 15,000,000 Danish Crowns. About one-third of this production consists of insulin produced chiefly by Leo and Novo Therapeutick Laboratorium. In addition the Danish industry produces sex hormones and liver and mucous stomach membrane preparations which are made of basic materials of good quality collected in the country itself; synthetic vitamins and chemical pharmaceutical preparations are also being produced.

It may be said, however, even concerning this period of growing development that, except for insulin and several other organic products. Danish industry undertook production of new articles only when it was familiar with the production methods and could count on a certain outlet in the country itself.

Danish industry was in a position to export during the last years about one-third of the total production of pharmaceuticals, i. e., in the amount of about 5,000,000 Danish Crowns; 75% of this amount consisted of insulin. On the markets of other countries, therefore German exporters suffered only from competition in the field of insulin whereas the remaining 25% of Danish exports was noticeable only in the Scandinavian countries. Germany ranks first as consumer of [Denmark's] exported pharmaceuticals; of which she buys 25%; next comes Sweden and then Norway.

Even after the World War the Danish pharmaceutical industry was able to supply the largest part of domestic requirements. There remained only a small gap to be bridged by imports which during the last few years amounted on the average to approximately 5,000,000 Danish Crowns. These imports, were supplied for the most part by Germany. The respective figures as listed in the periodical, "Chemische Industrie" show that Germany supplied 62% of the total imports of pharmaceuticals in 1936 and 60% in 1937. Second in importance was England and third Switzerland while France played an unimportant part in Denmark's import of pharmaceuticals.

Danish industry has, in every respect, benefited by the achievements of Germany's pharmaceutical industry; as is shown by the numerous imitations of German preparations, which appeared whenever a preparation of German origin had become extensively used and its imitation promised to become a lucrative business. The imitation of German original products was considered a national feat which helped to check imports of German preparations. The sale of these products could be achieved and insured only when such products were offered at a considerably lower price than the original German preparations which were of a higher quality and therefore more expensive; this naturally had an unfavorable effect on the sale of German preparations.

The Danish industry in its fight against foreign, and thus primarily against German importers, was supported by various measures taken by its Government. This became especially obvious in the issuance of invitations to bid and the placing of orders by official authorities, communities, and sick funds. In placing their orders these agencies always excluded German firms.

From the system of measures hindering [our] sales it is necessary to mention especially the severe restrictions regulating popular advertising of our products.

No reference to specific use could be made in newspaper advertisements and show-window displays; furthermore the text had to be so worded as to make it impossible to infer the specific use [of products]; also it was not permissible to show pictures hinting at a specific use, etc. In spite of various requests on our part we were unable to secure clear directives from the authorities; as soon as these ill-defined provisions had been transgressed even though slightly, legal proceedings were taken against us.

The promotion of domestic industry is especially noticeable in the field of serums and vaccines [intended] for human and veterinary-medical purposes. The

"Statens Serum Institut" and the "Statens Vet.-Serum Laboratorium" are allowed by law to sell their products directly to physicians or veterinarians whereas we are obliged—also under the law—to sell our analogous products exclusively to pharmacies. This entails a considerable increase in price and injures the possibilities of selling our corresponding products. As a result we are almost entirely barred from Denmark in the field of serum therapy. We were allowed to make deliveries only of such special serums as were not produced by the State laboratories.

The basic tariff for the import of foreign preparations is bearable, but the 10% import tax and the increase in price necessitated thereby hampers the growth of our turn-over.

II

Because of the situation described above, we consider the realization of the following requests as essential:

The Danish market should without restrictions be open to firms of the German pharmaceutical industry. Insofar as individual important pharmaceuticals are concerned, which are domestically produced, the Danish market should be regulated by agreements. In addition to this general request we should like to submit the following individual requests:

The maximum duty on pharmaceutical specialties should not exceed 10 to 15% of the free-frontier value. New customs charges and especially other import duties should therefore not be introduced by the Danish Government.

On assessing profits on turn-over for purposes of taxation a sale of 5% of the turn-over appears reasonable for the pharmaceutical business.

Moreover various Danish administrative provisions concerning the pharmaceutical business should be canceled or amended because of their hampering effect on the sale of German products. This applies in the first place to the strongly restrictive provisions for the regulation of popular advertising.

In the case of invitations to bid and other adjudications of orders by the Danish authorities and public organizations, German pharmaceutical products should be placed on an equal footing with the Danish ones.

Governmental provisions governing the sale of human serums and vaccines issued for the benefit of domestic serum laboratories, which have made our business extremely difficult, should be adapted to provisions existing in Germany.

In order to secure cooperation of the German and Danish pharmaceutical industries in the export markets, some kind of financial participation or a connection with a German export organization abroad should be contemplated. We have in mind especially the insulin production, a great part of which is being sent to the German Reich. In the interest of keeping Germany supplied with this product we find it advisable to participate in some way in Danish production.

The substitute ["Ersatz"] industry which has particularly flourished in Denmark and which as previously mentioned has chiefly sold imitations of German preparations, should be purged in the interest of German inventors and producers of original articles. It is necessary, for this purpose, to reexamine the entire Danish production of these articles in concurrence with the interested German firms so that a decision may be reached in each individual case as to the products to be eliminated from the Danish production list as simple imitations.

Production of human serums in Denmark is not in proportion to the limited requirements of the country and can be kept going only with the aid of the Government. Agreements concerning production and sale should be made with the two Danish laboratories. Denmark's total serum requirements can readily be supplied by Germany.

In the field of dental preparations we shall strive to eliminate imitations of our *carpule*. Furthermore it is desirable in the future to replace English and American dental supplies by German products. Agreements regulating prices and market conditions should be made with the Danish producers who have remained in the Danish market. Since in the dental field, numerous small firms producing local anesthetics and other technical dental supplies are hampering German exports a reexamination of that part of Danish production should be considered. The entire Danish demand for this product can be easily met by Germany.

A provision prohibiting the construction of new plants for the manufacture of pharmaceutical products in Denmark should be issued in conformance with the reorganization of relations between Germany and Denmark. The nitrous oxide plant which was recently erected in Denmark by the Swedish firm "AGA" Svenska Aktiebolaget Gasaccumulator, Stockholm, is taking advantage of the lack of English merchandise and undersells German merchandise. In order to avoid

further disturbances in German exports of nitrous oxide, it would be necessary, by means of a general prohibition, to prevent new plants from being erected also in this field of production.

Shipments to Danish firms of raw material for the production of pharmaceutical specialities should be organized in such manner that competition by Danish imitations of German original products, made of such raw materials, is rendered impossible in Denmark itself and in other markets.

4. PHOTOGRAPHIC SUPPLIES ["PHOTOGRAPHIKA"]

I

The firm "Merkur" Carl Poulsen & Sønner, Copenhagen, is the domestic enterprise manufacturing photographic supplies in Denmark. This factory is relatively unimportant. It produces chiefly photographic papers and quite recently it began to produce roll films as well. In quality, however, its products are far below articles produced by important foreign firms.

We started systematic exports of our photographic supplies in 1926. In 1927 our turn-over amounted to R.M. 458,000. By 1931 it had gone up to R.M. 1,300,000, then as a result of the devalorization of the Danish crown it went down to R.M. 770,000 in 1933 and could be increased again to R.M. 1,500,000 in 1939.

Our business has particularly suffered from the underbidding of the American, English, and Belgian competitors, and, on the other hand, from the fact that the Exchange Office [Valuta-Kontor] actually favored, especially imports from England, and thus opposed our deliveries by not granting us sufficient [foreign] exchange licenses.

It is desirable to have further developments of the photographic industry [in Denmark] adjusted to the export requirements of the German photographic industry and to make such developments subject to licensing.

Moreover a guarantee should be obtained to the effect that the Mercantile Procurement Administration which, as it is commonly known has superseded the Foreign Exchange Office, will, for purposes of importing German photographic supplies make available sufficient amounts of exchange to provide the Danish market with German photographic supplies.

Imports from other countries must be correspondingly regulated. As a general rule, the present tariff rate on photographic supplies imported from Germany may be maintained. The tariff rates existing in Denmark may be contemplated as preferred tariff rates for the German industry.

I. AROMATIC SUBSTANCES

In the field of synthetic aromatic substances in Denmark the firm of Sadolin & Holmblad, Copenhagen, has produced only benzaldehyde. In addition, several smaller Danish specialists have been engaged in the manufacture of compounds. Because of the low prime cost, these firms were able to sell their products at prices lower than ours. Furthermore, Dutch, Swiss, French, and especially English producers appeared as competitors in the Danish market.

Our turn-over amounted to R.M. 4,750 in 1926 and could be raised to about 32,000 R.M. in 1939.

II

Care should be taken to insure the issuance of a sufficient number of foreign exchange licenses for deliveries of German aromatic substances. In addition, further developments of the existing aromatic substances industry should be subjected to licensing.

Furthermore, it is to be desired that, in the future, Germany may import benzaldehyde duty-free into Denmark and that Germany be granted preferential tariff rates for shipments of aromatic substances to Denmark. The consumption taxes amounting to 40%, which were introduced by the Danish Government at the beginning of this year, should be annulled.

6. ARTIFICIAL SILK AND CELL WOOL

The Association of German Artificial Silk Producers, Berlin W. 35, and the Professional Group "Chemical Production of Fiber" are conducting negotiations with the Reich Ministry of Economic Affairs concerning future shaping of commercial relations with Denmark in the field of artificial silk and cell wool.

7. NITROGEN AND NITROGENOUS PRODUCTS

I

Denmark occupies an important position among the nitrogen consumers of the world. The Danish market is the most important of the Scandinavian markets. Consumption of nitrogen has increased steadily and considerably, and in the last fertilizer year, i. e., 1939-40, reached 40,000 tons of nitrogen.

Denmark has no synthetic nitrogen industry. In the course of years, a number of projects were planned but never carried out, because of the unfavorable conditions for such an industry in Denmark. The Association of Danish Cooperatives has established a construction fund to which certain amounts were transferred from surpluses each year. It cannot be foreseen, under the present conditions, to what extent it will be necessary to resort to this fund.

Byproducts accruing in the gas works in Copenhagen amount to approximately 200 tons N annually.

In years past Norway and Chile supplied one-half each of the nitrogen requirements. As early as in the fertilizer year 1928-29, the Nitrogen Syndicate furnished 50% of the nitrogen supply, whereas the amounts supplied by Norway and Chile dropped to 28 and 22%, respectively. After the well-known understanding between Norsk Hydro and I. G., the Norwegian merchandise was sold through the Nitrogen Syndicate and the Danish market was chiefly supplied by Norwegian merchandise because of freight considerations. During the following years agreements were concluded with Chile and the other European nitrogen producers, which resulted in a regional distribution of the Danish market.

Quite recently the Dansk Svovlsyre-og Superphosphatfabriek, Copenhagen, the most important customer of the Nitrogen Syndicate, received an order from the Danish Government to build a plant for the production of 15,000 tons N (calcium nitrate) on the basis of coke oven gas.

II

Supplying the Danish market with nitrogen fertilizers in the future is a problem which undoubtedly can be solved only within the framework of reorganization of the nitrogen industry within the European economic sphere. Domestic synthetic production in Denmark must be prevented. Moreover the requirements of the country will be contingent upon the future state of its agriculture in conjunction with the reorganization of agricultural conditions in Europe. It is desirable to secure priority for Germany in the supplying of Danish requirements. Other producers should be excluded from the supplying of this market unless there are special reasons which would require their participation. In this case, however, sales should be effected exclusively through the Nitrogen Syndicate.

8. IMPORTS

Denmark has even in the past played an important role as supplier of animal organs (livers, bovine livers, and pancreas) for German production of pharmaceutical remedies. Since Holland and Norway, which hitherto have, along with Denmark, supplied the raw materials which are indispensable for the production of certain pharmaceutical remedies, cease to exist as suppliers because of political circumstances, the importance of Denmark as a source of supply has increased considerably. Increased sales of such animal organs to Germany should be insured by appropriate agreements. Besides, Germany will until further notice, be interested in purchasing insulin in addition to her own production.

EXHIBIT No. 5-B

NEUORDNUNG (NEW ORDER) FOR BELGIUM

The Belgian chemical industry shows more or less the same characteristics as Belgian industry in general; its large production potential is concentrated in a very small area with the main emphasis on the production of chemicals in bulk. Its output is consequently too large to be absorbed by the domestic market only, while on the other hand, its one-sidedness results in the inability to satisfy the varied demands of the highly industrialized Belgian economy.

The following details are important in an evaluation of the Belgian chemical industry:

1. One of its striking characteristics is the fact that it is made up for the most part of large enterprises which obviously are the backbone of the Belgian chemical industry, notwithstanding the existence of numerous plants of medium and small size. It must be kept in mind that a number of these large enterprises, as for instance Solvay, Union Chimique, Societe Belge de l'Azote, Fabelta, etc., are by no means important to Belgian economy only, a factor which must be given serious consideration, particularly in connection with the plans for a new economic order in Europe.

2. Although large quantities of goods are produced, the products show very little variety, and the main emphasis is placed on the production of chemical bulk goods, in spite of the developments of the last few years. The main products are, as is known, chemicals (particularly heavy chemicals such as sulphuric acid, sulphates, chlorine, carbonate of soda, caustic soda and potash) in addition to artificial fertilizers, artificial silk, mineral dyes, explosives, and photochemical goods. On the other hand, production of organic chemicals is by no means sufficient to satisfy the domestic demand for dyes, pharmaceuticals, etc.

This apparent discrepancy between the large production volume and the comparatively limited variety of products explains the fact that the Belgian chemical business accounts for remarkably large imports and exports of chemical products, notwithstanding the fact that domestic production is very large (almost 500 million marks) and that the domestic demands are extraordinarily heavy. The result of this foreign trade which during the last few years ranged between 70 and 110 million marks was a trade balance very favorable to Belgium, amounting to an average of 50 million marks.

3. Although many waste products which are byproducts of the domestic industry are utilized, the supply of raw materials, including those of the Congo territory, is very limited and makes necessary considerable imports of pyrites, ores, cellulose, phosphates, etc. Due to the extremely favorable geographical location of the Belgian industry and due to the Belgian trade policy advocating free trade, the fact that the Belgian chemical industry is actually largely dependent on foreign raw materials has not made itself felt to any considerable extent.

4. Belgian trade policy has striven to establish free trade relations not only with regard to the chemical industry but with regard to the whole national economy. Its objective was to secure imports of cheap raw materials and of such semifinished and finished goods as are not produced in the country itself, and, on the other hand, to make possible exports of its large quantities of chemicals in bulk produced for the world market.

The problem of what position the Belgian chemical industry is to occupy in the projected new order of the European chemical industry depends on a number of preliminary questions which cannot be answered for the time being, as for instance the problem of the Belgian colonies and the organization of the future Belgian administration. The subsequent conclusions which are based upon the above-mentioned facts can therefore be of limited importance only.

This is particularly true of that problem which in the last analysis will be the decisive factor: whether the extremely large production capacity of the Belgian chemical industry—extremely large even when measured by German standards—is not on too large a scale, unless additional demand can be created by expanding existing European markets. In any case, it seems advisable to consider carefully the Belgian chemical industry as to its size and structure. In the course of this examination the fact that this industry is dependent on imports of non-Belgian raw materials and of raw materials coming from overseas should be particularly kept in mind.

In this connection it should be stressed that the basic structure of the Belgian chemical industry, which was geared to the production of chemicals in bulk, as described above, should not be altered by allowing production of a large assortment of chemicals, including products which heretofore had been imported (such expansion has been noticeable already before the war) while on the other hand consenting to maintaining large imports of non-Belgian chemical products which were made necessary by the Belgian trade policy.

Attempts to create a national dye industry which are subsequently described must be thus evaluated as particularly important examples for a policy aimed at achieving structural changes in the economy.

As to Belgian foreign trade in chemicals, one of the most urgent problems involves weighing the large volume of the Belgian exports against the German need for export markets. In connection with this problem the possibility of supplementing already existing agreements ought to be considered. The problem is particularly urgent, for just now a movement is under foot in the Belgian chem-

ical industry and especially in the fields of pharmaceuticals and photochemical articles to look for compensation for lost markets in fields which heretofore were exclusively reserved to the German chemical industry.

Finally, it seems to be advisable to make certain shifts in Belgian imports of chemical products in favor of the European chemical industry in general. Belgian imports from overseas in particular should be replaced by shipments from greater Germany insofar as the industries of Belgium proper cannot profitably produce the necessary products themselves. In the following we have expounded some proposals of a general nature based upon the above-mentioned general considerations. These proposals reflect only part of our interests in the Belgian chemical industry since they are limited to Belgium proper and since they do not take into consideration a number of important problems which cannot be solved for the time being (for instance the fact that Belgium as a country of transit acts as a very important clearing house and that there are certain very important international connections, which are based on the large Belgian chemical enterprises). We should therefore like to reserve the right of supplementing the following report with further proposals as soon as the necessary data for making such proposals are available.

There is a further limitation inasmuch as the over-all problem concerning the firm of Solvay cannot be dealt with in this report. The international importance of this firm passes far beyond the scope of the Belgian chemical industry and must, therefore, be dealt with in a special report.

With the above-mentioned reservations we present to you the following report on the actual status and the development of the Belgian chemical industry with regard to its export markets. In this report we also have formulated our proposals regarding special fields of production and adapted them to the special export interests of Germany.

BASIC PROPOSALS WITH REGARD TO PRODUCTION AND SALES WITHIN THE FRAMEWORK OF BELGO-GERMAN RELATIONS

Belgian trade policy in principle was not aimed at general discrimination against Germany. However, as it attempted by means of the close connections existing between the Belgian economy and the world markets to further all branches of Belgian exports by concluding reciprocal trade agreements, the core of the problem of Belgo-German trade relations is not so much one of an amelioration of the present Belgo-German barter trade, but rather one of how to strike a sound balance between the need for foreign markets of the Belgian and the German export industry.

Furthermore, certain changes to be made in the Belgian system as to tariffs and licenses will probably expand Belgo-German trade relations to the disadvantage of the one-sided trade between Belgium and other countries, in particular countries overseas and England.

Taking as a point of departure the fact—particularly important in connection with Belgium—that the complicated structure of Belgian foreign trade must be adapted to the requirements of the New Order of European economy, we suggest the following only after careful examination and in a very cautious manner:

A. STEPS TO BE TAKEN WITH REGARD TO TRADE POLICY

1. The Belgian tariff system ought to be revised in order to eliminate those regulations which have been an obstacle to the import of German products.

2. Consideration should be given to the possibility of building up a system of preferential tariffs favoring Germany. The absolute rates of these preferential tariffs must not have a prohibitive effect on German exports. The extent to which these preferential rates are to be effective with regard to other countries should be fixed for each item and should be stipulated accordingly.

3. Steps should be taken to bring about a balance between the German and Belgian exports to other countries. This balance should be achieved insofar as possible by agreements between private enterprises or by an over-all agreement between Germany and Belgian industries.

4. Insofar as it remains necessary to issue regulations with regard to the quantities involved in the Belgo-German trade, sufficiently large quantities must be secured for Germany. In connection with the necessity of a balanced Belgian budget, the purchases of goods, which were previously made [purchased] in other countries should be shifted to Germany. In making this shift, we must also keep in mind the importance of securing a sufficiently large market for high-quality

products which may be used in barter, such as synthetic tanning agents, crude varnishes, synthetic fibers, and artificial materials.

5. All discriminatory measures, such as certificates as to the origin of certain products, compulsory declarations and registrations as to the origin of these products and similar regulations ought to be abolished.

6. Regulations, regardless of whether issued by administrative bodies or by private organizations, which discriminate against German products in the favor of goods originating in Holland or other countries, must be abolished.

B. QUESTIONS REGARDING THE RIGHT OF SETTLEMENT

1. German nationals in Germany should receive permission without restrictions to remain in Belgium.

2. German nationals should receive working permits in accordance with industrial needs. German authorities will have to decide whether such a need exists or not.

3. In conformity with regulations issued by the trade police and to similar decrees which also apply to Dutch industrial enterprises, we should be entitled to establish freely new enterprises in Belgium.

C. TAX POLICIES

German establishments—the term “establishment” is used here in the meaning of the agreement with Germany directed at the elimination of double taxation and comprises branches, plants, storehouses, and agencies—as well as the establishment of subsidiaries of German enterprises must not be hampered by measures concerning tax policies. By this is meant:

1. *Industrial enterprises.*—(a) Taxation must be restricted to the capital of these enterprises, including real estate, the profit made by them, and their own turn-over.

(b) As to the kind of tax to be imposed, the tax rate and the base rates for levying taxes, these establishments must not be discriminated against as compared with other industrial enterprises of the country.

(c) Profits must be computed, not on the basis of the balance sheets of the German parent firm, but only on a percentage of the turn-over of the establishment in question. Such a pro-rata computation must be stipulated for each separate kind of product. In case of dispute an interstate commission composed of members of both countries will arbitrate. As to profits resulting from the sale of products made in Germany, the pro-rata computation must be based upon the dealer's profits and not on the profits made by the manufacturer.

2. The regulations given above under 1 (a) and (b) are also applicable in the taxation of subsidiaries of German enterprises.

Taxation of the profits of such subsidiaries should ordinarily be based on their bookkeeping systems insofar as the books are kept according to regulations. If foreign tax authorities should prove that the profits thus computed are apparently disproportionate to profits from business of the same kind or similar nature, the profits would have to be computed on a pro-rata basis of the turn-over of the subsidiary company. The regulations given under 1 (c) apply accordingly.

DEVELOPMENT AND ACTUAL SITUATION OF THE BELGIUM CHEMICAL INDUSTRY, SUBDIVIDED ACCORDING TO THE SALES ORGANIZATIONS, WITH SPECIAL REFERENCE TO GERMAN EXPORT INTERESTS; AND CONCRETE PROPOSALS FOR CERTAIN FIELDS OF PRODUCTION

1. DYESTUFFS, AUXILIARY PRODUCTS FOR THE DYE INDUSTRY, AUXILIARY PRODUCTS FOR THE TEXTILE INDUSTRY

I

Belgium did not produce any dyestuffs of her own until the time of the beginning of the First World War. The whole demand for dyestuffs, which amounted in 1913 to approximately 8,000,000 marks, was supplied by imports from Germany and Switzerland. According to the size of these industries in the two countries, Germany's share was by far the larger one and amounted to almost 7,000,000 marks, or 86 percent of the total imports of these products.

As the victorious nations developed “national” dyestuffs industries in their countries after the World War violent competition for the Belgium dyestuffs market resulted. Those taking part were not only countries which had estab-

lished dyestuffs production during and after the World War such as France, Great Britain, Holland, and Czechoslovakia but to an ever-increasing extent the United States of America and Japan also, even during the last six months before the beginning of this war.

Belgium's sympathies for the western democracies aided in gaining a foothold for the products of these countries on the Belgian market. Thus the struggle for the Belgian dyestuffs market resulted in victory for these countries and resulted in the fact that out of the total Belgian imports for the year 1938, which amounted to about 7.6 million marks, less than half came from Germany (45.6% or 3.5 million marks). More than half of the Belgian imports were supplied by Switzerland, France, Great Britain, Holland, and the United States of America. The following table shows the participation of the dyestuff producing countries in the supply of the Belgium market for the year 1938:

Germany.....	R.M. 3,470,000=45.7%
Switzerland.....	1,255,500=16.6%
France.....	1,020,500=13.5%
Great Britain.....	281,600= 3.7%
Holland.....	419,000= 5.5%
Italy.....	28,500= 0.4%
Czechoslovakia (figures for January through September 1938 only).....	121,400= 1.6%
United States of America.....	926,700=12.2%
Japan.....	62,400= 0.8%

Belgium did not produce any dyestuffs or auxiliary products of her own for the dyestuffs industry and for the textile industry. In 1937-1938 the Etablissements Kuhlmann in Paris had operated temporarily a small dyestuffs plant in Rieme-Ertvelde near Ghent. As far as we know, this plant was not operating when war broke out in 1939. The Société Carbochimique et Terte, a subsidiary of the Société de Belgique, began about two years ago the construction of plants for the production of aniline dye, which were to be ready to operate in the early part of May of this year. Construction, however, had not been completed at the start of this war. According to a recent statement, issued by Belgian quarters, between 25 to 30 million Belgian francs were invested in this project. A dyestuffs enterprise of this size would be able to produce quantities which would not only be able to replace a considerable part of previous German exports to Belgium, but which would necessarily lead to exports of Belgian dyestuffs to other countries, for the Belgian market alone would hardly be able to absorb the entire production of special dyestuffs as it was planned.

I

We therefore respectfully submit the following proposals:

1. The plant of the Société Carbochimique, Terte, a subsidiary of Société Générale de Belgique, which is neither necessary from the point of view of Belgian economy nor desirable from that of the planned new order of European markets, should not be completed nor should operations be started. This requirement is particularly important as, in view of the situation at present, its output would only be a burden to German production and German exports. We therefore are requesting the help of the authorities during private negotiations which we intend to enter into on this subject with the Société Générale de Belgique.

2. In addition, construction of plants for the production of dyestuffs and organic semifinished products should require a license to this effect.

3. Belgium must institute a quota and licensing system, which would have to be organized in such a way that the demand for Belgian imports of dyes, auxiliary products for the dyestuff industry and for the textile industry would be supplied as a general rule by Germany only unless reasons of trade policy make certain exceptions necessary.

4. Imports of German dyestuffs, auxiliary products for the dyestuffs industry are to remain free of duty as heretofore.

2. CHEMICALS

I

Even before the First World War the Belgian chemical industry had already gained considerable importance. Its main production was in the field of heavy chemicals, in particular sulphuric acid, hydrochloric acid, sodium sulphate, calcium chloride, potash, and to a lesser extent chlorine products based upon electrolysis.

After the First World War Belgian chemical production was expanded as it was everywhere else. In addition to the above-mentioned products, synthetic nitrogen was produced on a larger scale and in connection with this synthetic methanol was manufactured. From this was derived formaldehyde, a raw product necessary for the production of artificial materials. While Belgium before the First World War imported one-third of its requirements in chemicals, this amount decreased during the last few years to about one-fifth.

It can generally be stated that the German chemical industry has succeeded in concluding satisfactory agreements concerning market regulations, exports, etc., with Belgian producers at least with regard to the more important products. The S. A. Belge de l'Azote et des Produits Chimiques du Marly, at Ougrée had become a very aggressive competitor on the European markets in the field of methanol derivatives, which was due rather to their extremely low price level than to a large output. It has come to our attention that the HIAC, the German sales organization for methanol and formaldehyde, has succeeded in concluding agreements for individual countries with Ougrée.

Belgian exports have caused no disturbances of any sort in Germany proper. Only sulphuric acid was shipped in any great quantity to the DAVV at Bochum under agreements dating from the years 1928 and 1929, which could not be revoked or cancelled for certain reasons even after the expiration of these contracts. There is no economic necessity for maintaining Belgian exports under the present circumstances, as Germany is very well able to supply its own demand in view of its tremendous capacity for the production of sulphuric acid. The only reason was that the Belgian sulphuric acid was cheaper than the German. The main purchasers of Belgian exports were, Holland, France, and Great Britain because of their geographic position and for certain products also other countries, as for instance the U. S. A., the Scandinavian countries, etc. The exports in these other products were regulated in part by Germany under existing agreements (such as agreements for the export of sodium sulphate, chloride of lime, caustic potash, etc.)

At times Belgium has been a very annoying competitor in the field of Phthalic anhydride (see attached chart under Organic Semifinished Products Column D).¹

3. "BAYER" PHARMACEUTICALS, DENTAL SUPPLIES, CHEMICALS FOR PEST CONTROL AND VETERINARY PRODUCTS, "BEHRINGWERKE" SERUMS AND VACCINES

I

Before the first World War there was in Belgium no permanent national industry in the field of pharmaceutical products which could have developed together with the rest of the industry. There were only a small number of laboratories, producing pharmaceuticals and special products. The five most important of the laboratories in existence at that time were:

Georges Labouverie, Ougrée.
Laboratoires Optima, Schaerbeek-Brussels.
Pharmacie Centrale de Belgique, Hal.
Kalcker Wielemans, Brussels.
Pelgrims et fils, Brussels.

These five firms, only two of which are still in existence and the few other existing laboratories, which were of only local importance together employed up to 1914 a few hundred workers and their total output amounted to approximately three to four million marks a year. Their production consisted of drugs in the form of powder and pills, a few kinds of lozenges as well as extracts, ointments, organic preparations, serums, and vaccines. Almost all of the entire output was consumed within the country; only minute quantities were exported to the Belgian colonies and to the neighboring countries such as Holland, France, and Germany.

¹ See pages 1482-1483 et seq. for charts.

Products	A	B	C	D	E	F
Caustic potash*.....	Proposals for preference tariffs for exports from Greater Germany to Belgium.	Proposals for tariffs to be established between Belgium and other countries	Proposals for German quotas and import licenses with regard to Belgium	Proposals regarding the Belgian market and Belgian exports	Proposals concerning compulsory licenses for new construction and expansion of plants	Domestic production capacity
Potash of all types and concentrations. (1) Chloride of lime (*).	Preference tariff of 2% ad val. Tariff item 308/9.	Protective tariff of 9 RM. per % kilograms.	Germany to supply 1/4 of Belgian requirements.	Belgium to produce for domestic consumption only. Import licenses to be issued to Germany only. Cooperation with the German syndicate. See under C.....	Licenses desired.....	About 4,000 tons annually of 100% KHO.
(2) Liquid chlorine (*).	Preference tariff of 2% ad val. Tariff item 310b.	Protective tariff of 7 RM. per % kilograms.	Belgium to purchase in the future from Germany exclusively.	Belgium to supply mainly her domestic market. Exports only when based on an export quota established within the framework of a syndicate under German management; exports not to exceed the present volume. do.....	Prohibition of construction of new installations. Licenses desired.....	Not known.
Sulphuric acid.....	Preference tariff of 5% ad val. maximum. Item 307.	Protective tariff of 2% ad val.	Germany to be entitled to export unlimited quantities to Belgium.	Exports from Belgium to other countries to continue at their present levels. Belgian exports to Germany (DAVV) should be the subject of separate negotiations.	do.....	About 19,000 tons of Cl ₂ .
Antichlorine.....	Preference of 5% ad val. maximum. Tariff item 320 c.	Protective tariff 20% ad val.	Germany to be entitled to export unlimited quantities to Belgium.	Belgian exports to be curtailed as far as possible, because of the small quantities available for export purposes.	Licenses desired.....	Do. 1,000,000 tons annually. 500 tons annually.

Barium chloride.....	Preference tariff of 5% ad val. maximum Item 315d.	Protective tariff of 2% ad val.	Germany to be entitled to export unlimited quantities to Belgium.	Present export quotas to be reduced on the basis of an international agreement from the present percent- age of 48 to 35%. A Belgium may be allotted an export quota of 5%. A syndicate is to be created. do No Belgian exports to be permitted.	Licenses desired.....	6,000 tons annually
Sodium sulphite.....	Preference tariff of 5% ad val. maximum Item 320b.	Protective tariff of 20% ad val.	do.....	do.....	do.....	2,000 tons of each product annual- ly.
Sodium bisulphite.....	Items 291, 348, 307e.	do.....	do.....	do.....	do.....	Do.
Sulphurous acid.....	Preference tariff of 5% ad val. maximum.	do.....	do.....	do.....	do.....	2,000-4,000 tons annually.
Barium carbonate.....	do.....	do.....	do.....	do.....	do.....	Do.
Hydrofluoric acid.....	do.....	do.....	do.....	do.....	do.....	Do.
Fluoride.....	do.....	do.....	do.....	do.....	do.....	Do.
Chlorosulphuric acid.	Items 307/2, 315a, 314b, 315a, 403, 406/242. Preference tariff of 5% ad val. maximum.	do.....	do.....	do.....	do.....	Do.
Sulphoril chloride.....	do.....	do.....	do.....	do.....	do.....	Do.
Cryolite.....	do.....	do.....	do.....	do.....	do.....	Do.
Aluminum chloride.....	do.....	do.....	do.....	do.....	do.....	Do.
Blanc fixe. Co- baltous oxide.	do.....	do.....	do.....	do.....	do.....	Do.
Cobaltous salts.	do.....	do.....	do.....	do.....	do.....	Do.
Sodium sulphate.....	Preference tariff 2% ad val. Item 321 Ni.	Protective tariff 20% ad val.	Germany to be entitled to export unlimited quantities to Belgium.	Belgian exports to continue. Exports to be effected as in the past by a syndicate under German manage- ment.	Licenses desired.....	
Zinc chloride*.....	Preference tariff 5% ad val. maximum. Item 315o.	Protective tariff 20% ad val.	Germany to be entitled to export unlimited quantities to Belgium.	Belgian exports to continue within the framework of the world syndicate.	Licenses desired.....	
Zinc chloride prod- ucts containing ammonium chlo- ride.*	Preference tariff 5% ad val. maximum. Item 315o.	Protective tariff 20% ad val.	Germany to be entitled to export unlimited quantities to Belgium.	Belgian exports to continue within the framework of the world syndicate.	Licenses desired.....	
Sodium sulphide.....	Preference tariff 5% ad val. maximum. Item 319d.	Protective tariff 25% ad val.	Germany to be entitled to supply 20% of the Belgian demand.	Belgian export quota not to exceed actual prewar ex- ports.	Licenses desired.....	4,000 tons annually of 60% Na ₂ S.

Products	A	B	C	D	E	F
Potassium chloride.	Proposals for preference tariffs for exports from Greater Germany to Belgium.	Proposals for tariffs to be established between Belgium and other countries	Proposals for German quotas and import licenses with regard to Belgium	Proposals regarding the Belgian market and Belgian exports	Proposals concerning compulsory licenses for new construction and expansion of plants	Domestic production capacity
	Item 316b.....	Protective tariff of 50% ad val.	Only Germany is to be entitled to export to Belgium. Sodium hypochlorite solution to be imported to Belgium by Germany only, at least however, 250 tons with a content of 13% wCl ₂ —which represents the extent of our prewar imports.	Belgian is not to make exports to Germany.	Licenses desired.....	Unknown.
Sodium chloride.	Item 316c.....	do.....	do.....	do.....	do.....	Do.
Phosphorus sesqui-	Item 316e.....	do.....	do.....	do.....	do.....	Do.
Phosphorus yellow/	Item 286.....	do.....	do.....	do.....	do.....	Do.
Potassium permanganate.	Item 330.....	do.....	do.....	do.....	do.....	Do.
Manganese phosphates.	Item 384b.....	do.....	do.....	do.....	do.....	Do.
Zinc phosphates and their solutions.	do.....	do.....	do.....	do.....	do.....	Do.
Acid-resistant putties made on an artificial resin base.	Item 163.....	do.....	do.....	do.....	do.....	Do.
Liquid artificial resin products for mixing of acid-resistant putties made on artificial resin base.	Item 173, liquid.....	do.....	do.....	do.....	do.....	Do.
Acid and fire resistant putties made on potassium silicate base.	Item 163, cement anti-acids.	do.....	do.....	do.....	do.....	Do.
Acid-resistant aqueous mortars.	Item 163 cement anti-acids.	do.....	do.....	do.....	do.....	Do.
Bituminous insulating varnishes.	Item 198.....	do.....	do.....	do.....	do.....	Do.

Foaming agents for the production of light concrete.	Item 344c.	do.	do.	do.	Do.
Sodium hypochloride solution.	Item 318/17. Imports from Germany to be free of duty.	do.	do.	do.	Do.
Dichromate.	Item 328. Protective tariff 30% ad val.	do.	do.	Licenses desired.	800 tons annually.
Chrome alum.	Item 322d.	do.	do.	do.	Erroneous data.
Chromates	Item 321.	do.	do.	do.	Do.
Synthetic tanning agents.	Item 304h. Imports from Germany to be free of duty.	do.	do.	Domestic production for supplying the home markets only.	Very small.
Oxalic acid (including oxalates).	Item 307. Protective tariff of 15 R.M. per % kilograms	do.	do.	No Belgian production.	Erroneous data.
Formic acid.	Item 307o. Exports from Germany to be free of duty.	do.	do.	do.	do.
Sodium formate.	Item 344c.	do.	do.	No Belgian production.	Erroneous data.
Calcium formate.	Item 334h. Exports from Germany to be free of duty.	do.	do.	do.	do.
Xanthates.	Exports from Germany to be free of duty.	do.	do.	Belgium to produce for the domestic market only. Special arrangements to be made with regard to the Belgian Congo.	Unknown.
Organic intermediate products (see memorandum of the "Dyes" branch).	do.	do.	do.	A price agreement regarding phthalic anhydride ought to be reached, particularly as to prices set for exports, as well as all agreements resulting from consular interchange of units which may possibly be exported in the future.	Unknown. No estimate possible.

Products	A	B	C	D	E	F
	Proposals for preference tariffs for exports from Greater Germany to Belgium.	Proposals for tariffs to be established between Belgium and other countries	Proposals for German quotas and import licenses with regard to Belgium	Proposals regarding the Belgian market and Belgian exports	Proposals concerning compulsory licenses for new construction and expansion of plants	Domestic production capacity
Vulcanizing accelerators, antiaging chemicals.	Exports from Germany to be free of duty; if necessary a small preference tariff should be levied. Items #431b, 363, 447, 384h, 410/411, 423. Preference tariff of 5% ad val.	Protective tariff of 25% ad val.	Germany to be entitled to export unlimited amounts to Belgium.	No Belgian production. Requirements to be supplied by Germany exclusively.	Licenses desired.	Erroneous data.
Cohesant	do	Protective tariff of 50% ad val.			Licenses desired.	
Cohesant solution	do	do			do	
Membrane	do	do			do	
Benzoin products	do	do			do	
Ferric oxide dyes	do	do			do	
Cadmium dyes	Item #494.	Protective tariff of 25% ad val.	Germany to be entitled to export unlimited amounts to Belgium.	No Belgian production, as far as we have been able to ascertain.	do	Unknown.
Molybdenic red	do	do	do	do	do	Do.
	Item #423. Exports from Germany should continue free of duty; if necessary, preference tariff of 2% ad val.					
Titanic dioxide	Item 423. Same proposals as for the preceding item.	Protective tariff of 25% ad val.	Germany to be entitled to export to Belgium.	The Belgian requirements were supplied by Germany up to the present. This should be continued in the future.	Licenses desired.	Unknown.
Glycol glyssantine	Item 384h. Preference tariff 5% ad val.	Protective tariff 70% ad val., as in U. S. A. up to the present.	Germany to be entitled to export unlimited quantities to Belgium.	Belgian industry to be incorporated into a future German-European cartel with headquarters in Germany.	Licenses desired, as these products are important to the armament industries. Belgium to be restricted to the production of glycol.	Total capacity for glycol production about 1,100 tons annually.
Ethylene	Items 384h, 315a, 384h. Preference tariff 5% ad val.	Protective tariff 25% ad val.	Germany to be entitled to export unlimited quantities to Belgium.	As above.	Licenses desired.	Total capacity for ethylene production about 10,000 tons annually.

Ethylene Chlorine.....	do.....	Protective tariff 100% ad val.	do.....	do.....	do.....	Do.
Ethylene oxide.....	do.....	Protective tariff 75% ad val.	do.....	do.....	do.....	Do.
Thermoplastic artificial materials and new condensation products.	Germany to be entitled to export these goods to Belgium duty free.	Protective tariff 30-50% ad val. (As handled up to the present in U. S. A. and England).	Germany to be entitled to export unlimited quantities to Belgium.	Belgian production undesirable.	Licenses desired.....	Erroneous data. (See under D.)
(1) Acetic acid*.....	Item 307a.....	For countries of greater Europe [a protective tariff of 25-30% ad val. For other countries 50% ad val.	Future exports to Belgium to be reserved for Germany.	(1) Belgian home production to be reduced under supervision of the German syndicate.	Licenses desired.....	(1) 1,400 tons 100%.
(2) Acetic anhydride*.....	Item 305.....	do.....	do.....	(2) Belgium to produce for the domestic market only.	do.....	(2) 1,800 tons.
(3) Acetone*.....	Item 363.....	do.....	do.....	(3) Exports from Belgium to be prohibited. Markets to be supplied by Germany.	do.....	(3) 300 tons.
(4) Methanol*.....	Item 357.....	do.....	do.....	(4) Production to be limited to supplying domestic markets. Exports permitted only when controlled by German producers.	do.....	(4) 6,000 tons.
(5) Formaldehyde*.....	Item 380.....	do.....	do.....	(5) As under (4).....	do.....	(5) ———.
(6) Camphor*.....	Item 121 to be imported duty free; if necessary preference tariff of 2% ad val.	do.....	do.....	(6) Requirements to be supplied by Germany, as in the past.	do.....	(6) ———.
Solvents.....	To be exported to Belgium from Greater Germany free of duty; if necessary preference tariff of 2% ad val.	do.....	do.....	Belgian industry to be limited to production for home markets. The extra requirements to be supplied by Germany.	do.....	Unknown.
Softening agents.....	do.....	do.....	do.....	do.....	do.....	Do.
Artificial resin adhesives.	do.....	do.....	do.....	do.....	do.....	Do.
Drying substances in particular.	do.....	do.....	do.....	do.....	do.....	Do.

Products	A	B	C	D	E	F
	Proposals for preference tariffs for exports from Greater Germany to Belgium.	Proposals for tariffs to be established between Belgium and other countries	Proposals for German quotas and import licenses with regard to Belgium	Proposals regarding the Belgian market and Belgian exports	Proposals concerning compulsory licenses for new construction and expansion of plants	Domestic production capacity
(1) Ethyl acetate	Item 355	For countries of greater Europe [a protective tariff] of 25-30% ad val. For other countries 50% ad val.	Future exports to Belgium to be reserved for Germany.	(1) Production to be limited to [supplying] domestic requirements to be supplied by Germany. (2), (11), and (13) Requirements to be supplied by Germany exclusively. (12) As #1.		(1) and (12): Unknown. (2) to (11) and (13): Erroneous data.
(2) Solvent E 13	Item 268b	do	do	do	do	Do.
(3) Solvent E 14	do	do	do	do	do	Do.
(4) Butanol	Item 356	do	do	do	do	Do.
(5) Butyl acetate	do	do	do	do	do	Do.
(6) Methyl acetate	Item 364	do	do	do	do	Do.
(7) Propenal	Item 356	do	do	do	do	Do.
(8) Plastomol in methyl acetate.	Item 364	do	do	do	do	Do.
(9) Intrasolvan	Item 356	do	do	do	do	Do.
(10) Mowitite and Alkydite dissolved in toluene or benzene	Item 193	do	do	do	do	Do.
(11) Soligene liquid	Item 431b	do	do	do	do	Do.
(12) Glycol derivative	do	do	do	do	do	Do.
(13) Chlorine rubber (pergu)	do	do	do	do	do	Do.
Cellulose derivatives such as nitrocellulose for varnishing purposes (celluloid wool).	If possible, free of charge—otherwise 2% preference tariff. Item 269a.	do	do	Requirements to be supplied by Germany exclusively. Abolition of licenses for purchasing transportation and use of materials as such licenses have a restrictive effect on imports—reason: these are not explosives but basic	do	Unknown.

Same, moistened with 35% ethyl alcohol.	do.	do.	do.	materials used in lacquer production. Belgian production of explosives to be limited to the making of collodion wool having a low viscose content.	do.	Do.
Same, moistened with other alcohol.	Item 269b	do.	do.	do.	do.	Do.
Same, moistened (no alcohol). Moistening agents which are duty free or on which is levied less than 69 Belgian francs.	Item 199a	do.	do.	do.	do.	Do.
Same, moistened (no alcohol). If moistening agent is subject to higher tariff.	Item 230b	do.	do.	do.	do.	Do.
Collection solution. Acetylcellulose (cel-lit).	Item 338	do.	do.	do.	do.	Do.
(1) Carbon tetrachloride.	Item 304f	Protective tariff 15 RM. per % kilograms.	do.	Requirements to be supplied by Germany exclusively. (1) No Belgian production.	do.	Do. Unknown.
(2) Trichloride and perchloric ethylene.	do.	do.	do.	(2) Belgian production to supply one-half of the domestic requirements, the other half to be supplied by Germany.	do.	(1) Erroneous data. (2) 540 tons annually.
Magnesium	Item 991, 992/93, 994 to be imported free of duty or subject to low preference tariff.	Protective tariff 20% ad val.	do.	Belgian processing industries to supply mainly domestic markets. Cooperation with German producers desired, particularly in regard to half-finished products.	do.	Unknown.
Magnesium alloys	do.	do.	do.	do.	do.	Do.

Products	A	B	O	D	E	F
	Proposals for preference tariffs for exports from Greater Germany to Belgium.	Proposals for tariffs to be established between Belgium and other countries	Proposals for German quotas and import licenses with regard to Belgium	Proposals regarding the Belgian market and Belgian exports	Proposals concerning compulsory licenses for new construction and expansion of plants	Domestic production capacity
Inflammable metallic cerium, cerium alloy. Water repellent abrasive paper.	Preference tariff 5% ad val. .....do.....	Protective tariff 50%N ad val. Protective tariff 25% ad val.	Germany entitled to unlimited exports to Belgium. Germany to be entitled to export to Belgium up to 25% of Belgian requirements.	Belgium to produce for domestic markets only. Production for domestic needs only.	Licenses desired..... .....do..... .....do..... .....do.....	Unknown. Do. Do. Do.
Dry abrasive paper. Nickel metal.....	Preference tariff 2% ad val. Item 732. Preference tariff of 2% ad val.	Protective tariff of 15% ad val.	Germany's quota in Belgian imports to be fixed after the problems concerning raw materials have been solved.			

* Remarks made here are valid only if the other members of the syndicate do not object. Products for which this limitation holds are marked with an asterisk.

Beryllium chloride, beryllium alloys, ferrotungsten, ferrovanadium, ferrovanadium, metallic molybdenum, metallic vanadium and their acids.—These products will be dealt with [by us] in cooperation with the economic group "Metal Industries" after an agreement with the members of the cartel has been reached.

As to raw materials, Belgian industry was to a considerable degree dependent on foreign countries. Belgium purchased her basic products at that time mainly in France, and also in Great Britain, Germany, and the Netherlands.

Belgian demand for medicines which exceeded to a considerable extent the actual output which Belgian firms were able to provide was supplied by imports coming largely from France. About the turn of the century the German pharmaceutical industry too attempted with mounting success to sell its products in Belgium. A few figures on the sales of the pharmaceutical division of the I. G. which are all doing business today under the name of "Bayer," demonstrate clearly the development between 1900 and 1914.

1900-----	About 150,000 marks
1905-----	250,000 marks
1911-----	350,000 marks
1913-----	500,000 marks

The Belgian pharmaceutical industry in its present form has developed chiefly since 1918. This development was furthered to a considerable extent by a complete reorganization of the Belgian tariff system in 1924 which provided for much higher tariff rates for special products originating in other countries. In addition the Belgian pharmaceutical industry was subsidized in the postwar years by the State and was furthermore assisted by receiving preferential treatment in the allotment of contracts by the State.

The value of the entire output of the pharmaceutical laboratories existing in Belgium at the present time amounts to about twenty to twenty-five million marks annually. It is consumed almost entirely within the country itself. Belgian exports of prepared medicines amounted in 1938 and 1939 to about eighteen million Belgian francs annually. This means not quite 1.5 million marks. These exports, when compared to the pharmaceutical exports of the larger countries, are insignificant particularly as almost half of these exports went to the Belgian colonies. Only in exceptional cases did the Belgian industry figure on other export markets.

The pharmaceutical industry in Belgium is composed of a number of larger enterprises, which developed after the first World War. At the same time the number of laboratories which have regional importance has greatly increased. The most important large-scale producers of pharmaceutical products in Belgium are:

Union Chimique Belge S. A. Pharmaceutical Division "Meurice."
 Pharmacie Centrale de Belgique (abbreviated P. C. B.).
 Louis Sanders S. A.
 Produits Bios, Etablissements Coutelier Frères.
 Laboratoire Optima S. A.
 Institut Pasteur, Brussels.
 Institut Sérotherapique de Gembloux.
 Laboratoire de Sérotherapique, Brussels.

To what extent the present pharmaceutical industry in Belgium has expanded at the expense of German exporting firms is best illustrated by the history of the development of individual firms. We shall give, therefore, a short resume on the most important firms:

Union Chimique Belge S. A. Pharmaceutical Division "Meurice"

The Pharmaceutical Division "Meurice" was incorporated into the Union Chimique Belge (which in turn is owned by a syndicate of banks under the leadership of the Banque de la Societe Generale de Belgique) only in 1929 by acquiring the Societe Anonyme des Produits Chimiques et Pharmaceutiques "Meurice." Ever since then the U. C. B. S. A. has maintained that it has created a national pharmaceutical industry and insists, therefore, upon protection by high import duties and far-reaching preferential treatments in the allotments of government contracts and all contracts for the colonies. The company has pleaded its cause successfully before the Belgium government for the last ten years.

A close examination of the products listed by "Meurice" will reveal that these products are to a very large extent nothing but imitations of those produced by the German pharmaceutical industry. Some of our products which were imitated were, for instance: "Bayer 205, a remedy against sleeping sickness; Salvarsan, Protosil, liver extract, etc." The U. C. B. has also attempted to plagiarize our synthetic malaria medicines, Atabrine and Plasmochin, but has not met with success in this respect. It may rightfully be asserted that not a single interesting discovery has originated in the "Meurice" laboratories. In order to round out the description of the firm of "Meurice" it may be stated that it imitates leading

German firms even as to its methods of advertising. It must be further emphasized that the U. C. B. used political arguments in its advertising in order to keep the German products from the Belgian market.

Pharmacie Centrale de Belgique (Abbreviated: P. C. B.)

This company was originally established as a wholesale firm. In due course of time however, it became an agent for various firms, French firms in particular, and later on made special products of its own in the pharmaceutical field. A considerable part of its shares was gradually acquired by the U. C. B. The P. C. B., therefore, must be considered the main agent for the pharmaceutical products under the trade mark of "Meurice" for the Belgian market. A list of the board of directors shows a great many of the same names as the management of the U. C. B. The board of directors of this firm is in turn composed of members of the board of directors of the above-mentioned Belgian Banque de la Société Generale de Belgique. In view of this fusion between managing organs of the U. C. B. and the P. C. B., it is perfectly clear why the P. C. B. has followed the same methods of the U. C. B. as to manufacturing processes and as to advertising.

Louis Sanders A. S.

This firm's main activity is the sale of popular quack remedies which it attempts to market with the help of an extensive newspaper campaign and by other advertising tricks. It is significant that there is constant criticism of the advertising methods employed by the firm of Sanders even by Belgian doctors and pharmacists. Only during the last few years the firm has begun to put its production on a more scientific basis by establishing a laboratory for hormone and vitamin research. In this connection it must be stressed that mainly chemists, who had emigrated from Germany and Austria were called upon to assist in the expansion of this enterprise. There have been no important achievements, however, in this laboratory up to now. Its plant, situated in the environs of Lath, near Brussels, produces a few pharmaceuticals on a small scale which up to the present time have disturbed our activities only on the Belgian market.

The firm of Sanders is a typically Belgian Company—that means it is made up of financiers and politicians who considered the opposing of German competition as their common task.

Produits Bios, Etablissements Coutelier Frères

This company and the brother of the former Minister of Economics, van Isacker, were granted exclusive right for the production of opiates in Belgium. This hurt the German industry considerably as its exports were thus made impossible. Coutelier, a Frenchman, who later on acquired Belgian citizenship, was for some time vice president of the Belgo-German Chamber of Commerce, although his company was always ready to fight German imports. The Belgian Ministry for Public Health on different occasions objected to the vaccines produced by the firm of Coutelier because of their inferior preparation and quality.

Institut Pasteur Brussels

The institute which is patterned wholly after that of France, was originally intended to be nothing but an institute for hygiene. Although it belongs to the Province of Brabant, it took up the production of serums and particularly tetanus and diphtheria serums. It succeeded in having the Government institute protective tariffs for these products which hit the German serum industry in particular very hard.

Institut Sérotherapique de Gembloux

This institute produces serums and vaccines to be used for human beings and animals and one of its main aims is the opposing of German imports. Together with the above-mentioned Institut Pasteur in Brussels, it has worked for the introduction of protective tariffs.

Laboratoire de Sérotherapique, Brussels

This laboratory, which like the above-mentioned institute, sells serums and vaccines to be used for human beings and animals, is particularly anti-German and it uses preponderantly political arguments in advertising among its customers who are mainly Belgian doctors. More recently a close cooperation between this laboratory and the Union Chimique Belge S. A. has been apparent. The U. C. B. apparently has acquired an interest in this enterprise and intends to incorporate it into its own organization as a department for veterinary supplies.

Belgian doctors and pharmacists in particular and also a large part of the general public have always been anti-German. This has been an essential factor in aiding the above-mentioned firms in their efforts to dislodge German products from their position on the Belgian market. This was particularly the case during the time of high political tension (regarding introduction of compulsory training in Germany, militarization of the Rhineland, etc.). This attitude was fostered by emigrants and by the newspapers which were almost 100 percent anti-German. In spite of all this the German pharmaceutical industry was able to improve its position continually after the first World War. This development went hand in hand with the general advance of our ready-made special products, a field in which these superior German products were able to prevail in spite of all obstacles. A few figures referring to the turn-over by "Bayer" in Belgium suffice to prove this point:

	Marks		Marks
1925-----	600, 000	1934-----	1, 500, 000
1928-----	975, 000	1937-----	2, 000, 000
1930-----	1, 300, 000	1938-----	2, 350, 000

Several obstacles to the exports of German chemicals to Belgium—exports which could have been further expanded—have already been mentioned briefly above. We shall repeat here the most important ones:

Increased tariff rates in 1924 necessitated price raises which made it difficult for German products to compete. While formerly the tariff rates were computed from the wholesale value of the product including the cost of transportation and incidentals to the border this procedure was abolished and following the French example, the tariff was based on the retail price.

The protective tariffs for serums and vaccines which were instituted exclusively to protect the production of the above-mentioned Belgian institutes, have hurt our business in these products considerably.

The tariff law made it obligatory to affix the name of the country of origin to all advertising material (for instance *Imprimé en Allemagne*—printed in Germany). Although this requirement applied to all countries it was particularly detrimental in its effect on the sale of German products, as potential customers for pharmaceuticals were especially anti-German. The national industry was given unqualified preference on the part of the Belgian authorities in cases of contracts for the army and for the colonies. Belgian industry received those contracts even if its prices were considerably higher than those of other competitors. This fact has closed large potential markets to the German export industry especially during the last few years before this war.

It was Belgium in particular which insisted upon reparations made in pharmaceutical products and which has received such reparations for one year more than all the other allied countries, namely until 1926, by selling at cut-rate prices tremendous amounts of reparation merchandise, amounts which far surpassed Belgian demands. In Belgium and in other countries even after the year 1930 this resulted in very considerable damage to us. This cannot be estimated even approximately.

II

The new order of the pharmaceutical industry in Europe as planned for the postwar period makes it imperative to formulate the following requests which are justified by the above-described development of the Belgian pharmaceutical industry:

I. The German pharmaceutical industry must have complete freedom of action in the Belgian market. In regard to individual importance, pharmaceuticals which were created by the inventiveness of Belgian industry and in which, therefore, this industry has a certain right to continue its activities, sales in Belgium and in other markets should be regulated by agreements.

We believe that the following steps should be taken in order to realize this general proposal:

(a) For imports to Belgium the maximum tariff rate for pharmaceutical special products must not exceed 10 to 15 percent of the wholesale value including transportation and incidentals free to the border. This maximum rate must not be artificially increased by imposing taxes and import duties of any other kind. All other charges connected with imports must be computed so that the entire amount of all charges including duty will not exceed the above-mentioned 15 percent. The method used by France and imitated by Belgium according to which duty for pharmaceutical specialties is levied from the general retail price, has to be replaced

by the usual method of levying tariffs, namely by computing the tariff rate on the basis of the wholesale value including transportation and incidentals free to the border.

(b) Protective duties for serums and vaccines which were introduced a few years ago in the interest of the Belgian Institut Pasteur must be abolished as it cannot be the objective of such an institute to manufacture these products on a commercial basis.

(c) By computing profits on the basis of turn-over for tax purposes a pro-rata of 5 percent of the turn-over seems to be an adequate percentage for the pharmaceutical business.

II. In addition, several Belgian administrative regulations with regard to the pharmaceutical business must be abolished or should be changed as they have a retarding effect upon the sales of German products:

(a) German pharmaceuticals must receive the same treatment as Belgian products when Belgian authorities or public institutions invite bidding on contracts or allot contracts in any other way.

(b) As mentioned above, the Belgian doctors and pharmacists assumed a very negative attitude towards the German pharmaceutical industry during the boycott movement. This attitude must not be fostered by administrative orders or by private consumer agreements aimed at giving preferential treatment to remedies of Belgian origin by using these exclusively. Precautions must also be taken that the authorities do not secretly assist the national industry by issuing any other administrative orders.

III

In order to achieve the disposition as intended of the pharmaceutical industry in greater Europe under the supervision of the German pharmaceutical industry, the Belgian pharmaceutical industry, too, must be given its place in Belgium itself as well as in the export markets. The main objective of the Belgian pharmaceutical industry should be the supplying of the domestic market and of such colonies as might be left to Belgium. Belgium producers should be allowed to export, only after price agreements and market regulations have been made with the German pharmaceutical firms. Such agreements are particularly desirable for the more important pharmaceuticals and should form a part of over-all agreements for the entire world. With regard to the aforementioned arguments, we reserve the right to submit separate proposals on the part of the German pharmaceutical industry.

In order to secure such cooperation in the export field we should plan either to require financial investments on the part of the Belgian pharmaceutical industry in German export organizations abroad, or we should incorporate those industries outright into such organizations. In this connection, it would seem to be imperative to gain control of the pharmaceutical division "Meurice" which is part of the U. C. B. The part of the Belgian industry which was engaged in the production of substitutes had met, with considerable success, particularly in Belgium, as is evident from the outline of its history given above. It was engaged mainly in imitating German preparations. A purge of this industry therefore seems to be to the interest of the German producers of the original preparations. To achieve this, it will be necessary to examine the entire field of Belgian production of such preparations in cooperation with the interested German firms. This will enable us to single out individual preparations which are merely imitations of German products and which, therefore, must be removed from the list of items which Belgian producers may manufacture.

In the field of serums and vaccines, Belgium production was developed without any consideration for the rather limited demand of the country. This was achieved by protective measures on the part of the State. As it is not difficult to supply all requirements from German production, the State-owned laboratories should either be completely abolished, since their output is neither essential nor necessary, or agreements should be made concerning price and marketing to avoid disturbances of the market. The output of private producers insofar as it competes with German preparations, ought to be treated in like manner; here, too, it is desirable to reach agreements on prices and marketing. In the field of dental supplies it is absolutely imperative to purge the Belgian market of local anesthetics and dental preparations. There is a large number of small producers who manufacture products of inferior quality which are consequently cheaper. These producers would have to step back in the interest of the more serious German firms and of their high-quality products. This would be achieved by agreements regulating this market. Particular emphasis should be placed upon the require-

ment that the formerly large imports of special finished dental supplies from France and England be replaced by imports from Germany insofar as possible.

During the last few years a rather unpleasant situation has arisen in regard to the industries engaged in the production of chemicals for pest control. The attitude taken by the firm "Protex" in particular is responsible for bringing about this state of affairs. This firm has marketed imitations of our preparations, Solbar and Nosprait, under the names of Soltex and Cupracid. In addition, it competes with German-made lead arsenate, a high-quality product, by marketing an inferior imitation. We have brought suit, under the patent law, against this firm with regard to its marketing of Soltex. The firm of Protex markets its products by adopting methods which can only be considered as unfair competition. In addition to this, the firm of Protex does not produce its own chemicals, but orders the chemicals marketed by it from the Belgo-Chemie which began to manufacture these products only after Protex had urged it to do so. Even so, the Belgo-Chemie was able to begin the manufacture of these products only after it had succeeded in hiring an emigre German-Jewish chemist.

In view of all this we believe it necessary to have the Belgo-Chemie abandon its production of chemicals for pest control which, at any rate, is a completely new field for this company. Furthermore, the firm of Protex should be directed to enter into negotiations with us in regard to the future development of their sales.

This new regulation of Belgo-German relations will have to be supplemented by introducing a compulsory licensing system for the construction of new plants for the pharmaceutical industry in Belgium. Furthermore consideration must be given to the matter of which of those very small laboratories having only local importance may continue to operate.

Shipments of raw materials used in the production of pharmaceutical specialties should be distributed among Belgian firms in such a way that Belgian products manufactured from these materials do not compete with similar products of German origin, either in Belgium proper or in other countries.

4. PHOTOGRAPHIC SUPPLIES

I

Before the first World War, the only firm making photo-chemical products was the firm of Photo-Produits Gevaert S. A., Vieuxdieu near Antwerp.¹ After the war the Union Chimique Belge S. A., Brussels, was established which also produced photo-chemical supplies. Another maker of photographic films is the Societe Industrielle de la Cellulose (Sidac) at St. Gilles-les-Bruxelles, which has a capital of 37.4 million francs and reserves amounting to 33.9 million and which operates a factory at Ghent. Photographic plates are produced, although on a minor scale, by the Etablissements des Produits Photo-Chimique S. A., Kortryk.

Although at the end of the first World War sales of our photographic supplies were resumed in Belgium it was only in 1926 that we were able to secure a foothold in the Belgian market worth mentioning by establishing the marketing organization of Agfa-Photo at Brussels. Our share in the Belgian business increased from year to year, thanks to the high quality of the Agfa products. Sales increased from 458,990 Belgian francs in 1925 to 11,253,349 Belgian francs in 1938.

Besides Germany, the U. S. A. (Kodak) and England (Kodak and Ilford) exported considerable quantities of these supplies to Belgium.

It was Gevaert which set the prices of and discounts on photographic films, photographic paper and plates for the country. The prices quoted by Gevaert were minimum prices binding for the members of the international cartel.

¹ Established, 1894; present capital, 140 million Belgian francs; reserves amounting to 14 million Belgian francs. The company tried to surmount the growing difficulties connected with exporting by establishing subsidiaries in various countries. Thus in 1936 the firm of L'Industrie Photographique S. A. was established at Lille and in 1938, the Voigtlaender-Gevaert G. m. b. H. at Berlin-Spindelfeld with a capital of 1.5 million RM. The latter company was founded jointly by [the latter] and Voigtlaender & Sohn A. G., Brunswick, which is a subsidiary of Schering A. G.; at the same time, Voigtlaender & Sohn A. G. took over the marketing organization of Photo-Produits Gevaert for Germany. In the U. S. A., Gevaert has constructed a plant in Williamstown, Mass., and will soon begin operating it. Moreover, the firm has an interest in the Spanish firm of Infonol S. A., Barcelona, Calle Diagonal 490, as well as interests in firms of various other European countries.

The Union Chimique Belge S. A., which formerly also made photographic supplies in its "Fotobel" plant at Bruxelles-Evere concluded an agreement with Photo-Produits Gevaert in 1938 which limits the Union Chimique to the production of only those basic and auxiliary materials which are used by the photo-chemical industry. Its main products are photo chemicals which, as far as we have been able to ascertain are bought up by Gevaert.

Sales of raw film used by the motion-picture industry were never very large in Belgium, as the Belgian motion-picture market was dominated by French and American firms and as the national Belgian motion-picture industry was of comparatively minor importance. The actual, though unimportant demand for raw film was supplied mainly by Gevaert, which offered its product at a price about 40% below the German price.

Due to considerably lower costs of production (lower wages and prices paid for raw materials) Belgian firms were able not only to keep prices at a very low level inside the country but also to set export prices for the rest of Europe and overseas, which were considerably below the German price level. In addition, the Belgian industry making photographic supplies was protected inside the country by high tariffs.

Although the Belgian trade policy was not directed against Germany in particular and although Belgium had not established import quotas or other import restrictions our exports to Belgium suffered considerably because of other regulations.

Our sales were considerably hampered by the import tax, the sales tax, and the tax on luxury goods as well as by other tax regulations. A further restrictive element was the provision of the tariff law, according to which all goods had to be marked with the names of the countries of their origins, as this requirement worked exclusively to Germany's disadvantage because of the country's anti-German feelings.

We were unable to take part in the submitting of bids when public invitations for bids were issued; neither were we considered in supplying State or city-owned establishments, authorities, etc., as the domestic industries and Gevaert in particular would always be given preferential treatment. It might even be assumed that in these instances, the authorities prescribed expressly that only domestic products were to be purchased.

Attempts to increase our exports were further hindered by the fact that we were unable to secure the permanent services of a German national at Agfa-Photo, Brussels, since residence and working permits were issued to German nationals for a limited period of time only.

II

In respect to future German exports of photographic products to Belgium it would be desirable if a further expansion of the Belgian photographic industry were made dependent upon licenses of such German authorities as may be put in charge of these matters. The firm of Gevaert would thus be obliged to supply the Belgian market only to an extent which would not jeopardize German interests.

Exports on the part of the Belgian industry to other countries should be made only to an extent to be determined by Germany's need for exports to the countries in question, especially since Gevaert's production capacity is excessively large at the present time and will result in strong pressure for additional exports.

To protect the Belgian industry it might be advisable to establish a tariff rate of 25% on products of other countries and a rate of 5% including additional charges, for German products.

All measures of a discriminatory nature should be abolished and German importers should be entitled to participate in submitting bids whenever public bidding is invited.

5. AROMATIC SUBSTANCES

I

The Belgian market in aromatic substances has always had to meet stiff international competition. The French industry for the production of aromatic substances in particular considered the neighboring Belgian market as its exclusive domain. This industry's leading position was even further strengthened when the French currency was progressively devaluated. This very stiff French competition caused us considerable difficulties in the sale of our products, difficulties which were further increased by offers at cut-rate prices on the part of the other countries which had devaluated their currencies—England and Holland—and by an intensive propaganda against German-made goods. This fact is best illustrated by figures of our sales, which in 1929 amounted to 11,000 RM. and to only 5,000 RM. in 1935. These figures, however, do not include those for our sales of vanillin and ethyl vanillin.²

² German manufacturers of vanillin and ethyl vanillin decided to market both products jointly in Belgium as of 1938. For this purpose, they appointed a single firm to sell the above-mentioned products in Belgium.

II

To promote exports of German-made aromatic substances to Belgium we suggest establishing a tariff system, which would accord a preferential treatment to Germany as compared to our competitors abroad.

6. ARTIFICIAL SILK AND CELL WOOL

The technical group "Chemical Production of Fibers" will submit for the entire German industry all data on the production of artificial silk and cell wool to the Ministry of Economics.

7. NITROGEN AND NITROGEN PRODUCTS

I

Just as in Holland and France the example furnished by the German chemical industry induced groups of Belgian industrialists and capitalists to invest considerable amounts of money in this field. The expansion of various plants, which was to take several years, was begun in part as early as 1925. In 1929, the lime-nitrogen plant Societe Belge d'Electrochimie at Langerbrugge was put into operation. This had an annual production capacity of 5,600 tons N. At about the same time, production, though on a limited basis, was begun in the synthetic nitrogen plants. This production was divided among the four groups as follows:

- (1) Solvay Group:
Production method: Casale process.
Capacity: 60,300 tons N.
Installations at Zandvoorde and Tertre.
- (2) Ougree-Marihayé Group:
Production method: Claude process.
Capacity: 61,700 tons N.
Installations at Ougree and Vilvorde.
- (3) Kuhlmann:
Production methods: Casale and NEC processes.
Capacity: 25,400 tons N.
Installations at Selzaete and La Meuse.
- (4) Montecatini-Coppee Group:
Production method: Fauser process.
Capacity: 27,500 tons N.
Installations at Willebroek.

The production capacity of the Belgian synthetic plants, including plants making lime nitrogen, amounts to about 180,000 tons N at present. In addition, Belgium has at its disposal another 20,000 tons N made from byproducts of coke ovens and gas plants. A comparison of these figures and the 72,000 tons N used domestically for agricultural and technical purposes reveals that the existing production capacity is far greater than the domestic demand and that the synthetic industry's production is intended mainly for export.

During the years following the end of the first World War the demands for nitrogen of Belgian farmers were supplied mainly by shipments of Chile nitrate. These shipments amounted at times to about 28,000 tons N annually. In addition, about 10,000 to 15,000 tons N in the form of ammonia sulphate, a byproduct of the Belgian coke ovens and gas plants were available. Most of these byproducts were sold in Belgium by the Comptoir Belge du Sulfate d'Ammoniaque, Brussels.

In view of the large demand for nitrogen products by the Belgian farmers it was only natural that Belgium asked for a share in shipments of nitrogen fertilizer made by Germany as a part of its reparations. The following quantities of pure nitrogen, mainly in the form of ammonia sulphate, were received and charged to the reparations account:

Tons N		Tons N	
1924-25.....	about 205	1927-28.....	about 10,000
1925-26.....	about 5,000	1928-29.....	about 7,700
1926-27.....	about 7,800	1929-30.....	about 6,500

Reparation shipments were made partly through the above-mentioned Comptoir Belge du Sulfate d'Ammoniaque, Brussels, which changed its name to Comptoir Belge des Engrais Azotes, Brussels, because in addition to ammonia sulphate

other products such as calcium nitrate and Leuna nitrate were shipped on account of reparations. Moreover, a number of other Belgian firms had a share in the German reparation shipments of nitrogen fertilizer.

In view of the increase in the Belgian home production, a closer cooperation of Belgian producers became necessary. Gradually, the synthetic nitrogen plants joined the *Comptoir Belge des Engrais Azotes*, Brussels, although a number of these plants retained the right to market their products independently on the basis of prices and conditions fixed by the *Comptoir Belge*. Soon afterwards, however, the producers of synthetic nitrogen banded together by establishing an organization of their own, the *Federation Belge des Producteurs d'Azote*, Brussels. The *Comptoir Belge des Engrais Azotes*, Brussels, in its capacity as representative of the makers of byproducts, also became a member of this organization. This organization was to represent the Belgian nitrogen industry in the international nitrogen cartel and to fix the share claimed by the various producer groups in the Belgian market and in export markets.

During the first few years of its existence the Belgian synthetic industry produced ammonia sulphate exclusively. Consequently, Belgian purchases in Germany stopped as far as this product was concerned and only the other types, consisting mainly of calcium nitrate and chloride of ammonia (lime ammonia) were purchased from Germany. Gradually, however, the Belgian plants began to produce these chemicals, too, so that at the end of the fertilizer year 1934-35 they were able to do almost entirely without imports of German goods. All that remained to the German industry were some minor shipments to Luxembourg, which was bound by a tariff union with Belgium.

Up to the present, the Belgian colonies have had practically no need for fertilizer whatsoever.

In view of the threatening overproduction in the early part of 1930 which was due to the fact that the newly organized European nitrogen plants had started production, and in view of the possible consequences which might result therefrom, the international nitrogen cartel was established in the summer of 1930, which the Belgian nitrogen industry joined. However, at the end of the fertilizer-year 1930-31 this cartel fell apart again. The German nitrogen industry was now faced with the following very serious situation in regard to Belgium, a situation which could be straightened out only at the cost of heavy financial sacrifices:

During the existence of the cartel the individual producers were protected by the principle, according to which the domestic markets were the domain of the national producers. In other words, domestic markets were reserved to the national industries. When the cartel fell apart the large German domestic market was wide open to foreign nitrogen producers. The flooding of this market with foreign goods at dumping prices became a real threat. Although the German government in July 1931 established a prohibitive import tariff of 120 R.M. for each ton of nitrogen fertilizer, this tariff did not affect Belgium, as the Belgo-German trade agreement of 1925 granted Belgium the right to import ammonia sulphate free of duty. Due to this restriction, the established tariff rate could not be enforced in regard to other countries; namely, those countries which were entitled to the advantages resulting from the most-favored-nation clause, as Holland, for instance. It was not possible to prohibit imports, as the Belgo-German trade agreement contained a regulation according to which the trade between the two countries was not to be impeded by prohibiting imports or by other measures which might be detrimental to mutual trade.

The only way left open to the German nitrogen industry was to enter into negotiations with the Belgian industry. An agreement was reached in August 1931 according to which the Belgian industry producing synthetics was paid a lump sum of 8.5 million R.M. for reducing its output to about 26,000 tons N—of which not more than 13,000 tons N were to be used for exports—and for shutting down plants under construction. The German industry furthermore agreed to pay a duty of 15 pf. (Pfennige) for each kilogram of N which it would export to Belgium. The Belgian producers, on the other hand, agreed to accord preferential treatment to the syndicate when importing products not made by themselves, i. e., mainly in the import of nitrates.

Subsequently the German and the Belgian governments in an exchange of notes agreed to adopt mutual import prohibitions. Belgium changed this to a licensing system inasmuch as further imports appeared to be necessary.

Trade policies thus resulted in an agreement between the nitrogen syndicate and the Belgian producers even in a year of general trade wars such as that of 1931-32.

Under the International Nitrogen Syndicate agreement which was renewed in 1932-33 the basic principles of the above-mentioned agreement were at first continued. In subsequent years the Belgian producers were free to produce for the domestic market. However, since their share in the cartel exports was set at only 10% of the total cartel exports, i. e., to only about 25,000-30,000 tons N annually it remained necessary to limit their production considerably in relation to the production capacity. During the fertilizer year 1938-39 synthetic production including lime nitrogen amounted to about 68,600 tons N.

The export quota of the Belgian industry producing synthetics with the exception of the share assigned to the Kuhlmann group, was not marketed independently but was sold through the nitrogen syndicate in the export markets.

As mentioned before, Belgium has not purchased any quantities of nitrogen to speak of from Germany since 1935. Only Chile saltpeter is still imported—about 7,000 tons annually which, because of the conservative attitude of the Belgian farmers, was able to hold its ground against calcium nitrates. There was still a small market for German calcium nitrates and calcium ammonia in Luxemburg. Except for a quantity of 600 tons which may be imported duty free in accordance with the existing agreement the remainder of these imports is subject to the duty of 15 Pfennig per kilogram N.

We were thus freed of the obligations arising from the trade agreement of 1925, which were the basis for the enormous compensations paid to Belgian industry during the last few years as a result of intervention on the part of the German government. Payments as compensation for reducing production which were based on the international agreements were continued, but were adapted to changing conditions as individual agreements were only extended on the basis of the *status quo*.

The above-mentioned groups also make nitrogen products for technical purposes, mainly ammonia water, aqueous ammonia, nitric acid, and ammonium nitrate. They supply Belgium's entire demand amounting to about 6,500 tons N, except for a small quantity of such products (for instance, urea and potassium nitrate) which they have not manufactured up to the present and of which they imported in 1938-39, for instance, about 160 tons N from Germany. The nitrogen syndicate has had (convention) agreements with the Belgian producers for several years, with the exception of Kuhlmann. Protection of the respective home markets was provided for in a general agreement. Additional export agreements guaranteed the Belgians certain export quotas for various types of products. In accordance with these agreements Belgium has lately exported about 3,000 tons N.

II

Future Belgian production of nitrogen cannot be separated from European production as a whole, just as before the present war, it was an integral part of this production, in the framework of the European nitrogen syndicate. For this reason, it is impossible to treat the reorganization of the Belgian nitrogen market as a separate problem. Belgo-German relations in the nitrogen field must rather be fitted into the postwar pattern for a greater German economic sphere.

In order to regulate the nitrogen business inside the European economic sphere and to determine its relationship to the rest of the world, three main problems must be solved after they have been brought into accord with each other. [These problems are:]

- (1) The development of agriculture in Europe and its relationship to the world's markets for agricultural products.

- (2) The organization of the European nitrogen markets with regard to imports of Chile saltpeter which are necessary for reasons of trade policy and the organization of nitrogen exports from Europe to the nitrogen markets of the rest of the world.

- (3) Direction and supervision of the industrialization in the nitrogen field within the boundaries of the greater German economic sphere and influencing of the development of nitrogen production in the rest of the world.

These problems are closely interwoven in many respects and the effect which each of them has on the other must be given special consideration in the course of any reorganization of the nitrogen business.

It would be desirable if, in the future, Germany were accorded *preferential treatment* with respect to all extra demands for nitrogen on the part of Belgium and her colonies—along the same lines suggested for other countries.

By this measure imports of Chile saltpeter are to be excluded and/or controlled. It is very well possible to replace Chile saltpeter by other synthetic nitrogen products as was done in Germany.

In order to safeguard German exports to Belgium and her colonies all regulations impending at present, the entry of German goods and also of foreign goods, as far as these are exported through Germany should be abolished and/or rectified (for instance, the Belgian licensing system.)

8. IMPORTS

During the last few years, I. G. imports from Belgium amounted on an average to about 1,500,000 RM. annually. The main items were benzene, toluene, and glycerin. There were practically no imports whatever from the Belgian colonies.

Although I. G. is greatly interested in securing such shipments from Belgium in the future as were received in the past, we shall refrain from making specific proposals in this report, as the above-mentioned products are handled by the competent Reich authorities and/or the joint associations [Arbeitsgemeinschaften] which are in charge of this matter and are given due consideration by these offices in accordance with the duties to be performed by them.

EXHIBIT No. 6

NEUORDNUNG (NEW ORDER) FOR NORWAY

[Translation: Schütz/Schmitt]

With regard to section B, "Questions of right of domicile," we suggest to insert the following *paragraph 4*:

"In the Norwegian laws to arrange the concessioning of the acquirement of grounds and water powers, it is provided that corporations, in order to obtain such a concession, must have a management composed to the greater part of Norwegians. Moreover and according to the laws, it is left to the judgment of the Norwegian government to transform the concession terms and—in this way—to take care that also at least 51% of the capital of these corporations remain in Norwegian hands. It should be endeavoured that persons or corporations of German nationality in similar cases are to be equalized to subjects and corporations of Norwegian nationality, so that corporations obtaining a ground or water-power concession may in future also have a management consisting to a greater part of members of German nationality, and that also in the concession terms no objections can be made by the Norwegian government against such a German majority.

As to section C, "Measures concerning rates and taxes" we suggest to insert the following paragraphs 3 and 4:

"3. *Double taxation*.—Considering that a German-Norwegian agreement concerning double taxation does not exist, the German participations in the industries which on German suggestion actually are arising in Norway (see A, No. 4, 5, 9) are subjected in the first place to the normal Norwegian taxation. The revenues from these participations are, however, moreover subjected to the deduction of 25% for revenues, licences, etc., to be paid abroad. These revenues, considerably reduced already in this way, are subjected in Germany once more to a complete taxation (corporation profits tax and trade licence). In consideration of these extraordinary charges a reasonable bearing of capitals invested in Norway is no longer guaranteed. It is also not possible to get a premium of risk with regard to the dangers in consequence of the war. For these reasons it appears absolutely necessary to come to an agreement as to double taxation.

"4. *Maintenance of the privilege of subsidiary companies (Schachtelprivileg)*.—With regard to government or local taxes incomes resulting from a participation in a Norwegian joint-stock company are—according to the Norwegian taxation law—not taken into account when calculating the incomes for which a tax has to be paid. This far-reaching privilege of subsidiary companies is of considerable importance for the construction of new industries in Norway with the assistance of Germany, it would, therefore, be desirable to have the confirmation of the Norwegian government that a suspension of this privilege of subsidiary companies is not intended."

Before forwarding these suggestions, we think it necessary to apply for the consent of the Central Tax Department (Zentral-Steuer-Abteilung).

REGISTERED—STRICTLY CONFIDENTIAL

I. G. FARBENINDUSTRIE AKTIENGESELLSCHAFT,
DIVISION OF ECONOMIC POLICY,
Berlin, Unter den Linden 78, May 8, 1941.

Re: Norway proposals by I. G. in connection with peace plans.

To the MEMBERS of the MANAGEMENT COMMITTEE.

GENTLEMEN: On behalf of the Business Committee we are forwarding you herewith an outline of a memorandum, which attempts to summarize proposals by I. G. for the shaping of German-Norwegian commercial relations with the major European planned economy in accordance with the directive given by the Business Committee.

Since these suggestions must be submitted as soon as possible to the competent authorities may we ask that you inform the Division on Economic Policy before the 15th of this month of any opinions which you may have in this matter.

Heil Hitler!

I. G. FARBENINDUSTRIE AKTIENGESELLSCHAFT,
(Signed) Illegible.

NORWAY

Prior to the outbreak of the war the position and the potential development of Norway's chemical industry was determined chiefly by the fact that Norway had once been interested in an extremely extended world trade and on the other hand was forced to plan the enlargement of its sources, of raw materials and the increase of its industrial output in order to be able to meet the consequences of the crises of the world trade.

The interest in an extremely extended world trade was the result of the structure and economy of the country. Not being self-sufficient in either agriculture or industry, Norway was under the double burden of being compelled to import certain foodstuffs, raw materials (coal and oil) and ready-made goods and to export its surplus production of fish, wood pulp, base metals, etc.; and finally, since the Norwegians have always been a typically seafaring people, it can be easily understood that the principle of free trade has been prevalent among them.

Since the Norwegian economy, because of its structure was entirely dependent upon international trade, it has proved increasingly necessary to plan and bring about an enlargement in its sources of raw materials and an increase in its industrial output.

The following has been planned:

Increase of the agricultural production.

Development of the industry utilizing fish.

Exploitation of water power.

Promotion of mining production, and

Expansion and improvement of the quality of the industrial production.

The events of the war cut short with one blow Norway's international trade relations and led her definitely if only hesitatingly on the road towards increased industrial production described in the said plans which she followed, though hesitatingly, in the beginning.

This increase of industrial output of the country may be considered as a part of the total plan of the New Economic Order, which comprises the entire European continent. Its nature is so varied and insofar as the chemical industry is concerned so closely interwoven with the interests of other industries that it does not seem advisable to go into details at this point. We should therefore like to limit ourselves in the following to outlining those matters which affect our interests and our proposals connected therewith insofar as they concern relations connected with trade policy and the elimination of difficulties hindering the export to Norway of our products. It may be said in this connection that the incorporation of Norway into the system of continental European economy, headed by Germany by severing the former closely interlocking relations in trade policy of Norway and England, by ending the division of Norway's foreign trade among numerous markets, which is contrary to the country's economic structure, will at the same time ease the German export situation. The readjustment to German needs resulting from this incorporation is a sign of structural change in the Norwegian economy and foreign trade.

Guided by the above considerations, we should like to make in the following, several suggestions concerning the future structure of German-Norwegian trade

relations and in this connection give a detailed report of the individual markets in relation to our export interests and formulate our specific proposals resulting therefrom.

PROPOSALS CONCERNING THE FUNDAMENTAL STRUCTURE OF GERMAN-NORWEGIAN TRADE RELATIONS

A. MEASURES AFFECTING TRADE POLICY

(1) Formulation of Norwegian foreign exchange and currency provisions so as to safeguard German interests in every respect and prevent Germany from being treated less favorably than other countries.

(2) Retention of the present arrangements, whereby German goods are exempt from Foreign Exchange licensing requirements applicable to goods coming from other countries. If, after the war, it is necessary to broaden regulations governing quantitative restrictions of imports into Norway which would have to include German imports as well, satisfactory import quotas for German goods must be secured in connection with which goods which used to be supplied from other countries and particularly from England would have to be secured largely from Germany with due consideration for the necessary equilibrium of the Norwegian balance of payments. This is especially advisable from the point of view of creating a sufficiently great outlet for high-quality substitute materials (e. g., synthetic tanning materials, raw materials for varnishes, artificial fibers, and other synthetic materials). Possible quotas would have to be controlled by German offices.

(3) Prevention of the raising of the Norwegian tariff rates either as a whole or on important German export articles.

(4) Examination of the possibility of developing a preferential tariff system in favor of Germany in connection with which the absolute rate of the preferential tariff should forestall any prohibitive effects to the detriment of Germany. The extent of such preferential treatment as compared to third countries should be established by items and should be agreed upon. However, in this connection, considering the generally bearable Norwegian tariff level, a sufficient margin of preference should be secured in part only by increasing the tariff rates for goods from third countries or by introducing new import duties on items which hitherto have been imported free of duty.

(5) Protection against discrimination in connection with certificates of origin, compulsory declaration, registration, and other similar measures.

(6) Abolition of provisions, issued by authorities, syndicates, and the like, whenever discrimination against German products in favor of those produced by other countries are inherent therein.

B. QUESTIONS REGARDING THE RIGHT OF SETTLEMENT

(1) German nationals should be granted residence permits without any restrictions.

(2) Work permits should be granted to German nationals in accordance with business requirements at the discretion of German authorities.

(3) A free right of establishment should be granted, taking into account the pertinent provisions of the trade police and like authorities which are also applicable to Norwegian business enterprises.

C. TAX-POLICY MEASURES

The establishment of industrial enterprises ["Betriebsstätten"] of German firms, within the meaning of the terminology of the double taxation agreements concluded by Germany (e. g., branch establishments, manufacturing centers, branches, agencies), as well as the establishment of subsidiaries of German enterprises should not be complicated by tax measures.

This shall be construed to mean:

1. *Industrial enterprises.*—(a) Taxation must be limited to the assets set aside for said industrial enterprises, including real estate, [as well as] to the profits yielded by them, and to their turn-over.

(b) In taxing such industrial enterprises the latter may not be placed in a more unfavorable position than other business enterprises in Norway with respect to tax classification, rates, or facts of the case.

(c) Profits may not be assessed on the basis of balance sheets of the German parent firm, but only on the basis of a percentage of the turn-over of such industrial

enterprises. Said percentage should be agreed upon for each individual category or products. In case of dispute a mixed state commission of both countries shall decide. Insofar as profits of industrial enterprises result from the sale of products which are manufactured in Germany, the assessment of such percentage shall cover only the trading profits and not the manufacturing profits.

2. *Subsidiaries.*—Insofar as taxation of subsidiaries of German enterprises is concerned, the provisions referred to under 1 (a) and (b) shall be applicable accordingly.

As to taxation of profits of such subsidiaries, decisions shall, in principle, be based on the subsidiary's accounting records providing the latter shall be kept in proper order. If the foreign tax authorities prove that profits resulting therefrom are obviously not in proportion to the profits which are yielded by businesses of the same or similar type, profits shall be computed on the basis of a percentage of the subsidiary's turn-over. In this connection, the provisions referred to under 1 (c) shall apply accordingly.

DEVELOPMENT AND STATUS OF OUR INTERESTS IN EXPORTING TO NORWAY, ARRANGED ACCORDING TO FIELDS OF SALE, AS WELL AS PARTICULAR PROPOSALS FOR SPECIFIC FIELDS OF PRODUCTION

1. DYESTUFFS, AUXILIARY PRODUCTS FOR DYEING PURPOSES, TEXTILE AGENTS

Prior to the war the Norwegian dyestuffs market was supplied exclusively by Germany and Switzerland. In 1913 Germany had 90% and Switzerland 10% of the entire Norwegian dyestuffs business, which amounted to about RM. 700,000. The trend towards industrialization which was also prevalent in Norway after the World War resulted in an increase of Norwegian consumption of dyestuffs, which in the last two years reached an average of about 1.8 million marks. Germany and Switzerland, however, were [then] no longer the only suppliers of these requirements; products from the U. S. A. and above all from Great Britain were sold in Norway in addition to German and Swiss dyestuffs. The German share in the supplying of Norway with dyestuffs dropped to approximately 80%.

There was no domestic production of dyestuffs in Norway at the beginning of this war. Temporarily, that is from 1931 to 1936, "Norske Tjaerprodukter," which was closely connected with "Norsk Hydro," produced a small amount of dyestuffs. Its production, however, was discontinued pursuant to an agreement concluded in 1936 between Norsk Hydro and I. G. Farbenindustrie, in consideration of an indemnification of 140,000 Norwegian crowns payable in seven yearly installments of 20,000 Norwegian crowns each.

II

We are taking the liberty of making the following suggestions:

(1) The construction of new plants for the production of dyestuffs and intermediate organic products, as well as the planned resumption of production at the plant operated up to 1936 by "Norske Tjaerprodukter" should, in principle, be subject to licensing.

(2) Imports of German dyestuffs, auxiliary products for dyeing purposes and textile agents should be duty free. Norwegian imports of said products from other countries should be barred by the introduction of a suitably high protective tariff (at least 30% ad valorem).

(3) A quota and licensing system which might have to be introduced by Norway, should be so devised as to allow dyestuffs, auxiliary products for dyeing purposes, and textile agents to be imported into Norway only from Germany.

2. CHEMICALS

I

The electrochemical and the electrometallurgical industries, which are based chiefly on the utilization of the abundant water power, are the leading branches of Norway's chemical industry. Among other mineral raw materials which are important in chemical production, Norway has iron pyrites, iron ore, as well as copper, nickel, silver-magnetite, and titanium deposits. In addition, there is a great abundance of timber which is the basis for the important cellulose industry [of Norway]. The sulphite waste liquor obtained in this industry serves as basic material for a number of other chemical products.

Among the chemical industrial enterprises, which are to be considered as our competitors, the following should be mentioned:

- (1) Norsk Sprengstoff-Handels A/S, Oslo, as producer of sulphuric acid.
- (2) Borregaard A/S, Sarpsborg (carbonization of wood), as producer of methanol.
- (3) Elektrokemiske Fabrik Vadheim at Vadheim, as producer of chlorate of potassium and of chlorate of sodium.
- (4) Saugbrugsforeningen, Halden, as producer of chlorine.
- (5) A/S Tøten Cellulosefabrik, Oslo, as producer of chlorine.
- (6) Borregaard Konzern, Sarpsborg, as producer of chlorine.

In 1938, the last year under normal conditions, 39.1% of the chemicals needed by Norway was supplied by Germany, 10.1% by Great Britain, and 25.9% by the rest of continental Europe. The remainder was supplied chiefly by the United States and Argentina. Of the chemicals exported by Norway, Germany in the same year took 6.9%, Great Britain 63.1% and the rest of continental Europe 23.4%.

These statements show that Norway is relatively unimportant as Germany's competitor, whereas our interests in the Norwegian market can be seen from the following export data on chemicals:

1937 about R.M. 1.4 millions.

1938 about R.M. 1.1 millions.

1939 about R.M. 1.9 millions.

This turn-over includes chiefly the following products:

Alcalis.

Organic intermediate products for the explosives industry.

Products for the rubber industry.

Tanning products, and

Tannic acids.

As is known, we are greatly interested in [the field of] magnesium and aluminum production in Norway. We shall take the liberty of reverting to this subject and presenting a special report at an opportune moment since the projects connected therewith have not as yet reached the stage in which it would be possible for us at this time to make special proposals and express requests.

II

Plans for expansion and for new constructions in the field of chemical production had already been made so that it was necessary for us to begin negotiations in order to prevent the carrying out of these plans. Norsk Hydro, e. g., intends to enlarge its carbide plants for production of acetylene derivatives such as acetic acid, solvents, softening agents, etc.

Furthermore, the resumption of operations of plants producing, e. g., formic acid, oxalic acid, anthate, which had formerly been shut down, is being contemplated.

In the attached chart, we give our proposals in regard to our various products. We should like to add the following general remarks:

Although the present output of the Norwegian chemical industry insofar as it affects our interests chiefly serves to supply Norway's own requirements, we should like to express the hope that the further development of the chemical industry in Norway might be undertaken in a way compatible with the interests of the German chemical industry which exports to Norway, and consequently with our own interests.

Products	German-Norwegian Items	A	B	C	D	E	F
Liquid chlorine.....	379/959.....	Proposals for preference tariffs for German merchandise	Proposals for tariffs to be established between Norway and other countries	Proposals for German quotas and import licenses with regard to Norway	Proposals regarding the Norwegian market and Norwegian exports	Proposals concerning compulsory licenses by German authorities for new construction and expansion of plants	Norwegian production capacity
		Free of duty.....	Protective tariff.....	Import of the total supply of chloride from Germany.	No export from Norway.	Yes.....	About 5,000 tons annually Cl ₂ (exclusively for domestic supplies; no sale).
Chloride of lime.....	292/29.....	do.....	do.....	do.....	do.....	Yes.....	Do.
Caustic potash of all types and concentrations.	289/723. Salts 12.....	Free of duty, if necessary 2% of the value.	Protective tariff R.M. 9 per 100 kilograms.	Demand of standard liquid and solid caustic potash to be supplied exclusively by Germany. Demand of the so-called caustic potash with low-chloride content to be supplied half by Germany and half by Sweden.	See C.....	Yes.....	No production.
Potash of all types and concentrations.	290/717. Salts 6.....	Free of duty, if necessary 2% of the value.	Protective tariff R.M. 7 per 100 kilograms.	Demand to be supplied exclusively by Germany.	.....	Yes.....	Do.
Sulfuric acid.....	273/835. Acids 2.....	Free of duty (as before).	Protective tariff 20% of the value.	No proposals; domestic production sufficient.	.....	Yes.....	12,000 tons annually SO ₂ .
Sodium sulphate.....	317/B/723. Salts 12.....	do.....	do.....	To be distributed among Germany, England, Belgium, France under a convention which is being contemplated.	.....	.....	No production.
Sodium bisulphate.....	317/B/723. Salts 12.....	do.....	do.....	do.....	.....	.....	Do.
Zinc chloride.....	315/723. Salts 12.....	do.....	do.....	Demand to be supplied exclusively by Germany.	.....	.....	Do.
Antichlor.....	317/B/723. Salts 12.....	do.....	do.....	At least 50% of the demand to be supplied by Germany.	.....	.....	Do.
High-percent sodium sulfate.	294/716.....	do.....	do.....	Demand to be supplied exclusively by Germany (I. G. and Chemag—50% each).	.....	.....	Do.
Barium carbonate.....	317/E/723. Salts 12.....	do.....	do.....	Demand to be supplied exclusively by Germany.	.....	.....	Do.
Sodium sulfide.....	317/B/723. Salts 12.....	do.....	Protective tariff 30% of the value.	Demand to be supplied exclusively by Germany.	See E.....	Prohibition to set up new installations.	Do.

Products	German-Norwegian items	A	B	C	D	E	F
Potassium chlorate. ¹	233/715. Salts 4.	Free of duty					
Sodium chlorate. ¹	317/C/723. Salts 12.	do.	Protective tariff 60% of the value.	Germany to be granted exclusive import rights.	No Norwegian exports to be permitted.	Proposals concerning compulsory licenses by German authorities for new construction and expansion of plants	Norwegian production capacity
Phosphorus sesquioxide.	299/759	do.	do.	do.	do.	Yes.	400 tons annually.
Phosphorus yellow/amorphous.	299/192.	do.	do.	do.	do.	Yes.	750 tons annually.
Potassium permanganate.	305/723. Salts 12.	do.	do.	do.	do.	Yes.	
Manganese and zinc phosphates and solutions thereof.	317/V v. 315/723. Salts 12.	do.	do.	do.	do.	Yes.	
Acid-proof putties made on an artificial resin base.	381/C/275. Resins 3a.	do.	do.	do.	do.	Yes.	
Liquid artificial resin products for mixing of acid-proof putties made on artificial resin base.	do.	do.	do.	do.	do.	Yes.	
Acid-proof and fire-proof putties made on a potassium silicate base. ²	225/c/812. Stones 10.	do.	do.	do.	do.	Yes.	600-700 tons annually.
Acid-proof aqueous mortar. ²	225/c/812. Stones 10.	do.	do.	do.	do.	Yes.	
Bituminous insulating varnishes.	240/a/343/?	do.	do.	do.	do.	Yes.	
Foaming agents for the production of light concrete.	317/V/?	do.	do.	do.	do.	Yes.	
Sodium hypochlorite solution.	292/23	do.	do.	do.	do.	Yes.	
Phosphoric acids.	317/V/836. Acids 2.	do.	do.	do.	No Norwegian exports to be permitted.	Yes.	

Formic acid.....	317/T/836. Acids 3.	Free of duty (as before). R.M. 3 per 100 kilograms at the most.	Standard tariff R.M. 15 per 100 kilograms.	Germany to be allowed to import unlimited quantities into Norway.	Export to be prohibited insofar as Norsk Hydro takes up the production of formic acid. Negotiations are pending.	Yes.....	No production.
Oxalic acid.....	276/836. Acids 3.	do.....	do.....	do.....	Yes. In addition, for the resumption of operations of enterprises which have been closed.	Yes.....	Do.
Xanthates.....	317/V/347/959.	do.....	Standard tariff R.M. 25 per 100 kilograms.	do.....	Export to be prohibited since there is a possibility that old Norwegian oxalic acid producers will resume operation.	do.....	Do.
Bichromates.....	305/723. Salts 12.	Free of duty	Protective tariff 25% of the value.	do.....	Export to be prohibited since it is possible that a xanthate solution plant will resume operations, probably as result of the increase of our prices, due to the abolishment of the "ZAV"	Yes.....	Do.
Chromalum.....	299/723. Salts 12.	do.....	do.....	do.....	Yes.....	Yes.....	Do.
Chromic salts.....	317/S/723. Salts 12.	do.....	do.....	do.....	Yes.....	Yes.....	Do.
Synthetic tanning agents.	384/723. Salts 12.	do.....	do.....	do.....	Yes.....	Yes.....	Do.
Organic intermedi-ate products (see memo of the "Dyes" branch).	246, 317/V and others. Paradichlorobenzene. Paradichlorobenzene 883. Other intermediate products 959.	Paradichlorobenzene: free of duty (as before). Other intermediate products: Reduction to a maximum of 10% of the c.l.f. value.	Protective tariff 50% of the value.	Demand supplied exclusively by Germany.	Exports of all products prohibited.	Yes.....	Unknown.
Vulcanization accelerators.	317/V and others 959.	Free of duty (previously 30% of the value, but free of duty, at the request of the importer).	Protective tariff 60% of the value (American protective tariff is the same).	Germany to be granted unlimited import rights.	Yes.....	Yes.....	No production.
Antinging chemicals.	do.....	do.....	do.....	do.....	Yes.....	Yes.....	

Re B: In addition, insofar as potassium chlorate and sodium chlorate are concerned, the small factories, which have been established a few years ago, should be closed.
 Re C: Only insofar as license is not given in Norway.

Products	German-Norwegian Items	A	B	C	D	E	F
Hexamethylenetetramine.	317/U/959	Proposals for preference tariffs for German merchandise	Proposals for tariffs to be established between Norway and other countries	Proposals for German quotas and import licenses with regard to Norway	Proposals regarding the Norwegian market and Norwegian exports	Proposals concerning compulsory licenses by German authorities for new construction and expansion of plants	Norwegian production capacity
Kauri glue	375/959	Free of duty (as before). Reduction to no more than 5% without supplementary duties.	Protective tariff 60% of the value. Protective tariff 50% of the value.	Germany to be granted unlimited import rights. do	See E	Yes	No production.
Benzoin products	317/U/896/723	No more than 5% without supplementary duties.	do	do	do	Expansion of the Gasko-Lauxein plant should be prohibited. The establishment of new plants should be prohibited. do	Unknown.
Baselite	390/959	Reduction to no more than 5% without supplementary duties.	do	do	do	do	No production.
Iron oxide dyes	329/169	No more than 5% without supplementary duties.	do	do	do	do	Do.
Membranite	381/2/959	Reduction to no more than 5% without supplementary duties.	do	do	do	Stopping of production at Nordiske Destillationsverker. The establishment of new plants should be prohibited. There are plans for glycol production; steps against realization thereof have already been taken.	Unknown.
Ethylene	379/959	No more than 5% of the value.	Protective tariff approx. 25% of the value.	do	do	do	No production.

Ethylene oxide.....	379/959.....	do.....	Protective tariff approx. 75% of the value.	do.....	do.....	do.....	Do.
Glycol.....	317/V/959.....	do.....	Protective tariff approx. 70% of the value.	do.....	do.....	do.....	Do.
Glysantline.....	317/V/959.....	do.....	Protective tariff approx. 70% of the value.	do.....	do.....	do.....	Do.
Ethylene chloride.....	317/P/959.....	do.....	Protective tariff approx. 100% of the value.	do.....	do.....	do.....	Do.
Titanium dioxide.....	332/75.....	Free of duty, if necessary the same as before Cr. 6 per 100 kilograms gross weight+33½% supplementary duty.	Protective tariff 50% of the value.	At least the quantity hitherto imported.	do.....	The establishment of new plants should be prohibited.	Do.
Titanium white.....	do.....	do.....	do.....	do.....	do.....	do.....	Do.
Lithopone.....	326/76.....	Free of duty, if necessary up to 4% of the value.	Protective tariff 50% of the value.	Germany to be granted unlimited import rights the same as before.	do.....	do.....	Do.
Igelite.....	381/B/959.....	No more than 5% of val.	Protective tariff 30-36% of the value (as hitherto applied in U. S. A.—40 to 60% and in England—up to 33¼%).	Germany to be granted unlimited import rights.	do.....	Yes	No production of either thermoplastic synthetic materials or products.
Oppanol.....	381/B/959.....	do.....	do.....	do.....	do.....	do.....	
Luresine.....	381/B/959.....	do.....	do.....	do.....	do.....	do.....	
Emulsions.....	381/B/959.....	do.....	do.....	do.....	do.....	do.....	

Products	German-Norwegian items	A	B	C	D	E	F
Acetic anhydride....	277/959.....	Proposals for preference tariffs for German merchandise	Proposals for tariffs to be established between Norway and other countries	Proposals for German quotas and import licenses with regard to Norway	Proposals regarding the Norwegian market and Norwegian exports	Proposals concerning compulsory licenses by German authorities for new construction and expansion of plants	Norwegian production capacity
		Free of duty, possibly preference tariff of 2%.	Protective tariff 39% of the value for countries of the major European economic sphere. Protective tariff 59% of the value for other countries.	Demand to be supplied exclusively by Germany.	See E.....	The establishment of new plants should be prohibited. The expansion of existing plants (e. g., Norsk Hydro) for producing acetylene derivatives such as acetic acids, solvents, softening agents, etc. do.....	No production.
Acetone.....	349/801.....	Free of duty, also in the future.	do.....	do.....	do.....	do.....	Do.
Solvents having a low boiling point.	347 and others, 75/959.	Free of duty, possibly preference tariff of 2%.	do.....	do.....	do.....	do.....	Do.
Solvents having a medium boiling point (Butyl products).	347/b/75/959.....	do.....	do.....	Demand to be supplied exclusively by Germany. (Pursuant to an agreement with Skanska Atikfabriken, Perstorp, Sweden, Butyl acetate shall, as a rule be supplied by Sweden.)	do.....	do.....	Do.
Softening agents....	347/75/959; 317/V and others.	do.....	do.....	Demand to be supplied exclusively by Germany.	do.....	do.....	Do.
Camphor.....	99/359.....	do.....	do.....	do.....	do.....	do.....	Do.
Artificial resin.....	381/2; C/776.....	do.....	do.....	do.....	do.....	do.....	Do.

Cellulose wool.....	363/5.....	do.....	do.....	do.....	Demand to be supplied exclusively by Germany. (Pursuant to an agreement with A/B Bofors Nobelrut, Bofors, collodion wool shall in part be supplied by Sweden.) Demand to be supplied exclusively by Germany.	do.....	Do.
Acetyl cellulose (Cellit).	381/E/959.....	do.....	do.....	do.....	Demand to be supplied exclusively by Germany.	do.....	Do.
Methanol and Formaldehyde.	394/50/959.....	do.....	do.....	do.....	do.....	do.....	Do.
Carbon tetrachloride Tri and perchloroethylene.	317/P/833.....	Free of duty as before.	Protective tariff at least RM. 15 per 100 kilograms (German import tariff).	Germany to be granted unlimited import rights.	Yes	Yes	Do.
Products for steel refining.	869/B.....	(Re: E): Since German output is more than adequate for the supplying of the occupied territories, the establishment of such an industry is not advisable. In any case Germany wishes to supply any requirements of products for steel refining in Norway.					

3. PHARMACEUTICALS, DENTAL SUPPLIES, CHEMICALS FOR PEST CONTROL AND VETERINARY MEDICINAL PRODUCTS "BAYER," SERUMS AND VACCINES "BEHRING-WERKE"

Before the World War Norway did not have a modern pharmaceutical industry. There were only a few producers who were in a position to put on the market products completely finished and ready for marketing which were then commonly used.

Nyegaard & Co., A/S, Oslo (founded in 1874).

Koren & Gedde, later on taken over by Nyegaard & Co. (founded in 1881).

Apothekernes Laboratorium A/S (founded in 1903).

Heiberg and Heiberg, later on Farmakon (founded in 1907).

These firms as well as some small laboratories produced chiefly Galenic preparations, extracts, gelatin capsules, etc. As in Denmark, the production of the above-mentioned firms was intended exclusively for the moderate home consumption, the requirements of which it was able to supply almost completely. Hardly any of the pharmaceuticals produced in Norway were exported before the World War. As domestic production met most of the demands there was very little need for imported products. "Bayer" sales in 1913 barely amounted to 100,000 RM.

After the World War these firms began to produce modern pharmaceutical preparations. No new plants, however, were built. Official Norwegian statistics of 1938 list 7 firms producing pharmaceuticals, which altogether employed 229 men and the total production of which amounted to about 3.4 million Norwegian crowns during the last few years. Special mention must be made of the fact that this figure did not include cod-liver oil for medicinal purposes. In spite of this development the Norwegian pharmaceutical industry for the last 10 years has not been able to meet the domestic requirements to the same extent as before the war. Imports of pharmaceuticals have increased steadily since the World War and during the last few years have amounted to about 3,000,000 crowns. Germany leads in supplying over one-third of the total imports. In 1936 Germany delivered goods amounting to RM. 986,000, in 1938 to RM. 1,499,000, and in 1939 to RM. 1,796,000. England comes next. Her deliveries amounted to one-third of those made by Germany. Denmark is third, having almost the same share as England. This is explained by the large quantities of insulin delivered by her. France and the United States follow immediately. The development of these imports may be seen from the following figures on "Bayer" sales:

1936	-----	RM. 370, 000
1937	-----	489, 000
1938	-----	597, 000
1939	-----	782, 000

Norwegian pharmaceutical exports are not large. In 1937 they amounted to RM. 500,000. These went chiefly to other Scandinavian countries.

The Norwegian pharmaceutical industry up to the present time has had nothing to show in the way of original production. The domestic producers of specialties in tablet and ampule forms have simply followed the German pattern and produced substitute preparations, which were sold at lower prices than the original German preparations. Furthermore the Norwegian government subsidized the domestic industry in the organizing of certain types of production for the supply of the country in case of war. Furthermore the Norwegian government issued a number of legal provisions directed exclusively against importation of pharmaceutical products and consequently first of all against German imports.

II

Because of the leading position occupied by the German pharmaceutical industry in relation to the Norwegian imports we consider the realization of the following demands not only as justifiable but also as absolutely necessary especially in connection with the new economic order in Europe.

The Norwegian market shall remain absolutely open to free competition of the German pharmaceutical industry. In dealing with certain important pharmaceuticals produced domestically this free competition should be regulated by collective agreements.

In connection with this general proposal we make the following particular proposals for the reorganization of the Norwegian market:

Certain administrative provisions concerning the pharmaceutical business should be abolished or amended since they hamper the sale of German products. This applies first of all to the strongly restrictive provisions concerning scientific and popular advertising.

The compulsory declaration of pharmaceutical products in Norway which because of its strict regulations is extremely hampering, should be eliminated. The same applies to the restrictive provisions of the Norwegian law governing specialties, which require submitting computation of prices. Furthermore, the high registration duties should be lowered.

To sum up, it would be desirable that all Norwegian provisions concerning imports of German pharmaceuticals, serums, and vaccines conform to German provisions.

German pharmaceuticals should receive the same treatment as the Norwegian products in case of contracts and orders given by the Norwegian authorities and public institutions.

Norwegian law prohibits direct delivery to physicians of pharmaceutical products by the manufacturing firm. Norwegian firms violate this law and deliver directly to the physicians, whereas the German firms are obliged to comply with this law and thereby suffer losses. This disadvantage should be eliminated.

In Norway physicians' samples may be distributed to physicians only through drug stores, which makes this type of advertisement very difficult. This compulsion of using drug stores as intermediaries which exists only in Norway must be abolished, so that the German firms could distribute samples directly to physicians at their own discretion.

Norway's export must be regulated only by price agreements and market arrangements with German firms in the pharmaceutical industry. In order to secure such collaboration the Norwegian firms should either form a financial partnership or join a German export organization abroad.

The well-developed Norwegian *ersatz* products industry which sells chiefly imitations of German preparations must be investigated in the interest of German producers of the original article, and articles which are pure imitations should be eliminated from the Norwegian production list.

In the field of *human serums* the Norwegian laboratories have initiated production which can survive only because of state subsidies. Arrangements concerning production and sale should be made with the pertinent institutes. Germany can easily supply the entire Norwegian demand for these products as well as that for other pharmaceutical specialties.

The laboratories for the production of *serums and vaccines* in Norway, Denmark, Sweden, and Finland have to a certain extent pooled their interests. This arrangement was approved by the respective governments. These laboratories and governments have agreed mutually to exchange orders for serums and vaccines and to refrain, in the future, from importing from other countries those serums and vaccines which are produced in one of these four countries.

The cancellation or at least the relaxing of this arrangement is desirable with a view to adjusting the serum and vaccine business to the New Order aimed at by Germany and freeing German imports made in the future from restrictions in this field.

Furthermore an effort should be made in the future to substitute German products for English and American dental supplies.

Agreements regulating price and market conditions should be made with Norwegian manufacturers of dental supplies.

Finally the new relations between Germany and Norway should be so supplemented as to include a provision pursuant to which the organizing of new enterprises in the pharmaceutical industry should not be subject to compulsory licensing in Norway.

4. PHOTOGRAPHIC SUPPLIES ["PHOTOGRAPHIKA"]

There is no production of photographic articles in Norway. The entire demand is supplied by imports. We had to fight continuously against strong, Anglo-American and English and Belgian competition. By systematic methods we were able to beat the English and Belgian competition but we never succeeded in shaking the extremely strong position of the Anglo-American Kodak. The reason for this was that our systematic penetration of the Norwegian market began only in 1926, after the organization of the I. G. Farbenindustrie. The sales were stimulated by the fact that generally speaking the market for photographic supplies was considerably expanded. In 1927 our turn-over amounted to RM. 246,000; it could be increased to RM. 740,000 in 1939. This steady

increase was interrupted for a short time only in the year 1933 because of the depreciation in the rate of exchange. From that time on and until the beginning of the war the increase continued steadily.

Attempts to regulate the market as far as prices for photoplates, photopaper, and photochemicals are concerned were evident in the mutual agreements concluded by the most important competitors. The international agreements are suspended at the present time; arrangements, however, were made instead, by German exporters, in such a way that German manufacturers concluded agreements for the export of the most essential photographic supplies.

III

For the future development of the business in photographic supplies in Norway it would be desirable to introduce preferential tariffs for German products in order to eliminate foreign competition. For this purpose tariff rates on films (except X-ray films), plates, cameras and photochemicals imported from Germany should be considerably reduced, since the rates in effect up to now hindered our exports. In this respect Danish tariff rates might serve as a guide. A comparison of tariff rates shows that a duty of 400 crowns is levied on 100 kg. in Norway, while in Denmark the duty is only 70 or 100 crowns; for plates the duty in Norway is 80 crowns, in Denmark 20 crowns; for cameras in Norway 400 crowns, in Denmark 70 crowns; for photochemicals the Norwegian duty is 30% of the value whereas in Denmark it is 2 and 10 crowns, respectively, for each 100 kg.

The existing rates could be maintained in the other foreign countries; an increase in duty should be considered only for photographic paper and X-ray films.

Furthermore it is desirable that provisions which restrict the import of electrical apparatus (narrow-film projectors) should be relaxed. Pursuant to these provisions our DIN constructed narrow-film projectors had to be reconverted in Oslo, since the German make, contrary to that of other countries is not recognized in Norway.

5. AROMATIC SUBSTANCES

I

Norway does not produce any synthetic aromatic substances itself. The demand has been supplied by Germany, Switzerland, Holland, France, and England, among which there was stiff competition. Imports (into Norway) were made much more difficult by the high Norwegian tariff on our aromatic substances which amounts to 6.90 crowns per kg. for products under item 75 of the Norwegian tariff. The effect on cheap German synthetic aromatic substances of these particular rates, is especially unfavorable, whereas these same rates are of no significance in the case of expensive French blossom and aromatic-oil extracts.

II

It would be desirable in the interest of the German aromatic-substance industry to lower the tariff which hampers imports so that:

1. The tariff rates applicable to our products may be reduced to a reasonable level.

2. In connection with items concerning aromatic substances, which include articles of greatly diversified price levels, the specific tariff be so adjusted to the various price groups as to provide a correspondingly lower tariff rate for products of lesser value.

3. On the whole all the above tariffs become preferential tariffs insofar as Germany is concerned.

Furthermore, the organization of a domestic aromatic-substance industry should be subject to licensing.

6. ARTIFICIAL SILK AND CELL WOOL

The "Association of German Producers of Artificial Silk" and the professional group "Chemical Production of Fibers" are conducting negotiations with the Reich Ministry of Economic Affairs concerning matters connected with the above-mentioned products.

7. NITROGEN AND NITROGENOUS PRODUCTS

Among the countries important in the production of nitrogen, Norway, considering its size and its demand for nitrogenous fertilizers, occupies a special position in that its productions of this commodity is comparatively large. The Norwegian nitrogen industry with its total output of 106,000 tons of nitrogen (90,000 synthetic nitrogen, and 16,000 lime nitrogen) has been developed expressly for export.

The plants for synthetic products of the Norsk Hydro had originally used the so-called luminous-arc process, the development of which is connected with the names of Birkeland-Eyde and of Schönherr. This was the first synthetic process to be used for production purposes by the Norsk Hydro. This process requires a constant supply of large volumes of electric current and may be used only where cheap electric energy is available. During the years 1903 to 1905 Norsk Hydro constructed the first plants in Notodden, which later on were considerably expanded by the building of the plants on the Rjukanfluss [Rjukan River]. During the World War the Norsk Hydro plants attained a yearly production of 25,000 tons of nitrogen which during the years 1926-27 was increased to a maximum production of 30,000 tons of nitrogen.

The progressive development of the Haber-Bosch process and above all the steadily increasing exports of calcium nitrate, which had been produced by us as a means of competing with Chile saltpeter and Norge saltpeter, pushed the sales of the comparable Norge saltpeter more and more into the background. This led Norsk Hydro in 1927 to acquire from us licenses for the Haber-Bosch process and for the manufacture of our nitrogen products, in particular for the manufacture of calcium nitrate. This company made a contract with the I. G., which was to regulate exports of the company's nitrogen products and which was to be binding until 1952. The Rjukan plant was considerably enlarged by expansion of the NH_3 installation which produced only hydrogen by electrolysis and new installations for the processing of the NH_3 produced in Rjukan were constructed in Eidanger, on the Heroya peninsula in 1928 and 1929. The Norsk Hydro at that time expanded its annual output of nitrogen to 80,000 and until 1939 was pledged under the agreement with I. G. not to exceed a 90,000 output of nitrogen. The Birkeland-Eyde plants remained intact and have continued to operate in part up to the present together with the electrolytical plants.

During the first few years after the conclusion of the agreement, that is, from 1929 on, Norsk had limited its activity to the production of lime saltpeter, ammonia saltpeter, nitric acid, and soda saltpeter for industrial purposes, but in subsequent years it also undertook the production of lime-ammonia saltpeter, sulphate of ammonia, and mixed fertilizers.

The total annual output of finished products amounted during the last years to about 85,000 tons of nitrogen, of which about 80,000 were fertilizers and the rest nitrogen products for industrial purposes. Lately, 9,000 to 10,000 tons of nitrogen fertilizers were sold annually on the Norwegian domestic market, so that about 70,000 tons of nitrogen could be exported. This amount under the terms of our agreement with the Norsk Hydro was sold chiefly through the Nitrogen Syndicate mostly to the Northern markets, Spain, Egypt, and the United States.

Since the outbreak of the war our agreement with Norsk Hydro has been suspended so that from that time Hydro has been selling independently. Lately, that is, after the cessation of hostilities with Norway, the sales of Norwegian products were no longer made directly through Norsk Hydro but pursuant to a special understanding once more—in agreement with the Nitrogen Syndicate. After the war our agreement with Hydro will again be in effect so that we shall have the assurance for the years to come as before that the distribution of the Norwegian nitrogen production will be carried out in accordance with the nitrogen policy which is directed by Germany.

Besides synthetic nitrogen, Norway also produces lime nitrogen in the Odda Smelteverk, which during the last few years amounted to a maximum of 8,000 tons of nitrogen annually. By far the greater part of lime nitrogen, as in the case of synthetic products, was exported, chiefly to Holland and to a lesser extent to Sweden and Denmark.

As is evident from the above, our current close cooperation with the Norsk Hydro is chiefly through the Nitrogen Syndicate. Consequently the future relations between the German and the Norwegian nitrogen industries will be moulded by this organization.

EXHIBIT No. 7

INTERROGATION OF VON HEIDER ON NEW ORDER FOR FRENCH CHEMICAL INDUSTRY

17 July 1945.

Time: 2:10-2:50 p. m.

Q. What was the proposal of I. G. in August 1940 in regard to the formation of a huge domestic French chemical cartel?

A. A cartel for the whole chemical industry was, to the best of my knowledge never planned. I remember that we planned different cartels for different products but at the moment I don't remember about an entire cartel except the plant of Francolor.

Q. Chemicals, I mean.

A. I can't remember. Probably not, because the field of every French firm was differing. We were accustomed to have single cartels for say, carbone, bisulphide, sodium sulphide, etc., but not a combined cartel including all products.

Q. Did you propose to use the cartels to control the French chemical industry?

A. Yes; we intended to make cartels with the French producers.

Q. And you intended to join the French cartels to the German?

A. Yes.

Q. Was the head office of these cartels to be located in Germany?

A. Yes.

Q. Under German leadership?

A. Yes.

Q. All exports from France would go through this cartel?

A. Yes.

Q. Germany would have a complete control over the French chemical industry?

A. Yes. I. G. and the German chemical industry.

Q. In regard to the construction of new plants and the enlargement of existing plants in the military war sector of chemicals in the dominated countries did I. G. propose that the consent of the Nazi government was necessary?

A. Yes.

Q. Did you intend in respect to the relations between Germany and the other countries in Europe to always control their production of military chemicals so that the Wehrmacht was always supreme? Is that right?

A. Yes.

Q. In regard to the relations between Germany and conquered Europe and the rest of the world including U. S. A. you proposed to control trade and to use your own economic warfare measures to undermine, to weaken the military potential in chemicals of the U. S. A. and the other free countries of the world?

A. In 1940 we were asked by Dr. Ungewitter, in charge of the Reichsstelle Chemie to make a report on a base given to us that the government intended to form an economic unit of occupied Europe.

Q. And you were then asked for proposals regarding your field of chemistry, about imports and exports and organization of new plants, etc.?

A. Yes. We have given them answers to these questions based already on a program.

Q. Were they written instructions?

A. I think there must exist these instructions. I can't remember whether they were written or whether our Berlin gentlemen brought these orders to us and so we were asked to answer on a given basis.

Q. Who is Mr. Ungewitter?

A. He was formerly the manager of the Verein zur Wahrung der Interessen der chem. industrie, then he was in charge (1) of the Reichsstelle chemie, (2) Wirtschaftsgruppe Chemische Industrie. He was practically the head for the chemicals in the ministry of economics, i. e., the subordinate body.

Q. In regard to the conquered countries in Europe the base laid down by the Nazi government to you, was that the German Wehrmacht must always be supreme in military weapons? And production of warfare weapons by other countries must be controlled by the Wehrmacht or the government?

A. I think that's right.

Q. On that basis I. G. prepared its plans proposing, among others, that the erection of new plants, the enlargement of existing plants, etc., in the dominated countries must be under the Nazi government.

A. Yes.

Q. In regard to the relations between dominated Europe and the free countries what was the basis laid down by the Nazi government?

A. The Nazi government intended to have the German Wehrmacht as strong as it could.

Q. Was it intended to control the trade relations between Germany and the conquered Europe that the Wehrmacht would be supreme in weapons?

A. Yes.

Q. I. G. on the basis of that, submitted its proposals for keeping Germany supreme in chemical warfare weapons in regard to the U. S. A. and the other free countries of the world?

A. Yes.

Q. Did I. G. propose to use its cartel, its participations and its exchange of experiences with the U. S. A. and the other free countries of the world to keep the Wehrmacht supreme in chemical warfare weapons? Is that correct?

A. Yes; in effect that would be the result.

Q. Was I. G. the instrument for keeping the Wehrmacht supreme in chemical warfare weapons?

A. Yes.

Q. How did I. G. propose to keep the Wehrmacht supreme in chemical warfare weapons? vis-a-vis the U. S. A.?

A. We had proposed to give Sweden a licence on our buna and to erect a plant for buna in Sweden. But the German government interfered and did not allow us to do that. And so in effect we were the instrument that Sweden did not get the buna plant.

Q. The question is vis-a-vis the U. S. A.?

A. I did not understand the question.

Q. How did you propose to use your cartels for example in order to keep the wehrmacht supreme in chemical weapons—against the U. S. A.?

A. By getting agreements with each as much production as we could get.

Q. And restricting American production in needed military materials?

A. Yes.

Q. Every time you made a cartel agreement your purpose was, among others, to see to it that the requirements of the Wehrmacht were satisfied and that the military strength of the U. S. A. in regard to military weapons was undermined.

A. In effect. Yes.

I have read the record of the interrogation and swear that the answers therein given by me to the questions of Mr. Weisbrodt and Mr. Devine are true.

KARL V. NEIDER,
Director in the I. G. Farbenindustrie Aktiengesellschaft.

EXHIBIT No. 9

MEMORANDUM FOR THE FILES ON "PLANNING OF THE PEACE"

Highly Confidential

BERLIN NW 7, UNTER DEN LINDEN 82, August 7, 1940.

Re: Planning of the peace.

Our Ref. No. T/C.

As the result of a conversation between Mr. von Schnitzler and Mr. Frank-Fahle, the undersigned has been ordered, in accordance with the wishes expressed by Mr. von Schnitzler, to submit now to the competent official quarters documentary evidence on the planning of the peace insofar as this material is now available, that is, (1) the letter, (2) the "General Part", and (3) material concerning France.

1. All these documents were submitted to Ministerial Director ("Ministerial-dirigent") Schlotterer during a two-hour discussion on the basic problems, which—insofar as this was possible considering the vast amount of material—touched upon matters of principal importance contained in the I. G. material.

On the whole, Ministerial Director Schlotterer reacted very favorably to the evidence submitted by us. He was particularly impressed by the methodical way in which the I. G. had dealt with these problems and by our evaluation of any special problems.

Because of his favorable reaction we are not only given free reign as to the proposed composition of the report—a description of the individual countries in the order selected by the Business Committee—but also in regard to the inner

organization of the underlying material, i. e., in regard to the organization of the material by topics, as outlined in the letter sent to Ministerial Director Schlotterer.

It must be emphasized that Ministerial Director Schlotterer considered it necessary for us not only to formulate our specific wishes in a clear and concise manner, but also to lay down a broad outline of the "General Part," to describe the preceding historical developments and to submit the wording suggested for our more general wishes and intentions. Ministerial Director Schlotterer was also convinced that the "General Part" should be organized the way it is and he agreed with the arguments which form the basis of this "General Part" (Leading position of the German chemical industry in 1940; subsequent decline due to the Treaty of Versailles; the necessity for regaining this leadership within the framework of the new order).

The discussion of the individual points of the program centered mainly around the part concerning our business in dyes, which, as you know, touches upon the most important interests of the I. G. Ministerial Director Schlotterer was of the opinion that the program as formulated by us by no means expressed exaggerated demands on our part and that it might even be incorporated into the peace treaties. In connection with this, there was a discussion on France's desire to bring about negotiations with the German dyestuff industry. Mr. Schlotterer thought it advisable to take up this matter in close cooperation with the Hemmen Company but to compare notes with Dr. Ungewitter prior to negotiations with the French, in order to make sure that a participation, which we may consider sound business from the point of view of a private economy, would not jeopardize interests of the national economy, which are entrusted to Dr. Ungewitter. In the case that negotiations with Dr. Ungewitter should meet with difficulties, Ministerial Director Schlotterer expressed his willingness to discuss such divergencies with us.

Although he thus agreed in principle to our entering into negotiations with the French in Wiesbaden, Ministerial Director Schlotterer stressed the necessity of taking up the subject matter of such negotiations only after it had definitely been made sure that the French visit was not aimed at gaining a favorable status for France by attempting to prejudice further negotiations, but that the French indicated openly that genuine necessity obliged them to recognize the superiority of the German dyestuff industry.

A further example, which came up for discussion, was the Kodak case. There can be no doubt that Ministerial Director Schlotterer shares our opinion, namely, that it is necessary to remove the Americans from French production scene with every means at our disposal. The determination with which he, Schlotterer, expounded this thesis leaves no doubt that we ought not to be too much concerned as to the means we are to be allowed to use.

The proposals made by the subdivision "Chemicals" in regard to the establishment of long-term syndicates likewise met with approval.

Our over-all proposals concerning preferential tariffs, quotas, prohibition of new construction, and the introduction of a licensing system were characterized by Ministerial Director Schlotterer as a possible basis for a regulation of German-French economic relations. He stressed in particular that he was favorably impressed by the effort displayed by the I. G. in the examination of questions concerning economic policies.

As soon as Ministerial Director Schlotterer has had an opportunity to read through the documents carefully, he will let us know his final attitude in this matter and he will also give us some hints, which may be very valuable in the handling of material which may reach us in the future.

2. A discussion with Ministerial Director Imhoff, which took place at the suggestion of Ministerial Director Bergemann, showed that there was the same agreement on matters of principle as during the discussion with Ministerial Director Schlotterer.

Mr. Imhoff was particularly impressed by our arguments as to the sort of preferential treatment planned by I. G. for European countries and for Germany in particular. He believes that he can use these arguments for the final draft of the so called "European Clause" which he is preparing just now.

The following points are of particular interest:

1. It is evident that German material superiority must also result in a clear-cut superiority over France in the field of economic policy. In this connection, Ministerial Director Imhoff pointed out that it was not intended to cripple French economic life but to reestablish French economy on a sound basis, although such proceedings must be subordinated to the interest of German economy in no uncertain fashion.

2. I. G. plans with regard to participations, tariffs, quotas, the forbidding of new construction and the requiring of compulsory licenses for new establishments met with Mr. Imhoff's approval. It was particularly interesting that he thought that a participation of only 50% as suggested by I. G. was "very decent." He believes furthermore that the possibilities of reaching an understanding between the private industries of the two countries should be explored to the utmost. On the other hand, such an understanding must not result in a compromise which would be detrimental to German interests.

3. Mr. Imhoff approved, subject to further examination, the general intentions on the part of the I. G. concerning the right to establish subsidiaries and concerning tax policies. He thought that the program as formulated by us represented a goal most difficult to attain but he was so convinced of its basic importance that he intends to incorporate it into his plan.

As to the order in which this subject should be handled in the report, Mr. Imhoff stressed the fact that it would be advisable to take up first the problems connected with Holland, Belgium, and Denmark.

3. The discussion with Ministerial Director Schulze-Schlutius, which took place at the suggestion of Ministerial Director Bergemann, met with the same unqualified approval. Mr. Schulze-Schlutius made only one additional recommendation, namely, submission of the material in question also to the new Departmental Chief for French Affairs, Counsellor Klesper in the Ministry of Economics and also to Counsellor Jahnke. This material has been submitted in the meantime. On the other hand, he did not consider it imperative to submit the material at this moment to Mr. Sagert (head of the Department for Capital Investments). As to this matter, we suggest waiting for the return of Ministerial Director Bergemann.

4. With regard to the National Group "Chemicals" we were not able to submit the material to Dr. Ungewitter, who is on an extended official trip but, after an interview with Mr. Dietrich, we submitted it to the local Office for Import Permits (Mr. Born). We believe it to be particularly fortunate that Mr. Born, who is competent in every respect for all problems involved is now the person whose decisions count. The material submitted has come up to Mr. Born's expectations to such an extent, that we may rightly believe that we have found in him a reliable champion for our methods. This fact is particularly important, since the methods preferred by Mr. Ungewitter are not the same as those suggested by us.

This latter fact was in evidence to a certain extent when we submitted the material to Mr. Born. The National Group "Chemicals" intends, according to statements made by Mr. Born, to proceed as follows:

1. It intends to list all principles connected with economic policies, which are to be decisive for the future structure of the European chemical industry. By thus prejudicing the principles concerning the future structure of the chemical industry, it is intended to have the Ministry of Economics give *carte blanche* to the chemical industry so that this industry may be able, within the framework of the principles approved by the Reichs Ministry of Economics, to proceed as it sees fit.

The basic principle which the National Group wants to apply with regard to the future structure of the chemical industry is the principle of established cartels. We were able to ascertain this after going through the completed draft submitted by the National Group. The entire European industry is to be organized on a voluntary basis in such planned cartels. This organization would be able to regulate production and sales under German supervision and according to German interests. Relations between these cartels and those in non-European countries would be handled by special syndicates which are attached to the cartels.

2. Mr. Ungewitter intends to suggest such an over-all regulation to Ministerial Director Schlotterer and to add to his suggestions a few practical examples, as for instance, cartel agreements for aniline dyes, nitrogen, and similar important standardized products. Once these proceedings are approved by Mr. Schlotterer, Mr. Ungewitter would be authorized to leave it to the discretion of German industry as to how it would organize and manage its cartels which would operate under the supervision of the State.

3. Mr. Born declared of his accord that the National Group had elected to proceed in this fashion mainly in order to avoid red tape in the solution of postwar problems. He emphasized, furthermore, that the dissolution of the National Group's own bureaucracy should also be contained in suggestions to be submitted to Ministerial Director Schlotterer. However, he did

not mention the fact that although the bureaucrats may disappear from the ranks of the National Group as such they may reappear all the more actively in the management, control, and direction of the cartels and syndicates.

In any case, this very interesting manner of reasoning on the part of the National Group does not reveal as far as we have ascertained up to now any intentions on the part of Mr. Ungewitter not to take an active interest in the structure of the future chemical industry of Germany. It may very well be that Mr. Ungewitter's viewpoint corresponds with our ideas as to the necessary steps to be taken. However, since this is by no means certain and is not assured for the future, it will continue to be necessary to follow very closely Mr. Ungewitter's policy with respect to the above-mentioned *carte blanche* and furthermore to assume a skeptical attitude for the time being and, if necessary, attempt to gain a certain influence in the formulation of the over-all regulation planned by him. This attempt should be made only when future discussions between Ministerial Director Schlöter and Ministerial Director Bergemann reveal that the Reich Ministry of Economics considers such a general regulation practical and sensible. In order to determine the National Group's reaction, the fact should be stressed that Mr. Born has asked us to think now about the problem of an over-all regulation, since this would represent a very valuable supplement of our equally valuable report on France. We have explained to Mr. Born that we consider the French case not only as an example for subsequent reports on other countries, which have been requested by the Ministry of Economics, but that we think that this case should be used as a model for the solution of all actual problems, which arise in the course of the economic penetration of large territories. Mr. Born was very much in favor of a combination of these two schools of thought and he believes that this combination of the more theoretical way of the National Group and the more practical way of the I. G. will bring about very favorable results in the planning of the peace. In a subsequent conversation, which lasted almost two hours, we took up the whole problem as planned by the I. G. with Mr. Born. During this conversation, Mr. Born agreed in principle with the arguments, which form the basis of our report with the wording of the individual paragraphs and with the proposals, which we submitted.

He was of the opinion that the demands made by us should express only our minimum requirements and that we would be able to make even greater demands without endangering the interests of private economy if the official attitude toward France should stiffen. We accepted this as a general thesis.

As to our special intentions expressed in the memorandum, Mr. Born had nothing to say. He will read it through carefully and if he has any comments to make, he will let us know about them immediately. In addition to this, the following points were of particular interest:

1. Mr. Born believes a solution of the problem "Kodak-Europe" to be extremely difficult, if the German Kodak Company attempts to become the successor of the Kodak Company in Europe against the wishes of the National Group.
2. Mr. Born made it quite clear that the Herman Goering Works are interested in acquiring the Belgian Solvay Syndicate. This is very remarkable since the German Solvay Company is hardly able to solve this problem due to a lack of ready capital.
3. Mr. Born believes that the problem AKU-Holland can be considered as definitely settled.
4. Mr. Born suggested that we ought to find out whether the I. G. was not interested in any way in the Unilever Company.
5. Mr. Born declared furthermore that in his opinion the problem of tariffs would not become urgent for a long time to come. However, the National Group is engaged just now in preparing suggestions for a new tariff.
6. Mr. Born is fairly sure that the existing customs frontier between the Reich and the Protectorate will be abolished as of October 1 of this year.

(s) ————

EXHIBIT No. 10

STATEMENT BY DR. VON SCHNITZLER, SEPTEMBER 8, 1945, ON SCOPE OF FARBEN'S NEW ORDER

To what an extent the ideas and intentions of the Reichs-Wirtschafts-Ministerium have determined the drafting of the "Neue Plan" of I. G. becomes clear by the fact that Terhaar who was in continuous contact with Reichs-Wirtschafts-Ministerium and was thoroughly informed of their aims, took personally the

"Regie" of the preparatory work in hand, he came to visit the different "Verkaufsgemeinschaften" and explained in especially put up "working committees" the clauses which he had elaborated on the basis of the guiding principles which he had received from Reichs-Wirtschafts-Ministerium. He pointed out that the plan should be as comprehensive and as thorough as possible and that the point of view of the authorities should under all circumstances be respected, namely, by far-reaching guarantees through a reliable German control to achieve the best possible strengthening of the German militaristic potential.

The elaboration should be made in such a way that it should not give a weapon in the hands of those manifold circles in the Reichs-Wirtschafts-Ministerium, in which criticism against I. G. was prevalent. I. G., being known as internationally linked and entangled and possessing many friendships and relations abroad, should not give the impression of a predelection for liberal handling and thus give those circles—Kehrl and his surrounding—an easy argument to refuse the plan of I. G. as an insufficient instrument. When the "Neue Plan" was elaborated, the war with England was still going on. One expected England's defeat but one could not discount it in such a way that special plans for England could be handed over to the government. Thus I am firmly convinced that the "Neue Plan" did not contain proposals regarding England. The preparatory work done inside the different departments had only an importance of informational character, but can in no way be regarded as I. G.'s official standpoint as the preparatory work had not yet been presented to the competent authorities inside of I. G. itself. It is obvious that the government's first interest was a militaristic one. Therefore the main points in the "Neue Plan" will have been:

Firstly a strict control over the whole chemical industry of Europe that no new plants for military chemicals should be created and that the production of such chemicals in the existing factories should be supervised.

Secondly, no licenses or know-how for such chemicals should be given to the chemical industry outside of Europe without before having asked I. G. of their opinion. This measure of course can be understood as being directed against the United States, because the United States remained apart from Russia the only country with a great economic potential in the outside world.

FRANKFURT, Sept. 8th, 1945.

(Signed) G. VON SCHNITZLER.

EXHIBIT No. 11

INTERROGATION OF VON SCHNITZLER, JULY 17, 1945, ON SCOPE OF FARBEN'S NEW ORDER

17 July 1945

Time: 10:30-11:00 a. m.

Q. Yesterday you told us that in August 1940 it was the plan of the Nazi Government to seize the entire French industry including the dyestuff industry. Is that right?

A. Not to take over. "Beschlagnahme" means not as much as "seize" in English.

Q. To sequester the property?

A. Yes.

Q. Based on discussions between I. G. and the Nazi government in July or August 1940 I. G. made the proposal to the Nazi government that it be permitted to purchase 50% of the French dyestuff industry from the Nazi Reich?

A. Yes, eventually. That means for us—

Q. Did you make the proposal to buy 50% of the French dyestuff industry from the Nazi Reich?

A. I think so, it is in the letter to the Reich.

Q. Is that letter to the Reich signed by you?

A. Yes; it must have been signed by me.

Q. You then told us that after Hitler and Petain shook hands at Monthoire there was a change in regard to dealings with the French industry. It was to be on a collaboration basis in the purely economic sphere?

A. That is right.

Q. When did you first learn of this change of line? In regard to the treatment of French industry—

A. What I only know is this: We wanted to acquire 50% for us, of course it made no difference whether we bought them from the Reich or—

Q. When did you first hear of a change of line?

A. Shortly after Monthoire.

- Q. From whom?
- A. From the newspapers or the discussions in Berlin.
- Q. With whom?
- A. Herr Mulert.
- Q. Was there another meeting in Wiesbaden?
- A. Wiesbaden comes later.
- Q. What happened at this meeting in Wiesbaden?
- A. The French group approached us.
- Q. Was this a meeting with the officials of the Nazi government?
- A. Yes; with Mr. Henmen. He was charged with the negotiations as civilian head, was appointed by the Nazi government to handle armistice questions.
- Q. Who attended this meeting.
- A. On the part of the government Henmen and Schone; of I. G. ter Meer, myself, Waitel, Kugler, Eckart. In November 1940.
- Q. At this meeting minister Henmen told you that you could deal with the French industry on a purely private basis?
- A. Yes; we could deal with them on a private basis.
- Q. This was part of the armistice negotiations?
- A. Yes.
- Q. How were these negotiations conducted, what happened first?
- A. The French started these negotiations. The renewal of the cartel agreement was refused by me and Herman. We came to the idea that we should take a participation in the French industry, limiting strictly on the dyestuff field.
- Q. How much of the participation did you ask for in the French dyestuff industry?
- A. At that time neither the 50 nor 51% have been cited.
- Q. Did you hand the French a memorandum on that?
- A. Yes.
- Q. When?
- A. In November.
- Q. Was this memorandum handed over to the French at the first armistice meeting?
- A. Yes.
- Q. Did you ask for a percentage of the French dyestuff industry?
- A. I asked for the "Führungsanspruch." I can't tell you whether in this first memorandum we asked for the percentage.
- Q. What was the theory on which the memorandum was based?
- A. I have never asked to the French any other figure than 51%.
- Q. You asked for 51% of the French dyestuff industry in the memorandum and never asked for less?
- A. Never less than 51% (Führungsanspruch means claim for leadership).
- Q. In your original proposal to the Nazi Reich you have asked for 50% of the French Industry?
- A. Yes.
- Q. Why was it that you now asked for 51% in regard to your dealings with the French on a purely private basis?
- A. This was due to an inner political development inside I. G. I would only have asked for 50% but the technical men said we must have 51%.
- Q. Whom did you recommend for president?
- A. We have recommended Frossard.
- Q. He was a Nazi-Vichy government collaborator?
- A. Yes. He was the only man who was ready and able.
- Q. And who were the other members of the French board?
- A. Duchemin.
- Q. Was he a collaborator?
- A. Yes, to a certain extent.
- Q. All the other members who became leaders on the French side were collaborators.
- A. Yes, more or less adhering to Petain.
- Q. Who were the representatives of I. G. in the board?
- A. We were four, I, Dr. ter Meer, Dr. Ambros, Waibel.
- Q. Who had recommended Frossard for the position as president?
- A. I said to Mr. Luchemin, the president of Kuhlmann: "Of course, there cannot be any doubt that Frossard would be president."
- Q. You recommended him?
- A. Yes.
- Q. And the French agreed?
- A. Yes.

Q. Were there any members of the original French company who did not become members of the new Francolor?

A. We took all the personnel over with the exception of M. Rhein. He was an employee of the Badische Anilin und Sodafabrik Ludwigshafen before the first world war. He was not apt for military service. During the first war he was in Ludwigshafen as a German subject, being Alsatian by birth. After the war he became French.

Q. Was he a member of the original company? I. G. felt that they could not control him?

A. Yes, in a certain way. We refused him from an economical point of view. Did not think him reliable.

Q. How many French dyestuff companies were there before the war?

A. Practically, only three.

Q. Of these 3 French dyestuff companies how many would join the new Francolor?

A. All.

Q. In the newly organized German/French company the entire French dyestuff industry was absorbed?

A. Yes, except two small factories. They did us no harm.

Q. Did you have them closed?

A. Partly having closed them and partly giving them the products of Francolor to sell.

Q. You controlled them?

A. Indirectly we controlled them.

Q. What happened to all the stocks, properties, etc.?

A. All was absorbed.

Q. What happened to the foreign properties of the company? What happened to the stocks in South America? Were they absorbed by the new Francolor?

A. In principle the Francolor took over everything concerning the dyestuff domain including the foreign holdings, but only if they could be reached.

Q. Because you could not reach the South American stocks you could not take them over?

A. Yes.

Q. As a result of the negotiations the Alsatian-Lotharingian property got into the control of I. G.?

A. Yes, later on. We had to take over the control from the authorities in Strassburg. The Reich considered this Alsatian property as seized and not to be free for negotiations of a private character. We could deal about the whole French position all over the world, except this small factory in Mulhausen.

Q. Did you propose that only the I. G. controlled Francolor be permitted to deal in dyestuffs and to control the entire dyestuff industry?

A. Yes.

Q. Did you also propose that all constructions either new construction or enlargement of existing plants in regard to chemicals which could be used in the armament field be under the control of the Reich?

A. I think so. That has nothing to do with Francolor.

Q. In regard to chemicals what did you propose as to a cartel arrangement?

A. This is difficult for me to answer. You know that our firm is split up in different departments. I did not handle the chemical matters.

Q. How did you propose to control the resources of greater German controlled Europe in regard to your dealings with countries of the world which were yet free, e. g. the U. S. A.?

A. We followed simply the governmental lines. This thought of Grossraum-Wirtschaft should work in such a way that the total of the European countries should have an entire uniform policy.

Q. What was this policy in regard to Chemicals in the armament sector? Did you, for example, hope to negotiate with the United States with respect to chemicals in the military sphere through your control of South American markets?

A. Never. Nothing so far-reaching.

Q. You intended to use your cartel foreign participations and exchange of experiences in order to control relations between this European sphere and U. S. A.?

A. No. In no way to the U. S. A.

Q. In regard to what countries?

A. In regard to the countries of the Grosswirtschaftsraum Europe, except Russia.

- Q. Did you sign that letter to Mr. Schlotterer?
 A. Yes, that might be.
 Q. What countries did I. G. propose to control in regard to their supply of military chemicals?
 A. South America, besides the European countries.
 Q. Why did you want to control the supply of military chemicals for South America? Did you fear South America's might?
 A. No, but the eventual production which could be the help in a new conflict.
 Q. Between whom?
 A. Say U. S. A. and Europe.
 Q. Did you intend to control the supply of military chemicals in Latin America because you feared a potential conflict between Germany and U. S. A.?
 A. Yes.
 Q. These were Post-war Plans?
 A. Yes.

G. v. SCHNITZLER.

EXHIBIT No. 12

STATEMENT BY DR. VON SCHNITZLER, SEPTEMBER 5, 1945, ON SCOPE OF
 FARBEN'S NEW ORDER

[Typed: Werner]

SEPTEMBER 5TH, 1945.

It must be remembered that in preparing the "Neuordnung" we were following the lines of the so-called "Gross-Raum-Politik" laid down by the government. We were looking to the overwhelming downfall of France and eventual capitulation of England when we prepared the document. It must be remembered that we knew well the aims and policies of the government and we knew that it was the intention of the government to improve its strength in relation to the countries outside of the European sphere. This meant, of course, the United States because outside of Europe the United States was the only strong country with which Germany had to reckon. Therefore, we wrote in the "Neuordnung" that we intended to keep Germany as strong as possible militaristically in relation to the United States. We could accomplish this only by limiting the production of armaments in Latin America. We did not want in the event of an eventual conflict with the United States to permit Latin America to supply the U. S. A. with war materials. It should be remembered that I. G. had to follow the lines of the Nazi government.

(Signed) GEORG VON SCHNITZLER.

EXHIBIT No. 13

INTERROGATION OF DR. KURT KRUGER, JULY 19, 1945, ON SCOPE OF FARBEN'S
 NEW ORDER

19 July 1945.

Time: 10:40—11:45

- Q. What position did you hold?
 A. I was a "Prokurist" with the title "Direktor" in the Central Finance Dept. till last year. Then I went to the Stickstoff-Syndikat, was in charge of the Fertilizer sales department.
 Q. Who was your immediate superior in the Finance Department?
 A. Ilgner.
 Q. Who was Ilgner's superior?
 A. Schmitz.
 Q. Do you remember in 1940 there were discussions between representatives of I. G. and the Nazi government in regard to the formation of a new world economic order?
 A. No. I remember now very well that we had the charge to make preparations for how to run the chemical industries in the different European countries.
 Q. Why did you say "No" to my question?
 A. I understood that it would be a general plan for the whole economic sphere.
 Q. So that in 1940 soon after the defeat of France I. G. had discussions with officials of the Nazi government in regard to the formation of a new world order in the chemical sphere?
 A. Yes; especially how to participate I. G.'s activity in the other chemical industries. There were some different points of view with the Nazi government. Some had the idea to run the economics on a more private character and others

more on a state character, to put out the I. G. and have them taken over like "Staatsbetriebe" states works. The representative of the latter idea was Kehrl, the representative of the idea of the more private character was Schlotterer, both in the Reichswirtschaftsministerium.

Q. You, i. e., I. G., agreed with Mr. Schlotterer?

A. Yes.

Q. Were the relations between I. G. and Schlotterer very cordial?

A. Yes; on account of his relations to Dr. Terhaar.

Q. Was he also an old member of the Nazi party?

A. I don't think so. Schlotterer was in the press and Terhaar also.

Q. Had Mr. Schlotterer any interest in I. G.?

A. No. Schlotterer had no interest in I. G. He was a very ambitious man, a young man who liked to and did make a good carrier.

Q. Where is he now?

A. I don't know.

Q. Did you participate in these discussions with Dr. Schlotterer?

A. Yes. Because at that time I remember that Ilgner was not there and I had to replace him.

Q. Where was Ilgner?

A. He came back just at that time. It was in autumn 1940.

Q. What was the date of your first discussions with the ministry of economy?

A. In this question?

Q. Was it in summer of 1940?

A. Yes; in summer 1940. That was connected with the questions of armistice with France and in these questions we had also discussions with Schlotterer and with Hemmen.

Q. Who was Hemmen?

A. Hemmen was the leader of the German commission of armistice in Wiesbaden in the economic sphere. He also was an old acquaintance of Terhaar.

Q. You had many discussions with Schlotterer in regard to peace negotiations?

A. Not so many. I think only one or two.

Q. Who was present?

A. I don't remember. I suppose Mr. Terhaar. As far as I remember the first plan of Schlotterer's idea to make a wide plan was told us by Terhaar. They were together and then Schlotterer started the plan to be prepared especially for the chemical sphere for all events. And Terhaar as the chief of the Wipo with Ilgner's organization in Berlin took up this idea and this task very energetically.

Q. You said the Wipo was Ilgner's department.

A. This too. Ilgner's department was Berlin N. W. 7, a composed department of Central Finance, Wipo, National Economics, etc.

Q. You said that Ilgner was away the first time the discussions were held with Schlotterer?

A. He just came back in these days. I remember very well, Terhaar was glad to have not so much to do with Ilgner in this preparations because the manner Dr. Ilgner liked to work was a little difficult for all this inferiors and especially at that time Dr. Terhaar suffered about this kind of work.

Q. What do you mean?

A. It was my special suffering this great difference between Ilgner in regard to inferiors. He was very autocratic.

Q. When Ilgner came back was he fully familiar with all these facts in regard to this plan?

A. Ilgner never was in all these things deeply informed. He liked to do everything but not to go into details. He did not like to work. He liked to organize. He liked to be the successor of Schmitz and that very soon and, therefore, he liked to get influence on a great deal of I. G.'s general business politics especially also in the fields of sales organizations, but his colleagues did not like his ambition in this regard and so he went on to make a special superorganization with all the central departments. In that field he liked to deal with the government and the Auswartige Amt.

Q. So that he was engaged in many mixed industrialist government commissions?

A. They were private economic commissions under governmental presidency and under governmental leading.

Q. They would mix members of industries and members of the government?

A. These men of finance and industry were experts and had to be at the disposal of the government who had to ask them and give them tasks to prepare plans.

Q. Would Ilgner be familiar with the peace plan?

A. Yes.

Q. He would know what the purpose was in the formation of this new world order, is that right?

A. Yes. About Ilgner: These plans were taken up by I. G. with special interest because I. G. feared that the other influence in the Nazi government would be the greater and would take away all the chemical industry business to the state and to put out I. G. Therefore Schnitzler and Kugler and von Heider too were very busy to give information.

Q. And preparing these plans I. G. and all its directors were very serious about it? Is that right?

A. They were serious to give full attention to the plan, because most of them hoped that this plan would come into action.

Q. And you also wanted to increase the power of I. G.?

A. Yes; Ilgner too was serious about this plan and was very active in considering I. G. proposals. He also liked to have a stronger and bigger I. G.

Q. He was very friendly with the officials of the Nazi government?

A. He liked to be perhaps. He had no reaction because his manners and his attitude was a little too conceited. He had some friends, as Clodius and Reinhardt but most of these people did not take him too serious.

Q. In preparing these proposals I. G. had in mind to make I. G. all powerful in the chemical sphere in Europe? Is that right?

A. Yes; you may say so.

Q. I. G. wanted to increase its power all over Europe. Is that true?

A. Yes.

Q. In preparing its proposals for the peace plan or the new world order plan I. G. wanted to increase its power all over Europe in the chemical sphere and it did that by either taking over ownership or a controlled participation or by a very rigid cartel agreement; or if it could not control or it was not in the best interest of I. G. that an industry in another country continued to do business, I. G. wanted that firm eliminated?

A. Yes.

Q. It was because Hitler shook hands with Petain at Monthoire that the original idea of taking over all French industry and of all conquered countries was changed?

A. We don't have to seize them any more because the people had the same in mind with us.

Q. They were collaborators? And that it was then not necessary to seize them?

A. Yes. It was not necessary because Mr. Hemmen and officials of German Govt. were much stronger in handling this question of German industry influence in the other countries than I. G. itself and especially in the question of 50% in France.

Q. On a purely economic sphere I. G. should, after the defeat of France, plan to dominate completely, control the dyestuffs, the chemicals, and relative industries of all the conquered countries in Europe?

A. Yes.

Q. In the military sphere I. G. proposed to control the production of military chemicals, chemicals that could be used for war, in the dominated countries so that Germany will at all times be supreme in military chemicals and so that the resources of these countries in military chemicals will always be at the disposal of the Wehrmacht in the event of a new war? Is that right?

A. Yes.

Q. I. G. also proposed to control trade relations between the German-conquered countries, on the one hand, and other countries of the world, on the other hand, like the U. S. A., for example, so that in regard to the free countries of the world, the Wehrmacht will always be supreme in military warfare chemicals? Is that right?

A. I don't understand the question.

Q. In the case of France, I. G. and the Nazi government could directly control French production of military chemicals. For example: If a French company is to build a plant producing war chemicals, I. G. and the Nazi government would not permit it.

A. Yes.

Q. As regards the free countries of the world you did not have the power to directly control their production of military chemicals, is that right?

A. Yes.

Q. But with your own and newly founded power in dominated Europe it was necessary to handle your trade relations with the U. S. A. in such a way as, at all times, to benefit the I. G. and the Nazi Wehrmacht? Is that right?

A. Yes.

Q. And your representatives abroad were always the eyes and the ears of I. G. to report on military production in foreign countries? And you intended to use them in the future to report to you about military production in foreign countries, especially the U. S. A.?

A. I don't know.

Q. Why did you propose it in your plans?

A. I have it not in mind at the moment.

Q. In making such proposals in 1940, I. G. and the Nazi government must have anticipated and must have intended to make war against U. S. A. Is that right?

A. I think everybody had to expect it, because when Nazi government go further, U. S. A. would not see that they are going further.

Q. Whom would Germany attack after having defeated all Europe? U. S. A.?

Q. I have no idea.

Q. When these plans were made was there an expectation to attack the U. S. A.?

A. I can't say. The idea of Nazi government was not to conquer but to have a powerful standing against the U. S. A.

Q. You mean until the time came that you would have attacked the United States? Didn't all I. G. directors and the industrialists know that Hitler planned to attack the U. S. A. after he conquered Europe?

A. In my opinion, in 1940 most of them were optimists and believed also as far as they deemed a war between Germany and U. S. A. possible, that the actual war would be won very soon, so that U. S. A. would not be involved in it at all. To the extent, as this hope died away, they must and might have taken this possibility more and more in consideration.

I have read the record of this interrogation and swear that the answers therein given by me to the questions of Mr. Weissbrodt and Mr. Devine are true.

K. KRUGER, *Director.*

Interrogated by—

Mr. ABE WEISSBRODT.

Mr. NEIL DEVINE.

CHAPTER VII

EXHIBIT No. I

ESTIMATE OF DAMAGE TO FARFEN PLANTS

1. *Original value* or construction cost respectively.¹
2. *Damages* caused by air raids as of 31st of January, 1945.
3. *Percent of destruction.*
4. *Present capacity of production*, if sufficient raw materials and labour are available.

	Original value	Damages	Percent of destruction	Possible production in percent
	1	2	3	4
	<i>Millions of Reichs- marks</i>	<i>Millions of Reichs- marks</i>		
A. I. G. Plants:				
I. American zone.....	439	41	5	98
II. French zone.....	870	379.5	40	70
III. English zone.....	662	63.7	10	95
IV. Russian zone.....	2,850	260.9	10	90
V. Plants not within the boundaries of Germany.....	426	54.2	12	90
Total I. G.....	5,247	799.3	15	90
B. Plants in which I. G. has a substantial financial interest and with which exists a close technical cooperation:				
I. American zone.....	36	12.5	30	70
II. French zone.....				
III. English zone.....	387	32.9	15	85
IV. Russian zone.....	583	172.6	30	70
V. Plants not within the boundaries of Germany.....				
Total.....	1,006	218	25	75
Total A+B.....	6,253	1,017.3	17	87

A. I. G. PLANTS

	Original value	Damages	Percent of destruction
	1	2	3
	<i>Mill. RM.</i>	<i>Mill. RM.</i>	
I. American zone:			
Höchst.....	278	5.6	2
Griesheim.....	30	7.4	10
Griesheim Autogen.....	26		
Mainkur.....	37	4.7	10
Offenbach.....	16	14.1	70
Marburg.....	4		
Bobingen.....	17		
Gersthofen.....	22		
München.....	9	9.2	90
Total.....	439	41.0	5
II. French zone:			
Ludwigshafen.....	465	379.5	45
Ludwigshafen Buna.....	349		
Oppau.....	22		
Rheinfelden.....	34		
Rottweil.....			
Total.....	870	379.5	45

¹ See page 1531.

A. I. G. PLANTS—Continued

	Original value	Damages	Percent of destruction
	1	2	3
III. English zone:	<i>Mill. RM.</i>	<i>Mill. RM.</i>	
Zweckel.....	9		
Leverkusen.....	352	59.8	16
Titan, 50%.....	31	0.1	
Elberfeld.....	70	0.2	
Dormagen.....	66	1.2	15
Uerdingen.....	96	0.3	
Auguste Viktoria.....	35	0.1	1
Frechen.....	3	1.7	
Gerthe (stocks).....			
Scharzfeld.....			
Total.....	662	63.7	10
IV. Russian zone:			
Merseburg.....	891	176.7	70
Piesteritz.....	32		
Waldenburg.....	16		
Frose.....	15		
Bitterfeld + 50% Aluminum.....	283	19.3	5
Aken + 50% Aluminum.....	42		
Stassfurt.....	45		
Teutschenthal.....	6		
Wolfen-Farben.....	163	0.2	
Wolfen-Film.....	211	0.8	
Döberitz.....	11	0.1	
Prennitz.....	68		
Parchwitz.....	2		
Berlin Treptow.....	21		
Lichtenberg.....	216	0.9	
I. G. Gruben.....	355	51	20
Heydebreck.....	401	11.9	2
Schkopau.....	72		
Landsberg.....			
Total.....	2,850	200.9	10
V. Plants not within the boundaries of Germany:			
Auschwitz.....	322	42.4	10
Moosbierbaum.....	104	11.8	20
Total.....	426	54.2	12
Total I.-V.....	5,247	799.3	15

B. PLANTS IN WHICH I. G. HAS A SUBSTANTIAL FINANCIAL INTEREST AND WITH WHICH EXISTS A CLOSE TECHNICAL COOPERATION

	Partici- pation	Original value	Damages	Percent of destruction
		1	2	3
I. American zone:	<i>Percent</i>	<i>Mill. RM.</i>	<i>Mill. RM.</i>	
Biebrich.....	100	130	10.8	40
Goldbach.....	100	11		
Messel.....	100	12		
Karlsruhe.....	100	2	1.7	80
Steeden.....	100	1		
Total.....		36	12.5	30
II. French zone.....				
III. English zone:				
Holten.....	30	110	0.4	
Hüls, Chem. Werke.....	74	260	20.4	10
Knapsack.....	100	150	3.1	40
Duisburg.....	90.5	160	9	30
Nachrodt.....	50	17		
Total.....		387	32.9	15

* Estimated.

B. PLANTS IN WHICH I. G. HAS A SUBSTANTIAL FINANCIAL INTEREST AND WITH WHICH EXISTS A CLOSE TECHNICAL COOPERATION—Continued

	Participation	Original value 1	Damages 2	Percent of destruction 3
IV. Russian zone:	<i>Percent</i>	<i>Mill. RM.</i>	<i>Mill. RM.</i>	
Riebeck.....	100	1 250	0.5	
Pöhlitz.....	31.3	1 300	166.8	60
Capel.....	50	1.3		
Lepzig.....	100	1 20	5.2	30
Ellenburg.....	100	1 10	0.1	
Total.....		583	172.6	30
Total I-IV.....		1,006	218.0	25

¹ Estimated.

FRANKFORT a. M., 16th August, 1945.

ORIGINAL VALUE OR CONSTRUCTION COST, RESPECTIVELY

I. I. G. Plants.—As original values were taken the total cost of those plants, which were ready to operate at the end of 1943. To this sum were added the expenditure for the plants which were in construction at that time. The expenditure for these plants not yet ready were ca. 400 Mill. RM. and I assume, that plants to this extent would become ready for operation in the course of 1944. For the new large plants: Schkopau, Landsberg, Heydebreck, Auschwitz und Moosbierbaum were taken the total amount of the construction cost accounted for till the end of 1944.

II. Plants in which I. G. has a substantial financial interest and with which exists a close technical cooperation.—A similar procedure was adopted for the above works. The original values of a number of these works had to be estimated, since no data were available.

10/8/45.

EXHIBIT No. 2

DECREASE OF PRODUCTIVE CAPACITY BY AIR DAMAGE

Enclosed please find a summary of the approximate decrease of productive capacity effected by air bombing for various large productions of I. G. The figures have been estimated in the following way:

In a great number of productions where decrease of productive capacity occurred, the figures are largely determined by the heavy damage which the Ludwigshafen-Oppau works suffered. For these works detailed estimates exist as to—

(1) what capacity can be obtained after doing three months repair work and

(2) what the capacity will be after completely repairing the plant.

The difference between the tonnage figures of (2) and (1) was taken as loss of productive capacity and compared with the total capacity existing prior to air bombing.

Similar reasoning was applied to the heavy damages in other works. The figures given in the list therefore represent the percentage of total loss of plant and heavy damage which cannot be repaired in a few months' time. Since they include some damage which may be repaired at a later date, they probably are somewhat on the high side.

It has also been tried to estimate the loss of capacity in explosives. A particular difficulty in this case is the lack of information about the works of Dynamit A. G. Several explosives plants were bombed, but since the vital parts of these plants were built underground, heavy damage is not likely to have occurred. Other plants were so well camouflaged that they were not hit by air raids. All in all, air damage may have effected a decrease in productive capacity of about 5 to 10%.

FRANKFURT a/M., September 12, 1945.

OSKAR LOEHR.

DECREASE OF PRODUCTIVE CAPACITY BY AIR DAMAGE FOR VARIOUS LARGE PRODUCTIONS OF I. G.

Estimated loss in Productive Capacity

	<i>Percent</i>		<i>Percent</i>
Nitrogen.....	50	Synthetic rubber.....	16
Large inorganic products:		Plastics.....	12
(a) Sulfuric acid.....	20	Plasticizers.....	20-25
(b) Chlorine and caustic soda.....	10	Synthetic resins.....	25
(c) Sodium sulfate.....	20	Synthetic tanning agents.....	25
(d) Muriatic acid.....	5	Dyestuffs.....	8-10
(e) Sodium sulfide.....	5	Dyeing and printing auxiliaries.....	35
(f) Bichromates.....	None	Detergent raw materials.....	30
Calcium carbide.....	20	Pharmaceuticals and sera.....	None
Aluminum.....	None	Insecticides and fungicides.....	None
Magnesium.....	None	Synthetic gasoline and lubricating oil.....	40
Nickel.....	None	Explosives (possibly).....	5-10
Organic intermediates.....	8-10	Poisonous gases.....	None
Solvents.....	15	Artificial silk.....	None
Methanol.....	25	Spun rayon.....	None
Formaldehyde.....	30	X-ray film.....	None

FRANKFURT a/M.. September 10, 1945.

OSKAR LOEHR.

X

74.1757 2 1937 1533
ELIMINATION OF GERMAN RESOURCES FOR WAR

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON MILITARY AFFAIRS
UNITED STATES SENATE

SEVENTY-NINTH CONGRESS

SECOND SESSION

PURSUANT TO

S. Res. 107

(78th Congress)

AND

S. Res. 146

(79th Congress)

AUTHORIZING A STUDY OF WAR
MOBILIZATION PROBLEMS

PART 11

FEBRUARY 25 AND MARCH 6, 1946

Printed for the use of the Committee on Military Affairs



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1946

COMMITTEE ON MILITARY AFFAIRS

ELBERT D. THOMAS, Utah, *Chairman*

EDWIN C. JOHNSON, Colorado	WARREN R. AUSTIN, Vermont
LISTER HILL, Alabama	STYLES BRIDGES, New Hampshire
SHERIDAN DOWNEY, California	CHAN GURNEY, South Dakota
HARLEY M. KILGORE, West Virginia	CHAPMAN REVERCOMB, West Virginia
JAMES E. MURRAY, Montana	GEORGE A. WILSON, Iowa
JOSEPH C. O'MAHONEY, Wyoming	THOMAS C. HART, Connecticut
ROBERT F. WAGNER, New York	H. ALEXANDER SMITH, New Jersey
TOM STEWART, Tennessee	
BURNET R. MAYBANK, South Carolina	
FRANK P. BRIGGS, Missouri	

PAUL L. BADGER, *Clerk*

WALTER I. SMALLEY, *Special Assistant*

SUBCOMMITTEE ON WAR MOBILIZATION

HARLEY M. KILGORE, West Virginia, *Chairman*

ELBERT D. THOMAS, Utah	CHAPMAN REVERCOMB, West Virginia
EDWIN C. JOHNSON, Colorado	GEORGE A. WILSON, Iowa
JAMES E. MURRAY, Montana	

HERBERT SCHIMMEL, *Chief, Investigations and Hearings*

COLEMAN ROSENBERGER, *Hearings Editor*

CONTENTS

Testimony of—	Page
Russell A. Nixon, former Acting Director, Division of Investigation of Cartels and External Assets, Office of Military Government in Germany (United States).....	1533
Maj. Gen. John H. Hildring, Director, Civil Affairs Division, War Department.....	1607

III

ELIMINATION OF GERMAN RESOURCES FOR WAR

MONDAY, FEBRUARY 25, 1946

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:45 a. m., pursuant to call of the chairman, in room 104-B, Senate Office Building, Senator Harley M. Kilgore (chairman) presiding.

Present: Senator Harley M. Kilgore, West Virginia, and Senator Elbert D. Thomas, Utah.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order.

The witness this morning is Mr. Russell A. Nixon, former Acting Director, Division of Investigation of Cartels and External Assets, Office of Military Government in Germany (United States).

Mr. Nixon, I believe that you have a prepared statement. Do you want to submit that statement for the record, or would you prefer to read it?

TESTIMONY OF RUSSELL A. NIXON, FORMER ACTING DIRECTOR, DIVISION OF INVESTIGATION OF CARTELS AND EXTERNAL ASSETS, OFFICE OF MILITARY GOVERNMENT IN GERMANY (UNITED STATES)

Mr. NIXON. I would like to submit my prepared statement for the record, and then summarize it as I go along.

The CHAIRMAN. Your prepared statement will be made a part of the record at this point.

(The statement referred to follows:)

PREPARED STATEMENT BY RUSSELL A. NIXON

As you know, Mr. Chairman, I am appearing before this subcommittee as a private citizen. I am not in a position, therefore, to submit for the subcommittee's examination the various official documents and records pertinent to the subject matter of my testimony. I would like to make clear, however, that every statement can be fully supported with documents; and I am sure that the War Department will be glad to submit directly to the subcommittee any such documents which are of particular interest to it.

I. SURVEY OF I. G. FARBE CONTROL

In March of 1945, Mr. Chairman, as a soldier I was transferred from an Infantry replacement center in Belgium to the Finance Division of the United States Group Control Council. At first, I served as Chief of the Denazification Section. Subsequently, I acted as Chief of the Division's Financial Intelligence and Liaison Branch; and, finally, when the Division of Investigation of Cartels and External Assets, DICEA, was established on September 12, 1945, I was made one of its Deputy Directors. From the time its Director, Colonel Bernstein, left Germany

on September 24, I served as Acting Director of DICEA. As such, I was appointed acting United States member on the German External Property Commission.

In testifying before your subcommittee in December, Colonel Bernstein described the findings of the I. G. Farben investigation. I should like, at the outset, to bring the Farben story to date by describing briefly the measures taken by our Military Government officials with respect to Farben during the past few months.

As you know, in October 1945 the United States Group Control Council was reorganized into Office of Military Government (United States) and an order was issued setting forth the functions and authority of the several new divisions. The reorganization order, however, did not make any formal organizational arrangements for DICEA. The order merely sanctioned the existence of the Division and indicated that a full statement of its charter would be issued at a later date. Nevertheless, we decided at that time that despite the lack of a formal charter we would hardly be justified in deferring any longer the preparation of our recommendations on what to do with I. G. Farben, the largest single concentration of economic power and war-making potential in the United States zone and in all of Germany.

United States Military Government General Order No. 2 of July 5, 1945, directed the seizure of the possession, direction, and control of I. G. Farben for the following specified purposes:

"4. a. The making available to devastated nonenemy countries of Europe and to the United Nations, in accordance with such programs of relief, restitution and reparations as may be decided upon, of any of the property seized under this order and, in particular, of laboratories, plants and equipment which produce chemicals, synthetic petroleum and rubber, magnesium and aluminum and other nonferrous metals, iron and steel, machine tools, and heavy machinery;

"b. Destruction of all property seized under this order and not transferred under the provisions of paragraph a above if adapted to the production of arms, ammunition, poison gas, explosives, and other implements of war, or any parts, components or ingredients designed for incorporation in the foregoing, and not of a type generally used in industries permitted to operate within Germany;

"c. Dispersion of the ownership and control of such of the plants and equipment seized under this order as have not been transferred or destroyed pursuant to paragraphs a and b above."

Special Order No. 1 of July 5, 1945, appointed a control officer for Farben and, pending the assumption of control over Farben or Farben property by the Allied Control Council, or any of its agencies, directed the control officer, in paragraph 3, to "take forthwith the following interim measures:

"b. Prevent the production by and rehabilitation of plants and equipment seized under said general order [General Order No. 2] except as may be specifically determined to be in accordance with the objectives of the United Nations."

Before our Division could fulfill its responsibility to make recommendations on I. G. Farben, it was necessary to ascertain what had been done to execute the directives set forth in General Order No. 2 and Special Order No. 1 with respect to demolition, reparations, and dispersal of ownership. Accordingly, at the end of October, we approached the Farben control officer, Col. F. S. Pillsbury, stated our position, and requested that arrangements be made for us to obtain the necessary information. Colonel Pillsbury was not altogether satisfied that our jurisdiction extended to internal concentrations of economic power in Germany as distinguished from international cartel arrangements, but he finally agreed to make available any information he had. We then proceeded with our investigation on the basis of the information derived from the central office of the I. G. Farben control officer.

At the very outset of our survey, it became apparent to us that certain differences existed between the Director of the Finance Division, Mr. Dodge, and General Draper, Director of the Economics Division. For example, Mr. Dodge told us that he had been disturbed by the failure to curb Farben's war potential. He was especially concerned over the handling of the Reich-owned Farben-operated Montan plants and had been trying unsuccessfully to close the Anorgana plant at Gendorf, which was built during the war and used exclusively for the production of poison gas. On October 18, 1945, Mr. Dodge had recommended that immediate action be taken with respect to that plant. On November 10, he received a memorandum from General Draper insisting that the plant continue to operate on the ground that certain chemicals which it was capable of producing were essential to the German economy. In like manner, Mr. Dodge

had been unsuccessful in his efforts to have dismantled the Grosskraftwerke underground plant at Mannheim-Rheinau. An order to dismantle the plant was eventually issued; however, it was rescinded almost immediately. Mr. Dodge maintained that I. G. Farben plants were receiving preferential treatment in procuring coal and other supplies and that he had strongly protested against this preference. USFET MAIN, however, refused to take any action on this protest, believing it incapable of substantiation.

Having learned from Mr. Dodge that he, too, had ordered an investigation into the nature and accomplishments of Farben control, we consulted with the Finance Division officials responsible for that investigation, and undertook to make available to them any relevant material in our possession. In view of the fact that they were planning to make an over-all survey, we informed them that we would limit our investigation to the information available in the central records of the control office.

The findings of these two parallel investigations are set forth in two detailed reports both dated December 17, 1945. They reveal not only a complete failure to carry out the order of July 5, 1945, but also deliberate violation of those orders by contrary action.

The records of the central office were wholly inadequate for the control of I. G. Farben field operations. In the central office records, plans submitted by field officers for the disposition, or I should say operation, of individual plants were in many cases prepared by the German managements of the firms in question; and there was no evidence that steps had been taken centrally to discourage the execution of plants which clearly ran counter to the directives.

Our investigation disclosed that of a total of 55 I. G. manufacturing plants in the United States zone, 2 were destroyed and 3 had been declared available for reparations and destruction. None of the I. G. Farben-owned or affiliated plants had been eliminated—either by destruction or by making them available for reparations. All of the five plants eliminated were Montan Reich-owned plants. Fourteen of such plants were built by the Reich in the United States zone shortly before or during the war and were operated by Farben for military purposes.

We discovered also that almost every one of the I. G. Farben plants in the United States zone was operating. Capacity added during the war exclusively for war production had been brought into operation for the production of so-called peacetime goods without any indication as to the need for such production and without any proof that the particular goods could not be provided by other plants which normally produced those goods previously in the past.

Partial explanation of the failure to carry out the directives with respect to reparations, demolition and dispersal of ownership may be gathered from a memorandum written by Colonel Pillsbury to Mr. Dodge on November 5, 1945. In the memorandum Colonel Pillsbury indicated that the accomplishment of the objectives mentioned by Mr. Dodge had not been, and I quote, "practicable." Colonel Pillsbury stated that no disposition of the plants could be made because title had not been vested by the Control Council. The investigation of the Finance Division, which I will discuss shortly, indicated, however, that dismantled equipment in Reich-owned, Farben-operated plants which had been listed for destruction had been shipped or labelled for shipment to Farben-owned plants. In other words, legal technicalities were used to justify the failure to remove anything from Farben plants but were not even considered in moving equipment from Reich-owned plants into I. G. Farben. The effect is that I. G. plants and their war potential are being rebuilt with equipment from the Reich-owned plants marked for reparations and destruction.

DICEA's surveys also analyzed replies, which by the end of November had been received from 32 I. G. manufacturing plants to a questionnaire issued July 27 for the purpose of "eliciting information and recommendations upon which to formulate a program." Only 9 plants were reported as available or "possibly" available for reparations in whole or in part. The reports tended to write-off the war potential of each plant; and there was a marked disposition to emphasize the peacetime uses for which wartime capacity could be used and to claim that the capacity was essential to the peacetime economy of Germany. This emphasis prevailed both in the case of the few plants reported available for reparations and also in the case of the much larger number of plants not declared available for reparations. In some cases, it was even stated openly that the particular plant was more valuable as an operating concern than as a source of reparations. This, notwithstanding the fact that United States and Allied policy is committed to the elimination of Germany's industrial war potential and to providing reparations

in the form of equipment, particularly from the industries in which I. G. Farben plants are dominant.

DICEA further reported that no effective action had been taken to decentralize Farben and disperse its tremendously concentrated power. For example, there is a constellation of plants centered largely around Hoechst, the largest I. G. Farben plant in the United States zone. It was claimed that the operation of these plants had to be integrated. This reported need for integration is based upon purchasing or sales advantages, despite the fact that there is an assured market for the production of the plants. Of all factors, these clearly should be given no consideration in executing a serious policy determination to destroy I. G. Farben, and are absurd when advanced as reasons for failure to do so. The reasons given for maintaining integrated operations in Hoechst were also advanced in the case of eight other plants, all of which produced great quantities of military supplies during the war. The boldest statement supporting a vertical trust as a necessity was made in the case of Steedener Kalkwerke. The argument ran thus: The Steedener Kalkwerke has very extensive new installations, erected specifically to meet the burnt-lime requirements of the synthetic-rubber plant of I. G. Ludwigshafen. The plant can, therefore, operate economically only if it produces to the extent of normal capacity. To justify operation, it is necessary that the plant be guaranteed continuous large-scale demand for lime. Only the larger chemical works have such a demand. Thus to assure a normal and profitable production, the best arrangement would be direct combination with a big chemical work. The plants which are particularly in need of lime on this basis are all former I. G. Farben-industrie plants:

Ludwigshafen..... For carbide production, for insecticides, and for lacquers.

Hoechst..... For production of artificial fertilizers.

AG für Stickstoffdünger, For carbide production.

Knappsack.

A similar connection with the steel industry is possible, although this plant is equipped to produce a higher grade lime than is necessarily required by the steel industry.

As I have previously indicated, the survey conducted independently by the Finance Division corroborated in almost every detail the findings of our DICEA survey. The report of the Finance Division stated that there were at least five distinct indications of the regrowth in the United States zone of Germany's greatest single instrument of economic aggression. First, the report noted that with the exception of most Montan plants and those plants damaged in the war, there were no discernible limits on production in Farben plants, except the limits imposed by shortage of materials, and all requests for production authorizations were approved without exception. These production schedules, according to the Finance Division, were prepared for each plant by the German management and were automatically approved by responsible Military Government officials of the Economics Division except in cases where these officials proposed higher production schedules.

The second evidence of Farben's regrowth cited by the Finance Division was the fact that Farben control has followed lines prescribed before the end of the war by Farben officials themselves as an adaptation to the facts of the defeat and occupation. This conclusion was based in part upon a letter from Max Ilgner, one of Farben's key officials, written in May 1944 while under detention, to two of his associates in the Farben Central Finance Department. He instructed them to keep in as close touch as possible with one another and with other Farben leaders. He predicted that the American authorities would eventually permit resumption of I. G. operations and stressed the need for keeping the organization alive in expectation of this development.

A similar example of Farben's determination to survive military defeat is the fact that a German by the name of Orth, who had been the Farben sales manager for Bavaria for many years, prepared for I. G. Farben a program for postwar reconversion in the event of Germany's defeat. Today Orth resides in Munich and is again the sales manager for the Bavarian plants, including Gendorf. Orth stated that he was working with the Bavarian Ministry of Economics to install a new power plant at Gendorf to reduce costs there. In general he was satisfied with his relations with military government officers and felt optimistic about future developments.

Other conclusions in the Finance Division's report point to evidence that lines of connection among the now supposedly independent I. G. plants are being re-established in part through the natural interdependence of plants in the chemical

industry, but in part through the design of Farben leadership; that dismantling and demolition in Farben-owned affiliated and operated plants have thus far been on an extremely limited scale; and, finally, that some materials, office furniture and equipment are being returned to other Farben plants—a form of Farben restitution which appears to be taking precedence over restitution to Allied Nations and which is facilitating the reconstruction and regrowth of the I. G. Farben trust.

That these developments run counter to established American and quadripartite policy is quite clear. They are violations of the directives of July 5, 1945, and they are violations of the document which those directives purported to implement, namely JCS 1067. Paragraphs 7 c. and 7 d. of JCS 1067 stated:

"7 c. You will seize or destroy all arms, ammunition and implements of war and stop the production thereof.

"d. You will take proper steps to destroy the German war potentials as set forth elsewhere in this directive."

Paragraph 32 of JCS 1067 stated:

"32. Pending final Allied agreements on reparation and on control or elimination of German industries that can be utilized for war production, the Control Council should

a. prohibit and prevent production of iron and steel, chemicals, nonferrous metals (excluding aluminum and magnesium), machine tools, radio and electrical equipment, automotive vehicles, heavy machinery and important parts thereof, except for the purposes stated in paragraphs 4 and 5 of this directive; [these purposes in brief, were mainly concerned with protecting the safety and meeting the needs of the occupying forces and assuring the production and maintenance of goods and services required to prevent starvation or such disease and unrest as would endanger those forces].

b. prohibit and prevent rehabilitation of plant and equipment in such industries except for the purposes stated in paragraphs 4 and 5 of this directive; and

c. safeguard plant and equipment in such industries for transfer on reparation account."

Not only has the production of the enumerated items not been prohibited, but there has been affirmative action to rehabilitate Farben plants and Farben equipment; and operation of the rehabilitated plants has been used as a reason for barring the transfer of their equipment as reparations.

Paragraph 33 of JCS 1067 provides:

"The Control Council should adopt a policy permitting the conversion of facilities other than those mentioned in paragraphs 30 and 32 to the production of light consumer goods, provided that such conversion does not prejudice the subsequent removal of plant and equipment on reparation account and does not require any imports beyond those necessary for the purposes specified in paragraphs 4 and 5 of this directive. Pending agreement in the Control Council, you may permit such conversion in your zone."

This directive, too, has obviously been violated. In handling I. G. Farben, United States administrators have been concerned chiefly with finding out where it would be possible to convert war capacity to the production of medicines, dyestuffs, and other civilian goods. Capacity which had never been used for any other but war purposes has been converted to such use, as at Gendorf. Yet I. G. Farben with a much smaller capacity before the war exported two-thirds or more of its total output of such products, showing how limited are Germany's normal, civilian requirements.

When Mr. Dodge submitted the report of the Finance Division to General Clay, it was accompanied by recommendations addressed to General Draper and to Colonel Pillsbury. These recommendations briefly summarized were as follows:

I. All wartime additions to I. G. Farben-owned, affiliated, or operated plants shall be declared available for reparation or destruction and shall be dismantled.

II. All I. G. Farben-owned, affiliated, or operated synthetic rubber and metals plants will be set aside and immediately dismantled.

III. Non-Farben plants will be given priority in production. (Farben production and production capacity were to be further reduced or eliminated according to a specified formula set forth by the Finance Division.)

IV. In all plants set aside for dismantling, all underground installations and all installations used for key equipment such as power equipment, will be destroyed, after all equipment which could be used for peacetime production has been dismantled.

V. All I. G. Farben owned, affiliated, or operated plants, not dismantled or set aside in accordance with the foregoing, will be available for operation under centrally controlled authorizations, pending determination of the final repara-

tions program, and subject to any standards that may be established by the Quadripartite I. G. Farben Control Committee. Non-I. G. Farben plants producing products which have been produced also in I. G. Farben owned, affiliated, or operated plants shall be made available for reparations only after the I. G. Farben plants have been made so available. During the interim period of determination of final availabilities for reparations, a plan shall be prepared for the dispersal of ownership of the I. G. Farben owned, affiliated or operated plants that may be retained in the United States zone, providing for the ultimate disposal of all such plants with no common ownership of any two plants.

In transmitting the report of DICEA to General Clay, I stated that I was in full agreement with Mr. Dodge's recommendations. Our report included also recommendations bearing upon the position of the United States vis-à-vis the quadripartite control of I. G. Farben.

The Finance Division's Report and DICEA's report were filed on December 17, 1945. The day before the reports were filed, a cable was prepared in the Economics Division for General Clay to forward to the War Department in Washington. In that cable, the Economics Division confirmed the information set forth in both reports with respect to plants available for reparations. On December 25, 1945, General Clay sent me a memorandum which stated that steps had been taken to reaffirm General Order No. 2 and Special Order No. 1 with the Finance and Economic Divisions and to make these orders our guiding policy in quadripartite action with respect to I. G. Farben. General Clay's memorandum stated in addition that the immediate designation of a substantial number of nonmilitary I. G. Farben plants in the United States zone as available for reparations had been directed.

On January 16, according to newspaper accounts, General Draper informed the quadripartite Farben control committee (1) that two explosive plants had been destroyed since the occupation. These obviously are the same two plants which were referred to in the Finance Division's report and in DICEA's report and which were Reich-owned and Farben-operated; (2) that the 12 other Montan plants, which were ordered destroyed well over 2 months ago, are in process of being dismantled; and (3) that seven other plants are being declared available for reparations.

The cable of December 16, General Clay's memorandum of December 26, and General Draper's reported accounting of January 17, indicate that the splendid work of this subcommittee, together with the surveys and recommendations of the Finance Division and DICEA have had some effect, and have increased immeasurably the possibility of decisive action with respect to Farben. The main responsibility now is to see to it that General Clay's and General Draper's expressions of intention are carried out and that the other recommendations in the two reports are put into effect. For even if present plans are executed, the total number of Farben plants affected would hardly extend beyond the Montan Reich-owned plants built exclusively for war production in World War II. Mr. Dodge's recommendations for the elimination of the war potential of I. G. Farben provide a procedure whereby all the wartime additions to Farben capacity would be made available immediately for reparations. They total far more than the seven plants presently "being declared available for reparations," and the total capacity goes far beyond the capacity of these seven plants.

In addition, most of the 12 plants which General Draper declares he has now ordered destroyed had been ordered destroyed under a directive dated November 14, more than 2 months earlier. This directive received considerable publicity at the time but it never went beyond the central control office and was reportedly held up "by agreement." This is typical of our experience with I. G. Farben: failure to do the obvious even when it is expressly directed. In the light of this experience, it seems to me that what we need now is more than a declaration of intent or publication of directives. It must be borne in mind that I. G. Farben represents the outstanding industrial unit of German aggression. It has been thoroughly investigated and its criminal activities laid bare. I. G. Farben alone of all units in German industry has been the subject of special legislation both for the United States zone and on a quadripartite basis for Germany as a whole. Our failure to act in this instance augurs ill for the carrying out of a vigorous policy with respect to other important segments of German industry which have not been so specially treated. In the United States Military Government, these deficiencies between action and policy developed from the fundamental fact that the officials responsible for the program did not support the directives to destroy Germany's war industry potential. Their energies and imagination have been expended in the direction of finding excuses for inaction

and devices for evasion of orders. If we are to eliminate Germany's war resources, this condition must be changed. We must have a staff there which without being pushed will aggressively proceed to carry out the letter and spirit of the Potsdam Agreement to the end that Germany will never again be able to threaten the peace of the world.

II. DECARTELIZATION

In order to construct a solid foundation for world security, our own United States policy and allied policy collectively have aimed to eliminate forces which, throughout the course of modern history, have repeatedly proved hostile to peace. JCS 1067 contained the following clear mandate to the commander in chief of our German occupation forces:

"36. You will prohibit all cartels or other private business arrangements and cartel-like organizations, including those of a public or quasi-public character such as the Wirtschaftsgruppen providing for the regulation of marketing conditions, including production, prices, exclusive exchange of technical information and processes, and allocation of sales territories. Such necessary public functions as have been discharged by these organizations shall be absorbed as rapidly as possible by approved public agencies."

The Potsdam agreement reinforced this directive by providing:

"12. At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts, and other monopolistic arrangements."

Despite these clear orders, despite numerous unequivocal directives from the Cartel Committee of the Executive Committee on Economic Foreign Policy here in Washington, no decartelization law has yet been issued in Germany. After months of discussion and negotiation, there is still no law which would diffuse the gigantic concentrations of economic power in Germany, curb their activities or prohibit their multiplication. In fairness to our own representation on the Allied Control Council and that of the Russians and the French, it should be stated that as of November 27, 1945, the United States, Soviet, and French representatives on the Coordinating Committee did reach agreement on a draft law conforming generally with United States policy and with specific directives received from Washington. The matter was tabled, however, because of British opposition.

This stalemate cannot be attributed entirely to British resistance. The history of the efforts to draft a law eliminating cartels and excessive concentrations of economic power in Germany indicates that the United States representation on the quadripartite levels in the Directorate of Economics was vacillating and unsympathetic to the basic objective of the law. Our representatives, by failing to assert the very vigorous and definitive United States policy with respect to cartels and monopolies, encouraged the British predisposition to resist and discourage the proffered Soviet support for a strong law. Instead they followed a policy which was reflected by (1) excessive regard for what would or would not be acceptable to the British rather than for the execution of United States policy; (2) refusal to define issues; (3) advocacy of emasculating compromises, such as the elimination of mandatory provisions. It was only after successive unequivocal orders from Washington that United States representatives were forced to take a firm stand. Their original hostility, however, caused endless delays and contributed immeasurably to the present stalemate from which we can now be extricated only by decisive action initiated in Washington.

For the purpose of authenticating these generalizations, I should like to present a brief documentable history of the cartel law negotiations.

Shortly after the organization of the Control Council, the United States representative, at the first meeting of the Council's Coordinating Committee on August 19, 1945, filed a draft law providing for the establishment of a commission to carry out decentralization of the economy and elimination of cartels and excessive concentrations of economic power. In the Economic Directorate, to which the proposal had been referred, the Russians on September 12, 1945, offered a counter-proposal in the form of a simpler law, which defined cartels and excessive concentrations of economic power, prohibited them outright under specified penalties for violations, and provided that the Economic Directorate could make specific exemptions in particular cases. It was agreed unanimously to use the Russian draft as a basis for subsequent discussion.

At the risk of repetition, I should like to make clear the essential difference between our draft and the Russian draft; because, despite the unanimous agreement to use the Russian draft as a basis for discussion, our draft was continually

being projected and it constituted one source of much of the confusion. Under the Russian draft, cartels and excessive concentrations of economic power were explicitly labeled and made illegal. Excessive concentrations of power were defined to be enterprises with more than 3,000 employees or more than R.M. 25 million turn-over. In the months following, this definition came to be known as the mandatory approach. Our initial proposal provided for the establishment of an administrative agency without setting forth any rules for the guidance of that agency. It was the view of DICEA, and Washington subsequently confirmed the position, that the mandatory approach was essential to the confirmation of our policy as set forth in JCS 1067, Potsdam, and in directives issued to us by the Cartel Committee in Washington.

In the immediate period following, United States representatives, without openly challenging the mandatory approach, continued to press for the adoption of their own views. Major Petroff, a General Motors' attorney, who was on Laird Bell's staff, reported that he had negotiated a compromise draft with the Russians. The compromise draft turned out to be a short version of the original law proposed by the United States representation in the Control Council which, at best, merely provided for administrative machinery. There were no prohibitions in the law. At the September 27 meeting of the Economic Directorate it was apparent that no one had agreed to any compromise.

The British representative, Sir Percy Mills, was obviously opposed to the law, though he recorded his Government's agreement with the purpose of the law, "in principle," and its eagerness to expedite its issuance. As evidence of this desire to expedite matters, he proposed referring the draft to a working group, offering to name his representatives immediately. General Shabalin, the Soviet representative, said there had been sufficient time for technical consideration, and that the Directorate members were competent to act in the matter. General Draper added that the Directorate should be able to agree in principle, leaving only minor technical points to a working party. Sir Percy then stated that he could not consider the draft a law because only the Legal Directorate could draft a law. He then proceeded to discuss for 10 minutes the exact import of the word "stock ownership" in the draft. General Draper suggested that the same kind of question could be raised over the word "concern" and Sir Percy observed that that was going to be his second point. It developed that the German word "concern" and the French and Russian as well, which means the largest combination possible of business enterprise, that is, the largest concentration of economic power situate within a country, such as I. G. Farben, carried no significance for Sir Percy. After much discussion, General Shabalin proposed to substitute our word "combination" and add in parenthesis the equivalent of the German word "concern." This suggestion, however, was rejected by Sir Percy as meaningless.

It should also be noted that in the course of the discussion, General Draper introduced the so-called compromise draft by proposing that one of its sections be substituted for the Soviet section defining excessive concentration of economic power. The effect of this one substitution, which was promptly rejected by the Russians, would have been to transform the mandatory provisions of the law into mere reporting requirements.

After hours of discussion of this character, a working party was appointed and instructed to file a draft within 5 days for consideration by the Economic Directorate. At General Shabalin's insistence, however, the working party was directed to use the Soviet draft as a basis. At Sir Percy Mills' insistence, a long list of principle was referred to the working party for consideration. These principles, summarized, were that size alone may carry advantages; and that no elimination should be made because of natural advantage of size. General Draper also submitted his so-called compromise draft for the consideration of the working party. In other words, everything was thrown into the "hopper" all over again.

I have described this early meeting in detail, not so much because those details are interesting or even important in themselves, but because that meeting is typical of all subsequent negotiations.

At the working party meetings, the British representative continued to raise technical considerations at every point and even the debate over the German word "concern" recurred. The Soviet and British representatives engaged in protracted debate over the objectives of the law. The Soviet representative argued emphatically for a law that would explicitly prohibit specifically defined concentrations of economic power in Germany and German participation in international cartel arrangements. The British representative continued to insist that the working party could not draft a law because that was the function of the Legal Directorate; that only general standards and not specific prohibitions could

be considered; that it was impossible to define excessive concentrations of economic power; and that German participation in international cartels could not be prohibited because Germany had to export in order to live.

These debates continued for 4 of the 5 days allotted to the working party to finish a draft. In the course of these arguments, Mr. Bell saw merit on both sides. Mr. Bell definitely supported the British insistence on including in the final draft of criteria for eliminating concentrations of economic power, the principles that size alone and the neutral advantages of size alone should not be prohibitive. When Mr. Bell agreed with the Soviet representative that the working party's draft must contain some specific prohibitions, Colonel Bowie of General Clay's staff, who was also present, supported the British representative, claiming that he did not know what constituted a cartel and that Potsdam was not clear on this subject. The upshot was a working-party draft which merely enumerated a long list of criteria for eliminating concentrations of economic power in Germany, with no mandatory prohibitions, except for outright prohibition of cartel agreements.

On October 15 the document arrived at by the working party was forwarded by the Economic Directorate to the Coordinating Committee, where it was discussed on October 20. The Soviet representative, while approving the principles laid down by the paper, observed that they were too general and should be in a form more easily implementable. He suggested the advisability of stating in the text the number of employees, the annual turn-over, and the percentage of an industry that would constitute an excessive concentration of economic power. The British representative said he was not opposed to this in principle, but that it would be difficult to determine the number of workmen an enterprise may employ. General Clay then proposed the following specific numbers: 3,000 employees, 25,000,000 reichmarks turn-over, and 10 percent of production or other activity in any field of enterprise. By agreement the whole record was then referred to the Legal Directorate for embodiment in a law.

Shortly thereafter we were advised by Colonel Bernstein, who was then in Washington, that the working-party report had been unfavorably received in Washington because it fell far short of our established policy. A Washington-Berlin TWX conference was arranged for October 24, and representatives of DICEA were invited to participate in Berlin. Participating in Washington were representatives of the State Department and members of the Interdepartmental Cartel Committee that had approved the various United States policy statements which we had called to Mr. Bell's attention in the course of the working party's deliberations in Berlin. As a result of this conference, which was attended by Mr. Bell, Mr. Fahy, Mr. Heath, and myself (with General Clay and Mr. Murphy present part of the time), United States representatives in Berlin were instructed to support a draft law which would include mandatory provisions prohibiting domestic monopolies.

In the Legal Directorate the new United States draft of the law, complying with the instructions received during the TWX conference, was accepted on October 30 by all four powers. There apparently remained only the need for the Economic Directorate to fill in the blank spaces in the mandatory provision for (a) percentage of the industry, (b) annual turn-over, and (c) number of persons employed. Figures for the last two of these had been in the original Soviet draft, had not been objected to by anyone in any stage in the proceedings to that date, and had been reaffirmed by General Clay when he proposed figures for all three standards on October 20 at the Coordinating Committee.

Despite this, however, our representatives persisted in raising questions about the instructions from Washington. This was done by eliciting alternative technical instructions from Washington.

For example, on November 1, 1945, a cable came in from the State Department to Ambassador Murphy. It was in answer to a cable Ambassador Murphy sent to Washington which we had never seen. This cable twice referred to the mandatory provision proposed and merely offered an alternative mandatory standard, apparently on the premise that the turn-over standard would cause difficulties. Despite this, representations were made by people in the Economics Division to the effect that Washington had withdrawn from the mandatory approach. There was much to-do over this cable and we were requested by Mr. Bell to indicate the position of DICEA on the matter. This we did in a memo dated November 3, 1945, which reaffirmed the necessity for mandatory provisions, supported General Clay's proposal of October 20, and suggested that the additional mandatory criterion proposed by Washington be recommended to the Economic Directorate but not pressed if it gave rise to opposition which might lead to disagreement on

the entire law. The fuss did not subside. A Sunday morning meeting, of which DICEA was not informed, took place with General Draper, Mr. Fahy, Mr. Bell, and Gen. O. P. Echols, General Clay's alternate, present. Apparently, the State Department cable of November 1 was discussed, for General Echols, though he had not previously been involved in the decartelization proceedings, cabled Washington suggesting that a specified percentage of production be the sole mandatory test and that neither the number of workers employed by an establishment, its size, or its annual turn-over be considered bases for mandatory prohibitions. General Echols stated that he made the suggestions because he anticipated difficulty in getting the law passed by the Economic Directorate. Had this cable met with a favorable response, General Draper would have been released from all instructions which resulted from the TWX conference and authorized to do the best he could on the only mandatory provision which had not previously been up for discussion in the Economic Directorate, namely, percentage of the industry. This incidentally is the most difficult criterion to define and the easiest to debate. We thereupon, on November 5, sent a cable to Colonel Bernstein, then Director of our Division and in Washington, to present the facts and obtain clarification. Copies of our cable were sent to General Draper, Mr. Fahy and Mr. Murphy immediately. Mr. Bell called promptly to inquire about the meaning of our action. During this telephone conversation I learned about the Sunday morning meeting that General Draper, Mr. Bell, and Mr. Fahy had attended, and was informed that it had been called in such great hurry that, unfortunately, there had been no time to let us know. Washington was prompt to reply to our cable and instructed that the original TWX instructions be followed.

There followed a period of complaints that the United States, by reason of its instructions, was in an isolated position in the Economic Directorate. Finally, the Economic Directorate submitted the law to the Coordinating Committee on November 27 indicating that the Directorate could not arrive at a unanimous decision. Thereafter, General Draper reported to General Clay's meeting of division directors that the vote in the Economic Directorate had been 3 to 1 against the law as approved by the Legal Directorate. It was claimed by the Economic Division that the Russians had changed their position. As a matter of fact, the Russians had not changed their position but were confused on our position. They were deliberately misled by such people as Major Petroff, who boasted that he had been instrumental in getting the Russians to change their position and that Ambassador Murphy had specifically asked him to do so. General Draper indicated great concern over his inability to get the British and the Soviet representatives to go along, but believed that he had convinced the Soviet representatives. When asked how he explained the apparent change in the Soviet position, since they had been the first to propose a mandatory law, he replied smilingly that he probably had had something to do with that, too. When, subsequently, we asked a Soviet representative why the Russians no longer took an aggressive position in the Economic Directorate on the issue of a mandatory as opposed to a discretionary law, he replied that if we wanted that kind of law we could count on their support any time we showed them that we meant business. He made clear to me that the Russians had been led to believe that we were going to throw in the sponge and that they had decided they were not going to fight for our law if we wouldn't. As a matter of fact, General Clay told me he was particularly gratified by General Sokolavsky's support of our law at the Coordinating Committee—he told me this less than 10 minutes after members of the Economics Division had told me that the Russians had opposed the United States position in the Coordinating Committee and that we had been outvoted 3 to 1. The Coordinating Committee meeting minutes of November 27 clearly show the opposite to be true. The British stood alone in opposing the law. In the face of this unilateral opposition, the Coordinating Committee agreed to drop the matter with leave to anyone to bring it up again.

On December 8, the State Department informed Berlin that if the British representatives on the Control Council were unwilling to accept a law with mandatory provisions, the State Department would take the matter up at the governmental level. On December 11 General Clay replied that the British were opposed to the law and that he would not bring it up again until he received instructions to do so. There the matter rested, so far as I know, when I left Berlin, a month later, and I have heard of nothing since that changes the situation.

In the light of these facts, it is my conviction that there will be no German decartelization law unless the State Department instructs General Clay to bring the matter up again and urges the British Government at a high level to reconsider its position. It is my further conviction that Germany can never be

economically disarmed until her internal monopolies, industrial trusts, and her external cartel arrangements are destroyed. A thoroughgoing program to achieve this must be instituted immediately. And its execution should be entrusted only to officials who are interested in carrying out the Potsdam agreement and the policy directives of this Government rather than in preserving their old business connections and their own economic positions.

III. DENAZIFICATION

The first clear statement of Allied policy on denazification was issued at the Crimea Conference on February 11, 1945. The conferees declared:

"It is our inflexible purpose to destroy German militarism and nazism and to ensure that Germany will never again be able to disturb the peace of the world. We are determined to disarm and disband all German armed forces; break up for all time the German General Staff that has repeatedly contrived the resurgence of German militarism; * * * wipe out the Nazi Party, Nazi laws, organizations and institutions, remove all Nazi and militarist influences from public office and from the cultural and economic life of the German people; and take in harmony such other measure in Germany as may be necessary to the future peace and safety of the world."

These purposes were reaffirmed on August 2, 1945, in the Potsdam agreement. Paragraphs 5 and 6 of that agreement read as follows:

"5. War criminals and those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes shall be arrested and brought to judgment. Nazi leaders, influential Nazi supporters, and high officials of Nazi organizations and institutions and any other persons dangerous to the occupation or its objectives shall be arrested and interned.

"6. All members of the Nazi Party who have been more than nominal participants in its activities and all other persons hostile to Allied purposes shall be removed from public and semipublic office, and from positions of responsibility in important private undertakings. Such persons shall be replaced by persons who, by their political and moral qualities, are deemed capable of assisting in developing genuine democratic institutions in Germany."

The same principles were repeated in the instructions set forth in JCS 1067 to the commander in chief of our occupation forces in Germany. JCS 1067 provided as follows:

"4c. All members of the Nazi Party who have been more than nominal participants in its activities, all active supporters of nazism or militarism and all other persons hostile to Allied purposes will be removed and excluded from public office and from positions of importance in quasi-public and private enterprises such as (1) civic, economic, and labor organizations; (2) corporations and other organizations in which the German Government or subdivisions have a major financial interest; (3) industry, commerce, agriculture, and finance; (4) education; and (5) the press, publishing houses, and other agencies disseminating news and propaganda. Persons are to be treated as more than nominal participants in party activities and as active supporters of nazism or militarism when they have (1) held office or otherwise been active at any level from local to national in the party and its subordinate organizations, or in organizations which further militaristic doctrines; (2) authorized or participated affirmatively in any Nazi crimes, racial persecutions, or discriminations; (3) been avowed believers in nazism or racial and militaristic creeds; or (4) voluntarily given substantial moral or material support or political assistance of any kind to the Nazi party or Nazi officials and leaders. *No such persons shall be retained in any of the categories of employment listed above because of administrative necessity, convenience or expediency.*" (Italics supplied.)

Thus, United States policy has clearly recognized that to destroy the forces of nazism in Germany, it is necessary not only to remove the Nazi Brown Shirts on the street, but also to get at their major partners, the militarists, Junkers, and industrial and financial leaders. This necessity was clearly recognized in War Department Pamphlet No. 31-110A entitled "Military Government Guide, Dissolution of the Nazi Party and Its Affiliated Organizations, Denazification of Important Business Concerns in Germany." This pamphlet was issued in March 1945 "for the information and guidance of all concerned" under a covering letter signed by Gen. George Marshall, Chief of Staff.

It described the business leaders and officials who exercise a preponderant influence in Germany; and listed approximately 1,800 business leaders who, to quote from the guide, "in an outstanding way, thrived under national socialism

who welcomed it in the beginning, aided the Nazis to obtain power, supported them in office, shared the spoils of expropriation and conquest, or otherwise benefited in their careers or fortunes under the Nazis." These individuals were listed alphabetically and according to their company and industry. The official position of each individual, as well as some indication of his special relationship to Nazi economic activity, was included. There is every indication that this list as a starting point was very carefully prepared by the best research and intelligence units in the American military forces.

The pamphlet recommended that, as a security measure immediately to be put into effect, military government take into custody all the persons listed and prohibit them during the period of such custody from making any disposition of property as well as from exercising any managerial, supervisory, or other function whatsoever with respect to any business enterprises. The document emphasized the presumption of culpability attached to the persons listed and stated that it would be imprudent to leave at liberty a group so thoroughly suspect. This document was issued before the end of the war and was distributed among the various units of military government and of the United States occupying forces.

On May 10, 1945, JCS 1067 was issued. In addition to the provision which I quoted at the beginning of my statement, section 8 of that document sets forth 11 categories of persons whose arrest was made mandatory. To the best of my knowledge this section of the directive has never been made public. I can merely indicate therefore, that though it purported to be only a partial listing of persons to be arrested, it was most comprehensive and definitely ordered the arrest of all Nazi and Nazi sympathizers holding important positions in industry, commerce, finance, and agriculture.

This directive to arrest key industrial and financial figures has not been applied in the United States zone. The reasons for this are manifold. Primarily, the responsibility for carrying out this vital provision of JCS 1067 was never specifically assigned. In the second place, the Arrest Categories Handbook governing the operation of the Counterintelligence Corps in our arrest program does not conform with the orders contained in JCS 1067. Despite the persistent efforts of the Public Safety Division officials in Germany to amend the handbook's mandatory arrest provisions, no reference is included to the key industrial and financial personnel specified in JCS 1067. Neither are these categories mentioned in the existing arrest directive. As a result of this lack of a specified operational policy and of clearly assigned responsibility, and as a result of lack of trained personnel to handle the problem, shockingly few industrial and financial leaders in the United States zone in Germany were in our custody at the end of 1945. Those few who were in custody had been arrested only on a hit-and-miss basis, and, for the most part, not because of their financial and industrial leadership in the Nazi Reich but because of notorious political positions.

The confusion is clearly reflected in problems faced by DICEA in connection with its arrest of various bankers and industrialists for investigation purposes. In the early days of occupation, our investigators arrested those officials required for interrogation. When we had completed our investigations, the problem arose as to whether these people were to be retained in custody. Criticism was leveled at the Division for keeping various Germans in prison without "specific charges" against them, and the authority of the Division to detain them was challenged.

For example, at the conclusion of the I. G. Farben investigation, a highly important group of I. G. Farben directors who had been extensively interrogated remained in custody. These included Paul Denker, director of Farben's accounting division, and an important official in various Farben subsidiaries, including those manufacturing poison gas for the Wehrmacht; Carl von Heider, general director of sales of inorganic chemicals; Hans Kugler, general director of sales of dyestuffs; Helmuth Borgwardt, general director of sales of organic chemicals; Geunther Frank-Fahle, chief of the central finance office and director of Max Ilgner's notorious espionage group in N. W. 7, and Kurt Kruger, another Ilgner lieutenant; Herbert Stein, chief legal adviser, chemical and dyestuffs division and an old Nazi; and Gustave Kupper, head of the legal division of the dyestuffs department who was at that time in the employ of the I. G. Farben control officer but who subsequently was arrested for an insurance fraud not connected with his Farben activities. Because of the wealth of proof unearthed with respect to the Nazi and militarist activities of these officials, DICEA strongly urged that they be kept in custody. This suggestion was just as strongly opposed by Colonel Pillsbury who reported that until his office obtained information which would

provide a basis for substantive charges against these officials, he would require their full-time services in the preparation of reports needed for accomplishment of the objectives of the seizure of I. G. Farben properties. This matter has been the subject of further correspondence and discussion with General Clay, and at the present time a special investigation of the arrest status of I. G. Farben officials is being conducted in the United States zone of Germany at the instigation of General Clay.

The same situation arose in connection with other investigations undertaken by DICEA. In October 1945, we began an investigation of the major German banks, known as the Big Six German banks, including the Deutsche Bank, the Dresdner Bank, Commerzbank, Bank der Deutschen Arbeit, Berliner Handelsgesellschaft, and the Kredit-Gesellschaft. Our preliminary investigation had indicated the complete involvement of these great banks in the Nazi Reich war program. On the basis of this evidence, and in spite of our drastically reduced staff, we decided that it was necessary to conduct an investigation that would further reveal the nature of these banks as excessive concentrations of economic power and would form the basis for indicting their responsible officials as war criminals. As in the case of Farben, it was necessary to arrest for purposes of interrogation all the members of the boards of directors (Aufsichtsrat) and the boards of managers (Vorstand) of these big banks whom we could find inside the United States zone. In connection with this effort, we were confronted with various degrees of opposition despite the fact that General Clay and Mr. Dodge, Director of the Finance Division, gave us their full support. For example, we were unable to arrange to have the Counterintelligence Corps make the necessary arrests throughout Germany, and eventually, it was necessary for DICEA to have its own representatives deputized to make the arrests themselves. Once the top German bankers were taken into custody, we had difficulty in procuring jail facilities for them. There were general complaints about our arresting "too many" Germans and about our not being able to prefer substantive charges against them. At one point, Major General Adcock, the head of OMGUS, announced his intention of releasing all of our prisoners; and a great deal of effort was spent by representatives of my staff trying to prevent their release and arrange for jail facilities. Some of the military government officials charged that our investigations were merely "radical" moves against "good" German industrialists and bankers. Efforts were made to induce us to release this German banker or that German industrialist despite the revelations of our investigation.

The Freudenberg case is one illustration of the difficulties we encountered in rooting nazism from Germany's economic life. Richard Freudenberg was an extremely important German industrial leader and member of the Nazi Party. His local military government detachment petitioned for his exemption from our denazification orders and for permission authorizing him to continue in his business. Freudenberg was the largest leather and shoe manufacturer in Germany, and one of its richest Nazis with an income amounting to over one million marks in 1944. Freudenberg's service to the Nazi economy and his contributions to the Nazi coffers were so highly valued that he achieved the high position of Wehrwirtschaftsführer (war economy leader) and member of the Gauwirtschaftskammer (regional economic council). These positions alone without regard to his industrial activity placed him squarely within the mandatory arrest provision of JCS 1067. In spite of this record, the USFET denazification appeal board sitting in Frankfurt voted 4 to 1 to exempt him from application of the USFET denazification directive and to continue in his position as an industrial leader. Colonel Babcock, of the Public Safety Division, who argued against retention of Freudenberg in his business said: "I voted against this man because if he is reinstated, he will supervise the removal of lesser officials under law No. 8 and it will be ridiculous for us to remove smaller Nazis and leave the big one in." However, Mr. Reinhardt representing Ambassador Robert Murphy, insisted, "What we are doing here through denazification is nothing less than a social revolution. If the Russians want to bolshevize their side of the Elbe that is their business, but it is not in conformity with American standards to cut away the basis of private property." This viewpoint was concurred in by the Industry Division, whose representative added, "This man is an extremely capable industrialist, a kind of Henry Ford." At the very time that this extraordinary decision was taken, Freudenberg was under arrest by DICEA for purposes of interrogation as a member of the board of directors of the Deutsche Bank. Our initial intervention in this case was ignored and it was only after the most vigorous effort that we were able to have the decision of the denazification board temporarily tabled.

At General Adcock's meeting of branch chiefs of the Office of Military Government for the United States zone, November 30, 1945, it was announced that G-2 believed it had complete 98 percent of the arrests required under the SHAEF Arrest Categories Handbook of April 1945. These categories, as I have stated before, exclude some of the most important groups listed for arrest in JCS 1067, such as the General Staff, urban and rural burgermeisters, key industrialists, and financiers. The handbook does include intelligence, police, and SS officials under Himmler, officials of the Nazi Party and its paramilitary formations, and the higher civil service. Even for these extremely limited categories which comprise some 200,000 persons in the United States zone, the figure of 98 percent is utterly incredible to those of us who worked in Germany. At the time I left Germany only about 85,000 in these categories were under arrest. Practically no member of the higher civil service employed in the Reichsbank system, for example, was ever known to be arrested. The same is true for finance ministers in the Land (Provincial) governments. The CIC was either too understaffed or too uninterested to make the arrests. If this was true in the case of high finance officials, there is reason to suspect it was true in other public agencies. Yet these high civil servants were listed for arrest on the very good grounds that by the 1937 German civil-service statute, civil servants took oath to "support without reservation the German National Socialist state." In the opinion of our own G-2, "only persons of undoubted political reliability were, therefore, likely to be appointed or to remain in office under this system."

The 98 percent figure is difficult to credit in the light of an AP dispatch of January 3, 1946, from Third Army headquarters, which states, "So far only about 16 percent of SS officers had been rounded up."

Apparently on the basis of such false assurance of a job completed, plans were under way when I left Germany for the wholesale release of security suspects, including higher civil servants and Nazi Party officials below the Ortsgruppenleiter level, through the very flimsy screening procedure of "security review boards." The main reason given for release is, "The jails are too full. Let's get 'em off our hands and back into productive employment."

Just before leaving Berlin, I took this matter up as widely as possible inside of military government with representatives of the War Crimes Commission, the Office of Chief of Counsel, OMGUS Legal Division, and other interested units. A tentative arrangement was made whereby the Office of the Chief of Counsel who has responsibility for the second series of war crimes trials would undertake the further responsibility of seeing to it that the arrest of financiers and industrial leaders was effected and their cases prepared. These agreements, however, were very loose, and in view of the fact that no staff has yet been assigned to this particular function, one may question how much progress will be made. Indeed, the recent statement of the chief of counsel himself, Justice Jackson, that he is very doubtful whether any industrialists will be tried as war criminals, underlines the extreme uncertainty with regard to this major issue. What is actually required is immediate agreement on policy to be applied in this particular matter, the listing of the industrial and financial leaders deemed suspect, and their immediate apprehension. The continued freedom of these industrial and financial leaders gives them extraordinary opportunities to destroy the evidence that would involve them in the Nazi crimes and has already allowed them the opportunity to begin the reconstruction of their own personal fortunes and their own industrial and financial power.

Our record on arrests is equaled only by our record on removals. The latter record is a long series of resounding statements of policy offset by serious failure to implement them with action.

Under Generals Eisenhower, Bradley, and Devers, a strong denazification policy was enunciated early in the occupation. The denazification directives of the Sixth and Twelfth Army groups called for the removal of all Nazis from positions of influence and importance in public and private life. The directive of SHAEF, issued March 24, 1945, called for the removal "as soon as the military situation permits" of "all members of the Nazi Party from important governmental or civil positions." Compliance with these directives was very spotty, but at least there was the extenuating circumstance that the war was still on; and after VE-day purely military considerations prevented full attention to the job.

At the end of June, SHAEF was dissolved and a new directive issued by Headquarters United States Forces, European Theater. A major policy fight occurred. The Political Division, headed by Robert Murphy, wanted to make removal mandatory only for Nazi Party officials. An "Old Fighter," a veteran of the street fighting which built the party before 1933, could escape removal. At the

insistence of Colonel Bernstein and myself, representing the Finance Division, the draft directive containing this provision was reconsidered and strengthened by making removal mandatory for all Nazis who joined the party before May 1, 1937. This provided a simple objective test of adherence to the party, since it included all the Old Fighters, the opportunists who joined right after Hitler took power in 1933, and the carefully selected applicants admitted from the SS, SA, HJ, and other formations between 1933 and 1937. This provision, however, still permitted retention of, roughly, half the Nazis in the zone, who, under the election code drawn up by military government last fall, were even permitted to vote.

Then came the period during July, August, and September in which the application of this USFET directive was put to the test and found sadly wanting. In finance and civil government, considerable progress was made; a survey of industry, transport, and communications, however, showed flagrant procrastination and even disregard of the directive. The attitudes of military government officials underlying this situation will be discussed at a later point in my testimony. The main factor was an exaggerated reliance upon allegedly indispensable Nazis in order to "get things going." There was little or no attempt to find non-Nazis or anti-Nazis as replacements. Regardless of the sincerity of many local military government officials, there was a cynicism in high places which made evasion of General Eisenhower's directive possible without fear of disciplinary action.

Unfortunately, at this time the Political Division issued a report, dated August 20, stating that the immediate steps of denazification had been completed. In a memorandum to General Clay dated September 12, 1945, Colonel Bernstein charged that such a statement flew in the face of the facts and could only serve to discredit the credibility of military government in Germany. He then went on to summarize the failures of denazification up to that date. This memorandum was followed, at General Clay's request, by another dated September 26, giving detailed factual data. General Clay commended the "meatiness" of these reports and instituted investigations. Meanwhile, military government was being subjected to a barrage of embarrassing criticism in the press. General Eisenhower acted, first with a letter dated September 11, to the commanders of the Third and Seventh Armies, warning that the discussonal stages of this question were long past and that any expressed opposition to the faithful execution of the denazification order would not be regarded leniently by him.

Finally, on September 26, 1945, General Clay issued Military Government Law No. 8, which declared unequivocally that it would be unlawful for any business enterprise to employ any member of the Nazi Party, or of its affiliate organizations, otherwise than in ordinary labor.

The initial effect of General Eisenhower's directives and of Law No. 8 was good. Soon, however, their effect wore off. Military government officials relaxed and helped the Germans find ways to evade Law No. 8. When Byron Price returned from Germany he reported that "denazification of industry in the American zone has proceeded further and faster than in any other zone of Germany." Inevitably, statistics were furnished to justify such statements and obtain an easing of the policy. For example, on November 5 the USFET publication, *News of Germany*, contained the startling information that the denazification of German public offices, businesses, and professions was 99 percent completed. These figures are false. The weekly denazification report of the Public Safety Section, USFET, of November 3, 1945, sharply contradicts their authenticity and states authoritatively that only 4 percent of the German population in the United States zone has even been investigated.

The monthly report of the military governor, United States zone, dated November 20, 1945, reported that "an estimated 80 percent of the denazification work in all industrial plants in the United States zone had been completed by October 31." On December 18, this figure was declared without foundation by Major DeMuth, Industry Branch representative on denazification matters.

In his purportedly authoritative report to President Truman, Mr. Price also stated that the German railways had been drastically purged of Nazis. This aspect of Mr. Price's thoroughly unreliable statement on denazification was refuted by reports at the end of January that the head of German railways in the United States zone was a top Nazi and that 4,500 other Nazis had not yet been dismissed.

This contrast between what is claimed and what has been accomplished under Law No. 8 is very great. A month after the baseless report that industrial denazification under Law No. 8 was 80 percent completed, the same monthly

report of the military governor, dated December 20, 1945, declared that "the promulgation of Law No. 8 was an effective instrument in carrying out the denazification of German business." But the writer should have known better. Two pages later, in a less conspicuous place, he admits that—

"To date military government in the United States zone has not been flooded by appeals under Law No. 8, primarily because large numbers of Germans affected are circumventing the law and therefore not making appeals. * * *

It cannot be both ways. Either Law No. 8 is effective, or it is being circumvented. The overwhelming mass of evidence shows circumvention. In late December, field investigators of the Finance Division and the Public Safety Division studied Law No. 8 in operation in Munich, Nuremberg, Stuttgart, and Wiesbaden. They reported general agreement by German officials and Military government officers that Law No. 8 has failed. German businesses simply remove the Nazi manager and rehire him as a clerk, perhaps with a Christmas bonus to make up his old salary.

Why are we failing? I said at the beginning of this statement that we do not have a staff in Germany which, from top to bottom, possesses the will and the understanding to carry out denazification. It is not just a problem of redeployment, of the quantity of military government officers left in Germany, but of their quality and the policies they believe in and will enforce.

Our field investigators from the Finance Division traveled continuously in the United States zone from May through December, checking up on denazification. Throughout these trips we constantly saw hostility on the part of military government officials in the field to anyone who came down from higher headquarters to enforce General Eisenhower's denazification directives. More than one military government official inquired whether our men were "of the Jewish faith," since they could understand no other reason for an interest in denazification.

At every level of military government and from one end of the zone to the other we encountered the arguments of expediency and convenience, the necessity of "keeping things running," the dangers of "angering" the Germans and creating a dissatisfied "bloc" which would be ripe for communism, the resentment of lower headquarters against "interference" from higher headquarters, the fantastic comparison of Nazi politics with Democratic-Republican rivalry in the United States. Responsible officers have cried out against the "injustice of removing a Nazi without a hearing" despite the fact that such hearings were expressly prohibited. They have argued that vigorous denazification lowers our prestige—I assume with the Nazis—as compared to the British, who are reportedly not so vigorous. They have attacked Law No. 8 on the grounds that it was Communist-inspired.

I mentioned the case of Richard Freudenberg earlier. In this connection, the chairman of the USFET Denazification Board said that there was nothing wrong with a big industrialist lending all his business talents to the Nazis' criminal cause, while the representative of Ambassador Robert Murphy declared that to remove such an industrialist would be "bolshhevization."

Last August our field investigators in Bavaria encountered Col. Joseph Starnes, formerly a Congressman on the Dies committee, who was repudiated by the voters of Alabama in 1944. Colonel Starnes, representing a division of the United States group, Control Council, was urging the detachments to ignore denazification, to pick the men they needed to get German industry started.

The chief finance officer for all of Land Baden, Wurttemberg, Lt. Col. George Auffinger, in dealings with our field investigators consistently maintained that denazification would drive the German people into the hands of the Communists, that we did not destroy one dictatorship in order to build another, that we must preserve a bulwark against Russia. Colonel Auffinger, incidentally, has a long record of stubborn and misconceived opposition to denazification. He has bluntly stated that if certain denazification teams had not visited Stuttgart, he would not have had to comply with the denazification directives.

Major Scholley, former finance officer at Mannheim, on August 23 described denazification as "witch hunting." Lt. J. P. Varda, one of the military government officers in Bavaria, described it as an irksome and irrational obsession of higher headquarters; stated that removal created a bloc of dissatisfied Germans who become ripe for communism, and also created a public safety problem by arousing the anger of those Germans.

The Finance Division staff was attacked for its activities in behalf of denazification by means of a rumor circulated through Bavaria that due to drastic denazification a cobbler had been appointed a bank director. This rumor was actually typed up in memo form and filed in the finance office of the Bavarian Land Detachment.

In discussion before the USFET Denazification Board last December of the revision of the Arrest Categories Handbook, the G-2 representative (Lieutenant Allen) revealed the prevailing attitude of the revision committee members; that they had orders, not to alter JCS 1067 but to change a few words here and there in order that a great many persons in custody could be released without technically violating JCS 1067.

At the first meeting of the new Denazification Policy Board, set up in Berlin to coordinate all policy on arrests and removals, the chairman of the board's working committee, Lieutenant Colonel Bowie, announced that the policy of JCS 1067 should be "reconsidered." Once again it must be emphasized that such "reconsideration" had not been authorized and could lead only to further weakening of our denazification program.

In December General Clay very wisely pointed out the necessity of integrating all aspects of our denazification program. Consequently, he appointed a top committee on denazification—the Denazification Policy Board—consisting of Mr. Charles Fahy, as chairman, Ambassador Robert Murphy, Mr. Joseph Dodge, Brigadier General Draper, and Brigadier General Mead. This committee then established a working committee with Lieutenant Colonel Bowie as its secretary to work out a program in line with General Clay's request. Before I left Berlin, I sat in at the meetings of both the top committee and the working committee. With respect to the make-up of these committees, it is important to note that the persons who led the fight for vigorous denazification are no longer in the picture and that some of the most active opponents of denazification dominate the situation. It is a matter of common knowledge that Col. Bernard Bernstein, when he was director of the Finance Division, and his staff were the leading proponents of a vigorous denazification program. They obtained strong support from the Manpower Division and certain officials in the Public Safety Division. Now Colonel Bernstein and almost his entire staff of denazification experts have left Germany. The Manpower Division was not included in the denazification committee. The fate of the denazification program has been entrusted to officials who either have positively opposed vigorous denazification policies in the past or who, at the very best, have not heretofore taken a very active part in the fight for effective denazification. Moreover, it is apparent that the committee has in effect adopted Mr. Price's completely unreliable memorandum as its guide. When I left Germany this fact was indicated in the proposals (1) to introduce "flexibility" into denazification and (2) to turn the bulk of the program over to Germans. I have since learned that these proposals have been translated into a draft law and submitted to General Clay for approval. It was reported in the press on February 20 last that after negotiations in Stuttgart between German officials and American representatives there had been formulated a so-called compromise law which represents a merger of the proposal drafted by the American Denazification Policy Board and that drafted independently by the three ministers-president of our zone. This compromise law now before General Clay provides for registration of all Nazis, and it provides for certain mandatory punishments for some classes of Nazis. On the other hand, factors such as regular attendance at church, or physical injury suffered in battle or during an air raid, or loss of a relative in the army may be considered by the German denazification boards as mitigating factors in deciding whether or not punishments over and above those specifically provided by the law shall be handed out. Responsibility for enforcement rests upon the German ministers-president, who will appoint their own denazification officers to do the administrative work. There is a question as to whether these ministers-president want thorough denazification. Certainly, the original German proposal to which they had put their names had the character of a law to avoid denazification. One of the three ministers-president is a former member of the German State Party, who praised Hitler's policy in the Reichstag in 1933. The other two have been attacked by their fellow Germans as reactionary or weak and as having failed to purge their own governments of fascists.

We have not had and do not have in Germany Military government personnel and political advisors with the understanding and the determination essential merely to applying automatic denazification standards. Obviously then, they have been and are completely inadequate to deal with the far more difficult and subtle task of rooting nazism from German life. The few reluctant steps taken in response to a barrage of criticism from home have been grossly insufficient to destroy or even begin to destroy the Nazi influence and to replace it with democracy.

As we approach the first anniversary of our occupation of Germany, it is essential to recognize that antidemocratic, militarist, nationalist, and fascist principles are still predominant in the minds of the German people. This state of mind, which has repeatedly been of such tragic consequence to the rest of the world, has not, will not in the near future, be replaced by principles of democracy and internationalism. Under these circumstances, it becomes extremely urgent to carry out our commitments to undertake in cooperation with our allies, destruction of Germany's economic capacity to wage war.

IV. GERMANY'S EXTERNAL ASSETS

Introduction

A problem of disarmament

One overriding objective dominates our policy and must dominate our actions with regard to Germany. That objective is to assure that Germany will never again be able to threaten the peace of the world. In the attainment of this main purpose, it is necessary to recognize that destruction of the instruments of warfare alone is inadequate. Germany's economic potentialities for warfare must be completely eliminated. One of the most important aspects of this work is the elimination of the economic bases for warfare strategically placed and secreted by Germany outside her boundaries. This vast German wealth outside Germany was vital to the rearming of Germany and the disarming of her prospective victims. It now represents a major potential base of operations for Germany again to launch aggressions against the world. It is toward the complete destruction of this potential that the Allied program for seizure of Germany's external assets is directed.

In searching out Germany's external assets we are engaging in one of the most important stages of the disarmament of Germany and the destruction of Nazi power. It is impossible to estimate reliably the volume of the external wealth of Germany because so much of it is camouflaged and hidden through various devices. It has been estimated that the volume equals at least 1.5 billion dollars (excluding the United States, United Kingdom, Canada, Italy, and Central and Eastern Europe). It is my judgment that if we really are successful in vesting and marshalling all of Germany's wealth, the value of Germany's external assets might well amount to \$3,000,000,000. At any rate, until the allied forces have reached throughout the world and relentlessly and realistically searched out every vestige of Germany's external wealth, we will not have completed the task of demobilizing the Nazi force.

In a secondary but nonetheless important degree, we are interested in Germany's external assets as reparations to compensate for the tremendous losses inflicted upon the nations of the world by Nazi aggression. This aspect of external assets is important to the United States because the degree of aid and assistance we will be called upon to give the victimized nations of Europe will be increased or diminished in direct proportion to the amount of Germany's external assets which can be made available as reparations.

The United States has taken a leading part in waging economic warfare against the Axis powers. The details of this program have already been explained to this subcommittee by representatives of the State Department, the Treasury Department and the Foreign Economic Administration. I should like to discuss with you some of the more recent developments in our economic warfare against the Nazi Reich as they relate to Germany's external assets.

The origin of the Allied Control Council vesting decree

President Truman took to the Potsdam Conference the draft of a law to vest and marshal all of Germany's external assets. At the instance of American representatives there, the Potsdam declaration stated in its economic principles: "Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German-owned external assets not already under the control of the United Nations which have taken part in the war against Germany."

Immediately following the Tripartite Conference of Berlin held at Potsdam, President Truman sent to Lieutenant General Clay, Deputy Military Governor for United States in Germany, a memorandum urging the passage by the Allied Control Authority of an appropriate law vesting and marshaling Germany's external assets.

After considerable discussion, Allied Control Authority, Control Council Law No. 5, Vesting and Marshaling of German External Assets was signed by General.

Koenig, Marshal Zhukov, General Eisenhower and Field Marshal Montgomery on October 30, 1945.

Allied Control Council Law 5—"Vesting and marshaling of German external assets"

The vesting and marshaling decree states in its preamble that the control council is determined to assume control of all German assets abroad and to divest the said assets of their German ownership with the intention thereby of promoting international peace and collective security, by the elimination of the German war potential.

The decree creates a German external property commission composed of representatives of the four occupying powers in Germany. This commission is constituted "as an intergovernmental agency of the control council vested with all the necessary powers and authority." The law vests in this commission "all rights, titles, and interests with respect of any property outside Germany which is owned or controlled by any person of German nationality or by any corporation or business organization deemed to be German."

In addition, law 5 gives the four powered German External Property Commission complete authority to do all acts necessary to carry out the vesting and marshaling of all German external assets pursuant to the terms of the decree.

First steps to implement vesting decree

On 5 November 1945, I was designated acting United States representative on the German External Property Commission. In anticipation of this designation, I had presented to General Clay on the 3d of November 1945, a memorandum, together with the appropriate attachments, setting forth the steps required for the immediate implementation of the vesting decree and the organization of the German External Property Commission. This memorandum called for immediate presentation of notes by the Control Council itself and by the four occupying powers to the neutral governments requesting recognition and enforcement of the decree backed up by a policy of using economic sanctions to obtain such recognition. It was necessary that a strong and immediate unified approach be made in order to prevent further dissipation of German assets and to overcome the resistance of the neutrals to giving up German assets which legally and morally belong to the Allies.

State Department instructions to split GEPC operations

However, the idea of a strong four-powered approach was soon discarded by a cable from the State Department to the Division of Investigation of Cartels and External Assets immediately following the first preliminary meeting of the German External Property Commission on November 27, 1945. This cable directed that the United States representative make the following proposal to the Control Council:

(1) The German External Property Commission should be organized into two separate operating units. The one unit, the Soviet Union would be the sole voting member and the other three powers would act as observers. This unit would deal with Germany's external assets in Bulgaria, Hungary, Rumania, Finland and eastern Austria. In the second unit, the voting members would be the United States, France and Great Britain with the U. S. S. R. represented as an observer. This unit would take care of the German external assets in all other countries.

(2) It was requested that the Control Council and the GEPC should agree to exempt all the Latin-American Republics from the coverage of the vesting decree "upon representations of the United States member that these countries have satisfactorily carried out their replacement and reparations program." It was suggested that this order should be prepared but its issuance should be temporarily delayed. It was also indicated that even this procedure need not be followed if it were deemed to be unwise. The State Department requested that an explanation be given if this part of the directive were not put into effect.

Objections to State Department instructions to split GEPC

Upon receipt of this cable, I prepared and sent to General Clay drafts of the necessary documents for submission to the Control Council to carry through the instructions of the State Department. In the memorandum covering these documents, I urged that they not be submitted to the Control Council at that time for reasons outlined in a memorandum dealing with the State Department's cable which I submitted to General Clay at the same time. Copies of this memorandum were sent to the OMGUS legal adviser, Mr. Charles Fahy, and to the representative of the State Department and Director of the Political Affairs Division, Ambassador Robert Murphy.

In substance, the memorandum objected to the proposal to divide the German External Property Commission on the grounds that such action was in direct conflict with the quadripartite nature of Control Council law 5 and would undermine the only effective basis for action, namely vigorous joint four-power cooperation. I pointed out that it was unfortunate for the United States to take the initiative in breaking the unity of the four powers in this important international operation of the occupying powers of Germany at a time when the need for unity was so great. I objected to the proposal to remove the Western Hemisphere Republics from the coverage of the decree, particularly Argentina. I also stated that it was not my understanding that the State Department could proceed to implement the vesting decree in the manner indicated, without transgressing the jurisdiction and responsibility of the German External Property Commission; and that the continuation of such action placed the United States representative on GEPC in an impossible position inasmuch as he is unaware of the status of negotiations being conducted by the State Department which were of the most immediate concern to the GEPC, and placed the United States representative in a most embarrassing position vis-a-vis the Soviet representatives on the Commission. In addition, I attached a proposed program designed to expedite the effective operation of the German External Property Commission. Permission was requested to introduce this paper as a guide to the Commission's activities but such permission was never granted.

At the meeting of the OMGUS staff on December 1, 1945, General Clay made reference to the cable from the State Department, and stated that the proposal to split the GEPC into two operating parts was "gravely against the spirit of quadripartite machinery." Moreover, General Clay indicated his definite opposition to the suggested proposal to exclude the Latin American Republics from the coverage of law 5 at the present time. During the following week I discussed this matter at length with General Clay, who reiterated his opposition to these proposals of the State Department and indicated his support of the position taken in my memorandum to him of the 30th of November 1945.

Soviet view on issue of splitting GEPC operations

Seeking clarification on the question of dividing the work of the External Property Commission, I discussed the matter with the Soviet representative on the GEPC, Mr. Denisov, on the 3d of December. In essence, the Soviet position as represented by Mr. Denisov was that they were interested in the application of law 5 in all countries, including the neutral countries, and that they did not know of any agreement by which the Soviet Government had renounced its interest in the implementation of Allied Control Council law 5.

Teletype Conference on GEPC split issue

On December 15, 1945, at the instruction of General Clay, a Teletype Conference was arranged between General Clay and myself in Berlin and with General Hildring, Col. James C. Davis, and Lieutenant Colonel Gross of the Civil Affairs Division, War Department, and Mr. Seymour Rubin and Mr. Walter Surrey of the State Department, for the purpose of clarifying the situation regarding external assets. Opening the Conference, General Clay restated our concern at the State Department's cable of November 24. General Clay stated, "We will proceed promptly when decision is made, but we did not desire to do so without advising you of our apprehensions." The State Department representatives indicated that they had had preliminary discussions on the issues raised with Mr. Braden and with Mr. Thorpe, who was acting on behalf of Mr. Clayton at that time. The content of these preliminary discussions was described and then commented upon by General Clay and myself in Berlin. At the conclusion of the Conference, the Washington conferees stated "We will prepare detailed cable on the questions you raised, after which you may desire further TWX Conference. You need take no action pending further advice."

Present status of controversy

The last comment made by General Clay to me before I left Berlin on the 10th of January was an expression of his concern that we had received no further clarification of this issue and a request that everything possible be done to get the matter cleared up. I have been informed that as of last week, these matters have not been clarified and to this extent the functioning of the American representative on the GEPC continues "in limbo." I am also informed that after this controversy was reflected in the press, the State Department sent cables to the United States Embassies in Moscow, London, and Paris, requesting that they

make appropriate arrangements to approach the Soviet Foreign Office and inform them of the developments of a tripartite nature regarding Germany's external assets. As far as I know, however, to date no such approach to the Soviet Government has been made. I have the impression that when it is made it will be the first significant approach of this nature to the Soviet Foreign office. Meanwhile, arrangements have been completed for a meeting of the Swiss officials with the French, British, and American officials here in Washington for the purposes of discussing the external-assets question. The War Department officials indicated to me that to their knowledge, the Soviet Union had not been invited to send representatives even as observers to these meetings.

Charges arising from external-assets situation

On the basis of these preliminary facts, I am led to the following conclusions:

1. The United States State Department and the British Foreign Office have been, and are now, preventing the Allied Control Authority, through the German External Property Commission, from proceeding to implement law 5, the vesting and marshaling of external assets decree, and thus are bypassing and nullifying the four-power action taken at Berlin with regard to external assets.

2. The United States State Department, together with the British and French Foreign Offices, have maneuvered to split the quadripartite German External Property Commission into "eastern and western units" and are proceeding to crystallize this split among the four powers in regard to the external assets problem. This unwarranted action, in my judgment, stems from the concern on the part of certain influential and apparently dominating influences in these offices to avoid having the Soviet Union, through genuine quadripartite action, involved in the external-assets question in countries such as Spain, Portugal, Switzerland, Sweden, and Argentina.

3. By failing to implement vigorously the quadripartite Allied Control Authority action against Germany's external assets, the United States and Great Britain are losing the opportunity to develop an effective, forceful drive to root out all of Germany's assets. We are applying ineffectually a "would you be so kind" approach in the drive for the camouflaged assets of the Germans in such Fascist countries as Spain, Portugal, and Argentina. As a result of this, our drive to divest Germany of its external wealth has bogged down and is profoundly jeopardized. Let me discuss each of these conditions separately.

Allied Control Council quadripartite machinery being ignored

The action of the Allied Control Authority represented by Generals Eisenhower, Zhukov, Koenig, and Field Marshal Montgomery, in passing a special law for the vesting and marshaling of Germany's external assets was based upon the realistic judgment that in this extremely difficult aspect of creating external security, the joint action of all Four Powers was required. Reference to the language of law 5 indicates beyond doubt the unqualified joint four-power nature of the operation contemplated and emphasizes the urgency of this action for world security and the elimination of Germany's war potential. Moreover, the entire basis of Allied Control Authority action with regard to Germany is Four Power combined operation, which is the objective of all ACA legislation. In the face of this fact, the United States State Department, the British Foreign Office, and representatives of the French Government, have proceeded virtually to ignore the ACA law 5, and have proceeded without significant reference to this law or to the agency which it created, to establish their own procedures with regard to Germany's external assets. Taking advantage of the admitted necessity of utilizing diplomatic channels when approaching foreign governments, these foreign offices have moved in to take over the entire operation with regard to Germany's external assets in the vital neutral countries. This they have done on tripartite basis. The extent to which this action has gone is reflected in the fact that the British now are proposing the establishment in London of a special tripartite agency to deal with Germany's external assets in the neutral countries.

This clearly duplicates the already specifically designated field of operation of the Control Authorities GEPC, the only difference being that the Soviet Union is not included.

An aspect of this virtually complete bypassing of the German External Property Commission, is the fact that by virtue of the instructions of the State Department the operation of this Commission was stalemated in all significant aspects. Obviously, it was impossible to proceed with an organization of the External Property Commission until a determination was made as to whether it was to be split into

two units. The German External Property Commission could not proceed to discuss implementation of law 5 in any significant way because that was being done on a tripartite intergovernmental basis. You will recall the State Department gave us definite instructions to "reach no agreement without prior concurrence" in Washington. Both General Clay and I were particularly disappointed at the delay imposed upon us as a result of the State Department cable. We had counted on using the month of December, during which time the American representatives on the quadripartite directorates in Berlin held the chairmanships, to give the operation of the GEPC a vigorous push forward. Under the circumstances, we both agreed it was necessary to mark time inasmuch as we did not know the answer to the basic questions concerning the organization and operation of the GEPC. In spite of our representations of urgency, I am informed that this matter still has not been cleared up, although it is now 3 months since the passage of law 5.

During this period of immobilization of the quadripartite machinery in Germany, the three powers meeting in Paris, Washington, and London proceeded to advance the tripartite basis of organization and operation, without the assent of the Allied Control Authority, or its agent, the German External Property Commission. Thus, as of today, the Four Power machinery in Germany has been completely bypassed so far as the administration, operation, and policy with regard to Germany's external assets are concerned.

The State Department bases its case for division of GEPC on its "interpretation" of one section of the Potsdam Declaration and on the aide memoire exchanged with the Soviet Union in September 1945. The Potsdam agreement in its section on reparations provides that the Soviet Union "renounces all claim in respect of reparations to German foreign assets" in all countries other than Bulgaria, Finland, Hungary, Rumania, and eastern Austria. According to the State Department interpretation, this language includes all of the activities with regard to vesting and marshaling external assets in the countries enumerated. In other words, unilaterally they apply the Potsdam Declaration assignment of "spheres of influence" with regard to "claims for reparations" to the operation and policy aspects of vesting and marshaling German external assets. It is also contended by the State Department that this separation was further agreed to in an aide memoire sent to the Soviet Union on the 7th of September to which the Soviet Union replied on September 16, 1945, that it "had no objection." Although it has not been possible to see a copy of this aide memoire, either in Berlin or in Washington, Mr. Seymour Rubin, of the State Department, has stated that it merely reiterates the separation indicated in the Potsdam agreement so far as the disposition of Germany's external assets is concerned. Mr. Rubin acknowledges that under the memorandum the proposed division only applies to disposition of assets and does not include operational aspects of vesting and marshaling. However, he insists that this was the assumption made by the State Department as to the meaning of the aide memoire.

Curiously enough, in spite of ample means of communication, the State Department has never really sought clarification of this issue or specific acknowledgment of their real interpretation of the Potsdam agreement by the Soviet Union. In the cable sent during late January to the United States Embassies in Paris, London, and Moscow asking them to give information to the Soviet Union on this question, it is interesting to note that no attempt was made to secure specific clarification of the interpretation being made by the three powers regarding the split in the operation of vesting Germany's external assets. The entire development of tripartite operation in the field of vesting and marshaling of Germany's external assets has been without the assent of the Soviet Union and without significant reference to the Allied Control Authority or to the German External Property Commission.

Let me indicate to you why I believe the assumption of the State Department that Russia is not interested in the vesting of German assets is unwarranted. In the first place, it is perfectly clear that the language of Potsdam does not provide for separate operation of the Allied Powers in connection with Germany's external assets. Quite the contrary is true, for in the basic statement in regard to external assets it provides that steps shall be taken "by the Control Council to exercise control and the power of disposition over German-owned external assets." The division with regard to "claims and respect to reparations" is in a different category. If a different interpretation were to be made of these provisions of the Potsdam Agreement, a very specific and forthright clarification would have been required from the parties concerned. No effort has been made to obtain this.

It is significant that the Foreign Economic Administration in its final report of its Enemy Branch entitled "A Program for German Economic and Industrial Disarmament," specifically rejects the State Department application of the Potsdam Agreement provisions regarding reparations from Germany's external assets. This report, presented on December 19, 1945 by the FEA, which is now a part of the State Department, emphasizes the extent to which the language of the Potsdam Agreement has been distorted to create an excuse to avoid quadripartite action on Germany's external assets. In section 5 of the FEA report on "External Security Program," it is stated:

"In all countries, however, the primary purposes in the treatment of these German assets should be the removal of Germany's base for aggression.

"The division of German foreign assets among the greater powers into spheres of interest for reparations purposes set forth in the Berlin Protocol (see Appendix G, Section IV, par. 8 and 9), does not remove the necessity for reaching an international agreement—if anything, it increases it. If no agreement is made there would inevitably be a wide divergence in the treatment of assets and penetration problems with the certain result that the Germans would profit. They would seek to build their base on any weak points. A single weak point any place in the world outside Germany on this score presents a critical problem for world peace and security."

And further, it is emphasized:

"Regardless of the provision of the Berlin protocol regarding the division of reparations shares in German assets in eastern Europe and western Europe, the Allies still have a joint interest in seeing to it that German economic penetration in other countries is eliminated. A complete severance of German ownership and control of assets in these areas is indispensable to this objective. Indeed, it is important not only to sequester these assets from their former German owner but also to assure their administration or disposition into hands that are not cloaks or fronts for German interests. The freezing of these countries from German economic domination cannot be accomplished in the absence of the achievement of this result. Austria is a striking example of this point. The validity and effectiveness of a separation of Austria from Germany and its attainment of a status of an independent state will depend upon the purging of German ownership and control of property in Austria, and the erection of safeguards against any repenetration through the acquisition of important industrial, financial, or commercial interests by German nationals."

In the second place, at the second meeting of the GEPC on December 14, 1945, Mr. Denisov told me that he had discussed the question with representatives of the political division of the Soviet military government and had been told that they knew nothing of the agreement described by the State Department in the aide memoire of September 1945. Mr. Denisov further stated that it was the opinion of his political advisers and it continued to be the opinion of the Soviet member of the GEPC that the passage of law 5 superseded any previous agreement providing any arrangement other than that contained within law 5. He stated further that they interpreted the law to provide for quadripartite operation in all fields with regard to the vesting and marshaling of German external assets. Mr. Denisov stated that it was the Soviet intention to abide by the letter and spirit of the Potsdam agreement and that in this question they felt that quadripartite operation was clearly called for.

Of most importance in this connection is the passage by the Allied Control Authority of law 5, the vesting and marshaling decree, which without any qualification established an intergovernmental Four Power Commission, charged it with the responsibility and authority to take all action necessary to vest and marshal Germany's external assets except in the countries specifically exempted from the coverage of the decree. This law was passed, of course, with full knowledge of the Potsdam Declaration and must be assumed to be consistent with the Potsdam Declaration. It was signed by Generals Eisenhower and Koenig, and Marshals Zhukov and Montgomery, and should be paramount in the areas which it covers. To change the nature of the operation of this law, or its creation, the German External Property Commission would obviously require the approval of the four powers in Germany, the Allied Control Authority. Although such approval has never been granted, tripartite proceedings are already far advanced usurping the functions.

That the British did not have confidence in the rationalization of the United States State Department for excluding the Soviet Union from the neutral countries, although they vigorously sought the same objective is made perfectly clear in a cable of the 5th of December from the Ministry of Economic Warfare to

Washington transmitted from Ambassador Winant in London to the Secretary of State on December 8, 1945. This British cable discusses the proposed draft of a document governing the handling of tripartite meetings with the neutral countries on the subject of external assets. In a preliminary draft proposed by the United States it had been stated that Great Britain, United States, and France were acting in these meetings on behalf of the Control Council. The British cable proposed that these words be deleted because in their view their inclusion created the possibility that the Soviet Union could claim the right to participation and such deletion was, therefore, necessary in order to forestall any possibility of such a claim. The British stated that both the United States and French Governments would "presumably agree" that it was desirable that nothing should be included in these exchanges that "might conceivably lead to a Russian claim to have a say in this particular matter." On the 14th of December Ambassador Caffery advised Secretary Byrnes by cable that the French agreed with the British proposal to delete the words "acting on behalf of Control Council." It is my understanding that the State Department also agreed to the British proposal designed to keep Russia out of these negotiations.

It may be noted that at the end of this cable from the Ministry of Economic Warfare is set forth, as an afterthought, an additional argument against the inclusion of the term "on behalf of the Allied Control Authority," to the effect that these words should be deleted for otherwise it would be necessary to obtain approval from the Allied Control Authority and there is no assurance that the Soviet Union would approve this tripartite group acting on its behalf in connection with external assets in the neutral countries. Clearly, it was not the opinion of the British that on the basis of the Potsdam Agreement the Soviet Union would agree to being excluded from the operations in regard to external assets in the neutral countries.

I may also mention in passing that on December 14, 1945, the French and the British representatives on the German External Property Commission approached the American representative on the Commission and requested that we take joint action outside the quadripartite machinery to assure that the joint Four Power operation of the External Property Commission be eliminated and replaced by a divided east-west operation of that Commission. The French Representative, M. Renouf, indicated that officials of the French Finance Ministry were concerned at the Soviet Union's having "an eye into" certain countries such as Spain and Switzerland. The British member, Brigadier Greenshields, proposed that we three members get together informally and prepare a proposal for presentation to the German External Property Commission between the Soviet and the other three powers. By the very nature of their approach, in essence a tripartite caucus, it was perfectly clear that neither the French nor the British felt confident about the attitude of the Soviet Union in this connection and felt it necessary that we agree on a tripartite basis as to the steps to be taken to achieve the division of this quadripartite group.

Political purposes of split of GEPC

It is perfectly clear that at the very very least, the State Department has failed to take steps or to make efforts toward the solidification of four-power operation in this field. It is difficult to assess the motives behind this apparent desire to achieve a separation of the four allied occupying powers of Germany. The United States State Department teletype conference with General Clay and myself on the 15th of December stated that it was due to the "strong feeling in the State Department that complete quadripartite operation of law 5 in such countries as Spain might breed conflicts with respect to foreign policy which it is strongly desired to avoid." The French state their position for the separation of the four powers is to prevent the Soviet Union from having "an eye into" certain situations, such as Spain and Switzerland. The British most blatantly assert their overwhelming concern to avoid joint operation with the Soviet Union in the neutral countries. This unwarranted and diligent effort to disunify the four powers leads to a profound suspicion that it is being sought by at least some forces in the United States State Department and in the British and French foreign offices who are sympathetic to the creation of a Western Bloc versus the East. It is certainly clear that the actions taken are consistent with the creation of blocs in Europe and inconsistent with the thorough preservation of joint four-power coordinated activity in Europe. Furthermore, I charge elements in both the United States, British, and French foreign offices with consciously maneuvering to prevent all four powers from being involved in the search for external assets in the neutral countries because that would lay bare the Fascist or

reactionary regimes in countries such as Spain, Portugal, Switzerland, Sweden, and Argentina and would reveal all the elements of collaboration of certain interests in the Allied countries with these regimes. Such genuine quadripartite action would completely upset the applecart for plans of compromise regarding Germany's external assets in the interest of trade and commercial advantages, and in the interest of avoiding the creation of too radical regimes in the future.

Failure to develop effective drive for Germany's external assets

The net result of all these efforts to develop tripartite rather than quadripartite action in the crucial neutral countries has been to prevent an adequately effective drive for Germany's external assets. This task should be seen as a vital war task involving the defeat of the last economic outposts of the Nazi Third Reich. There should be no compromises or qualifications in the achievement of this goal. The four occupying powers of Germany with all the great moral, political, and economic power which they represent must move into each of the key neutral countries carrying a definite ultimatum to the neutrals that a thorough job be done of turning over all German assets located therein. We should no more compromise with the rooting out of camouflaged Nazi assets than we would have compromised during combat in the uprooting of a camouflaged German machine-gun nest. Instead of taking this vigorous approach, there is every evidence that it is our intention, and the British intention, to approach the neutrals with a "would you be so kind" attitude. There is a serious indication that it is the intention at least of some involved in this question to trade with the neutral countries on the question of Germany's external assets in return for concessions of one sort or another.

Perhaps the most crucial aspect of this question is the decision as to whether or not we will use sanctions to enforce our search for Germany's assets. As of today, there is no basis to feel that effective sanctions will be used. The British have rejected such a proposal. Having eliminated the Soviet Union from consideration of this question in the neutral countries and having indicated our reluctance to pursue sanctions on a unilateral basis, we have given the British a virtual veto over this weapon which alone could make our program effective. The British have given this veto. The neutral nations know about it and may be expected to respond to our demands with full knowledge of the limitations with which we back up our proposals. We cannot trick the neutrals on this score—only loaded economic guns will be effective. It is now more than 9 months since the end of the war and for more than that time, while we have been doing little or anything, the Nazi agents and their dummies in the neutral countries have been busily engaged in dissipating and recamouflaging the German assets hidden there.

Analysis of our accomplishments regarding external assets in the neutral countries will amply bear out the deficiencies of our program up to the present time. It must be recognized that the concept of neutrality in the conflict in which we have just been engaged is indeed a questionable one. Many of the neutral countries have political and economic systems geared to the Nazi framework and to the Nazi ideology and running directly counter to the democracy. The records of such countries as Spain and Argentina are too well known to require any exposition here. It is only necessary to draw the point, that effectively to root out the Nazi assets from such countries requires a vigorous and uncompromising approach.

I do not wish to take the time of the committee to outline in detail the complete failure of our program for the mobilization of German assets in the neutral countries. These details are well known to the State Department and the other agencies dealing with this problem. The Swiss Government, for example, has denied that the Allied Control Council has the authority or right to seize German external assets. The Swiss have even refused the Allies the right to take over German state property in Switzerland. Despite our protests, German property has been sold and is being further dissipated. In effect, the Swiss are handling the problem of German external assets as they see fit. The Swedish Government has followed the Swiss line by refusing to recognize our right to take over German external assets and are allowing many German enterprises to operate without restrictions, including those which formed an integral part of the German war machine. Little has to be said with respect to Spain. While the Spanish Government has in some respects qualified more than the other neutrals, there is no doubt that the weak-kneed approach to this Fascist Government has been nothing short of scandalous. Naturally, Franco has taken very few measures to uncover and mobilize German assets which have been carefully secreted in

Spain as a possible basis for a future war. The Portuguese Government has taken a similar policy and has also refused to permit the Allies to take over German state property. In brief, this was the situation at the end of 1945. Subsequent developments may have altered it in some few details but the fact remains that it has been 9 months since the Allied Control Council decree was issued and except for a few isolated instances no German assets have been taken over. Quite on the contrary, German assets in the neutral countries are being dissipated and further concealed to the detriment of our Allies and to world peace.

Conclusion

I submit that this is a very sad record. I do not know whether the United States State Department is permitting itself to be a pawn of the British, whether the situation is reversed, or whether this is just a "happy coincidence" of fears and prejudices in the international field. It is clear that behind the backs of the Allied Control Authority there has been secret conniving to avoid full four-power activity with respect to Germany's external assets. This activity coincides with an utter failure to formulate an effective drive to disarm the Nazis of their foreign economic bases and thus sacrifices on the altar of international power politics one of the purposes for which such vast human and material contributions were made from September 1939 to May 8, 1945. This action has already limited and seriously jeopardized the future unity of all the Allied Powers which is as vital in peace as it was in war.

I am informed that a few days ago General Clay conferred with the Soviet representatives in Berlin who confirmed their interest in full quadripartite action to disarm Germany of its external assets. General Clay has reiterated his position of opposition to tripartite proceedings on this question. Ambassador Murphy, after months of official silence, now agrees that it "was inconsistent" to proceed on a tripartite basis.

Mr. Chairman, recently you made the statement that you do not sympathize with the doctrine that "to the neutrals belong the spoils." I do not know whether this lack of sympathy is shared by those responsible for the present situation with respect to German external assets but it seems clear that unless our entire approach to the problem is changed that doctrine will be established.

I recommend, therefore, that immediate steps be taken to restore our operations to a genuine four-power basis, to bring about the active and equal involvement of the Soviet Union in the drive against German assets in neutral countries, and to formulate a hard hitting uncompromising program to make sure that no obstacles are placed in the path of this drive to disarm Nazi Germany and create security for the people of the world.

The CHAIRMAN. You were Acting Director of the Division of Investigation of Cartels and External Assets, Office of Military Government in Germany, were you not?

Mr. NIXON. Yes.

The CHAIRMAN. When did you take that over and how long were you with the Division and when were you separated?

Mr. NIXON. Well, I might tell you that in a little more detail.

In March of 1945 I was in an infantry reinforcement center in northern Belgium. I was separated from that reinforcement center and sent to the Finance Division of the United States Group Control Council in March 1945. I served as Chief of the Denazification Section of the Finance Division. Later I became Chief of the Financial, Intelligence and Liaison Branch of the Finance Division and then, in September, when the Division of Investigation of Cartels and External Assets—which we call DICEA—was created, I became one of the deputy directors. A few days after the creation of this Division, Colonel Bernstein, the director, left Germany and I became the acting director of that Division. Then, on the 1st of November, General Eisenhower appointed me the acting United States member of the German External Property Commission and I held that position until I left Germany on the 10th of January 1946.

The CHAIRMAN. All right, go ahead.

Mr. NIXON. I need to point out at the outset, Senator, that I am appearing before this subcommittee as a private citizen; consequently, I am not in a position to present to you the official documents that lie behind the evidence that I intend to bring to your attention. I would like to emphasize that all of the statements I make can be substantiated by documents which, I have no doubt, the War Department will be happy to make available to you at your request.

The CHAIRMAN. Will you give us enough identification so we may request them?

Mr. NIXON. I will be glad to do that and, if that is not sufficient, I can assist your staff in that respect.

The CHAIRMAN. All right.

Mr. NIXON. I would like to tell you about four particular points, and I might summarize those at the outset so we will know where we are going in my testimony.

The first point I want to make is that the directives to destroy I. G. Farben have not been carried out.

The second point that I want to make is that the United States officials responsible in the military government for developing a hard-hitting law to destroy German cartels and great concentrations of economic power have been basically opposed to this tough policy. As a result of their failure to properly represent United States policy, and in some cases their positive misrepresentation and sabotage of United States policy, the strong British opposition to an effective measure against German monopolies has prevailed and there is today no law in Germany to decartelize and decentralize the great concentrations of economic power which coauthored German Nazi aggression.

The CHAIRMAN. Were they not the foundation stone of German Nazi aggression?

Mr. NIXON. There is no question about that.

The third point I want to make is that contrary to official attempts, in many instances, to whitewash the record, denazification in the United States Zone of Germany is far from completed and even the limited accomplishments to date are in jeopardy through existing plans to turn the program over to the Germans. No program exists for handling the 100,000 Nazi leaders, SS men, and Gestapo agents held in prison and their ultimate punishment is gravely in doubt. In direct violation of orders, the great industrial and financial partners of the Nazis have not been arrested and their ultimate trial and judgment is very unlikely.

The fourth point I want to make to you has to do with Germany's external assets and the controversy that has arisen around that subject. I want to present evidence to you that, in order to go easy on countries like Spain, Argentina, Portugal, Switzerland, and Sweden, the United States State Department and the Foreign Offices of France and Britain have engaged in secret conniving to prevent participation of the Soviet Union in the search for German external assets in these areas.

The maneuvers to split the quadripartite German External Property Commission into "eastern and western units" is only consistent with and reinforces the tendencies that already exist in Europe to create eastern and western blocs. This State and Foreign Office action flaunts the authority and machinery of the Allied Control Authority,

established in this field by Generals Eisenhower and Koenig (of France) and Marshals Zhukov and Montgomery. By thus failing to adequately implement in a vigorous fashion the four-power action against Germany's hidden foreign assets we are tragically permitting the preservation for Germany of an external economic basis for a third world war.

The CHAIRMAN. Let me ask you a question at that point. You feel that the objectives set forth by the four military leaders, if carried out, would be satisfactory, but they are not being carried out; is that it?

Mr. NIXON. That is precisely it. And I would like to present the detail indications behind that statement as I come to that part of the testimony.

The CHAIRMAN. In your work over there, did you find that there were certain elements in American business and in British business that really looked forward to cooperation with German business after things settled down? Or that their activities indicated that?

Mr. NIXON. I think there is serious indication that that attitude prevails among the British and United States representatives in Germany.

The first subject that I want to talk to you about in a little more detail has to do with I. G. Farben. As you know, in July 1945, the United States military government issued a general order directing that, in the case of I. G. Farben, the facilities of Farben should be made available to the devastated nonenemy countries in Europe and to the United Nations, and they stated further that such of the facilities of Farben as were not made available as reparations should be destroyed and that the ownership of Farben should be dispersed.

Then a special order was issued appointing a control officer for Farben, who, pending the assumption of control of Farben or Farben properties by the Allied Control Council, was given the specific responsibility to carry out this obligation.

The CHAIRMAN. Wasn't the reason Farben was singled out in that instance that it was the central core of the entire cartel system and had really been a military asset more than an industrial asset?

Mr. NIXON. I know that Colonel Bernstein has presented to this committee overwhelming evidence that this was not merely an industrial concern but was a true partner of the Nazi Reich and Wehrmacht. That was the basis for the selection of I. G. Farben for this particular action, very precisely spelled out in the orders of July 1945.

As the months went by, from July on, there began to be a feeling of discomfort among many of us, who observed the situation there, that the orders were not being carried out and consequently we determined in DICEA, in November, to make a survey of just what had happened in the case of I. G. Farben to carry out the directives. At the same time, Mr. Dodge, who is Director of the Finance Division and who had the responsibility for Farben, was beginning to be very concerned at the failure of the control officer, Col. E. S. Pillsbury, to carry out the directives and he likewise had in mind the institution of a similar investigation. He had had certain difficulties with General Draper, Director of Economics Division, with regard to certain of the I. G. Farben plants, particularly the Reich-owned, Farben-operated Montan plants, and particularly among them, the poison-gas plant down at Gendorf, where he had been urging that this plant be immediately

made available for reparations and destruction and that production there be stopped. On the other hand, General Draper was insisting that it was necessary to continue, for at least a certain period of time, production in the Gendorf plant.

The CHAIRMAN. What kind of production were they carrying on?

Mr. NIXON. They were carrying on the production of antifreeze. They had produced antifreeze during the war as a byproduct of mustard gas which they had produced and it was the desire of General Draper to continue the operation of this plant to produce this antifreeze.

The CHAIRMAN. Was it necessary for them to produce mustard gas, too?

Mr. NIXON. No; although the capacity to do that remained.

The CHAIRMAN. It could be converted into mustard gas overnight?

Mr. NIXON. Yes; the basic facilities remained unchanged.

The CHAIRMAN. Was there any similarity between the antifreeze used there and Prestone or similar antifreeze products which we use?

Mr. NIXON. I am delighted to say that that is a question about which I know nothing.

The CHAIRMAN. Was it made from alcohol?

Mr. NIXON. No, I don't think so. I don't know the technical process of the product.

In addition Mr. Dodge was disturbed at some of the indications that I. G. Farben plants were receiving preferential treatment in procuring oil and other supplies and he protested against this preference. We had set up a control officer in every I. G. plant and instead of vigorously carrying through the destruction and reparations provisions they became interested in production and they became lobbyists for their particular plant to get coal or other facilities for production. Mr. Dodge protested against this.

When we discovered we had a joint interest in this thing, we resolved to carry out more or less parallel investigations. The investigation of DICEA was directed toward an analysis of the reports of the control officers from each one of the I. G. plants. The investigation carried out by Mr. Dodge's inspection teams was addressed particularly to the fourteen Montan plants. Those are plants that were financed by the Reich, were owned by the Reich but were operated by Farben.

The CHAIRMAN. In other words, that was the German's defense plant corporation.

Mr. NIXON. Exactly; that is what it was.

On the 17th of December we brought out the results of these two parallel investigations. These investigations reveal not only a complete failure to carry out the orders of July 5, 1945, but also deliberate violation of these orders by contrary action. What I would like to do is to summarize for you the findings of each one of these investigations.

I would like to talk first about the DICEA investigation. [Reading:]

Our investigation disclosed that of a total of 55 I. G. manufacturing plants in the United States zone, 2 were destroyed and 3 had been declared available for reparations and destruction. None of the I. G. Farben-owned or affiliated plants had been eliminated either by destruction or by making available for reparations.

The operation was entirely on the Montan plants.

We discovered also that almost every one of the I. G. Farben plants in the United States zone was producing. Capacity that was added exclusively for war production had been brought into operation for the production of so-called peacetime goods without any indication as to the need for such production and without any proof that the particular goods could not be provided by other plants which normally produced those goods in the past.

We also discovered that there was a general disinclination on the part of the I. G. Farben control officers—these are American military officers—to indicate the availability of their plants for reparations. With a surprising degree of uniformity these reports came in arguing that this plant was needed, that there was nothing here for reparations and it should not be made available for reparations.

In addition we found that there had been no effective action taken to decentralize Farben and disperse its tremendously concentrated power. On the other hand, we found that these reports claimed that the operation of various of the I. G. Farben plants had to be integrated. [Reading:]

This reported need for integration is based upon purchasing or sales advantages, despite the fact that there is an assured market for the production of the plants.

Of course, these are the very factors that should not be considered in permitting reintegration of I. G. Farben plants.

The CHAIRMAN. Let me ask you a question. From your study you found that out of this enormous number of plants there were only five—the five Montan plants—that had been destroyed or declared for reparations?

Would the consumption of those plants be used in Germany, or would they be building up potential export capacity on a large scale?

Mr. NIXON. The rationalization which we constantly ran into for not making these plants available for reparations or for destruction was that their product was going to be needed for export in order to maintain a certain assumed standard of living in Germany. That was the general rationalization for that action.

The CHAIRMAN. In other words, building up competition for our own industry and British industry in Germany?

Mr. NIXON. That is right. There is no question about it. Before the war Farben exported a vast proportion of its products.

The CHAIRMAN. Are there any foreign-owned Farben stocks or bonds that showed up on the books?

Mr. NIXON. Yes; there is some foreign ownership of Farben. I think that Colonel Bernstein presented to you an estimate of the various holdings. However, they are not significant. Farben is a German operation as far as the basic operation is concerned.

The CHAIRMAN. What I am trying to get at is the underlying causes of this effort to preserve Farben. Could external financial interests be interested in preserving Farben?

Mr. NIXON. I think it has to be hooked onto a larger orientation than the German problem. There is a general interest—for perhaps varied reasons—in maintaining an industrial economy in Germany. I think some interests in our own country and elsewhere have the idea that, if they didn't own Farben, they would nevertheless get an interest in it, that their connection there would permit them to maintain

profitable relations with the German chemical industry as they had done in the past. I think there is no question about that.

The Finance Division, which conducted its investigation independently and went into the field and visited the plants in Germany, plant by plant, corroborated the general conclusions of the DICEA investigation and they reached the conclusion—

that there were at least five distinct indications of the regrowth in the United States zone of Germany's greatest single instrument of economic aggression. First, the report noted that with the exception of most Montan plants and those plants damaged in the war (which incidentally were very few), there were no discernible limits on production in Farben plants, except the limits imposed by shortage of materials, and all requests for production authorizations were approved without exception. These production schedules, according to the Finance Division, were prepared for each plant by the German management and were automatically approved by responsible military government officials of the Economics Division except in cases where these officials proposed higher production schedules.

That is the first point. [Continuing:]

The second evidence of Farben's regrowth cited by the Finance Division was the fact that Farben control has followed lines prescribed before the end of the war by Farben officials themselves as an adaptation to the facts of defeat and occupation. This conclusion was based in part upon a letter from Max Ilgner, one of Farben's key officials, written in May 1944 while under detention, to two of his associates in the Farben central finance department. He instructed them to keep in as close touch as possible with one another and with other Farben leaders. He predicted that the American authorities would eventually permit resumption of I. G. operations and stressed the need for keeping the organization alive in expectation of this development.

The CHAIRMAN. Wasn't he the one who built up the intelligence service?

Mr. NIXON. Yes. He was the head of unit 7, which had espionage units throughout the world. I received that letter myself. It was sent through certain channels up to Frankfurt and his desire was to have the letter delivered to Frank Failler, his chief associate and, I think, to Dr. Schneider, telling them how they should handle themselves and adjust themselves to the fact that they were going to be under occupation, that certain things were going to happen.

In addition there was an official named Orth who had been the Farben sales manager for Bavaria for many years. He prepared a plan for I. G. Farben's operation in Bavaria in the event of Germany's defeat. This plan was prepared before the end of the war. This man is today in Munich and is again the sales manager for the Bavarian plants, including Gendorf. He is busily at work applying, under the existing circumstances as best he can, the program he developed before the war, anticipating defeat.

The third point in the report of the Finance Division was that the—

lines of connection among the now supposedly independent I. G. plants are being reestablished in part through the natural interdependence of plants in the chemical industry, but in part through the design of Farben leadership.

Fourth, the dismantling and demolition have thus far been on an extremely limited scale. There has been virtually no dismantling.

Fifth, they found that some materials, such as office furniture and equipment, are being turned over to Farben-owned plants from the Montan plants which are being made available for reparations and for destruction. They make a Montan plant available for repara-

tions and in the process of doing that they go in and pick up certain things they want, such as office furniture, and transfer those to the Farben-owned plants. In a sense there is a Farben restitution program going on rather than a restitution to the occupied and victimized nations.

The CHAIRMAN. Rather like a Farben exploitation program.

Mr. NIXON. Yes, sir; the continuation of a Farben exploitation program. [Reading:]

That these developments run counter to established American and quadripartite policy is quite clear. They are violations of the directives of July 5, 1945, and they are violations of the document which those directives purported to implement, namely, JCS 1067.

You know about that. [Continuing:]

Paragraph 32 of JCS 1067 stated: "Pending final Allied agreements on reparation and on control or elimination of German industries that can be utilized for war production, the Control Council should (a) prohibit and prevent production of iron and steel, chemicals, nonferrous metals, (excluding aluminum and magnesium), machine tools, radio, and electrical equipment, automotive vehicles, heavy machinery and important parts thereof, except for the purposes stated in paragraphs 4 and 5 of this directive."

Briefly, that exception refers to production that is required to maintain goods and services required to prevent starvation or such disease and unrest as would endanger those forces.

JCS 1067 further states: They should "prohibit and prevent rehabilitation of plant and equipment in such industries." It also states that they should "safeguard plant and equipment in such industries for transfer on reparation account."

A little later on, 1067 states that "Control Council should adopt a policy permitting the conversion of facilities other than those mentioned in paragraphs 30 and 32—"which I have just read—to the production of light consumer goods." The point is that this says this is to be permitted in industries other than the chemical industry.

Of course, in violation of that, they have been concerned with finding alternative methods of production, alternative outlets for the productive capacity of Farben. This has been an activity of I. G. Farben control officers appointed by the United States Government. There has been a rush of pharmaceuticals in Germany. Everybody wants to produce pharmaceuticals in Germany. It is a pleasant and interim means of keeping Farben in operation. It is a clear violation of the directives.

When Mr. Dodge submitted his report of the Finance Division, our staffs jointly worked out a set of recommendations. They were submitted in Mr. Dodge's report. They had been the joint product of our staffs and we concurred with these recommendations in our report.

The recommendations were first, that—

all wartime additions to I. G. Farben-owned affiliated, or operated plants shall be declared available for reparation or destruction and shall be dismantled. Second, all I. G. Farben-owned, affiliated or operated synthetic rubber and metals plants will be set aside and immediately dismantled. Third, non-Farben plants will be given priority in production. (Farben production and production capacity were to be further reduced or eliminated according to a specified formula set forth by the Finance Division.) Fourth, in all plants set aside for dismantling, all underground installations used for key equipment, such as power equipment, will be destroyed, after all equipment which could be used for peacetime production has been dismantled.

V. All I. G. Farben-owned, affiliated, or operated plants, not dismantled or set aside in accordance with the foregoing, will be available for operation under centrally controlled authorizations, pending determination of the final reparations program, and subject to any standards that may be established by the quadripartite I. G. Farben control committee. Non-I. G. Farben plants producing products which have been produced also in I. G. Farben-owned, affiliated, or operated plants shall be made available for reparations only after the I. G. Farben plants have been made so available. During the interim period of determination of final availabilities for reparations, a plan shall be prepared for the dispersal of ownership of the I. G. Farben-owned, affiliated or operated plants that may be retained in the United States zone, providing for the ultimate disposal of all such plants with no common ownership of any two plants.

Now I should like to indicate to you the reactions to these reports. I should like to point out, first, that the day before these reports were submitted, General Clay sent to the War Department a report of the plants in Germany, in the United States zone, that had been made available for reparations, and this corroborated our finding as to the number of plants that had been made available for reparations or had been destroyed.

Further, on the 25th of December (we worked on Christmas over there) General Clay sent me a memorandum which stated that he had taken specific steps to reaffirm the general order to destroy Farben and that he had given instructions for the immediate designation of a substantial number of nonmilitary I. G. Farben plants in the United States zone as available for reparations.

Subsequently, on the 16th of January, according to newspaper accounts, General Draper held a press conference in which he announced that (1) two explosive plants had been destroyed since the occupation. These are the same two plants which were referred to in the Finance Division's report and in our report and which are Reich-owned and Farben-operated. That the 12 other Montan plants, which were ordered destroyed well over 2 months ago, are in process of being dismantled or made available for reparations. Finally, that several other plants are being declared available for reparations.

I would like to make a comment to this effect, that there has been a tendency to overemphasize what has been done with regard to Farben and to underemphasize the importance of Farben in the United States zone. You may recall, to go to the last point first, the statement before your committee that there is only 9.75 percent of Farben in the United States zone, that really the United States zone isn't very important to Farben. Those are very misleading facts. They refer merely to 100 percent Farben-owned or 100 percent subsidiaries of I. G. Farben, merely to those plants. Out of the 42 manufacturing plants in the United States zone, with more than 100 employees, this 9.75 figure refers to only 13 plants. If you put them all together (by putting them all together I mean all of the Farben plants, the subsidiaries which she controls, Dynamit A. G., which is an important subsidiary, and the Montan plants) you get in the United States zone an employment in Farben of at least 75,000. There can be no question about this figure. This means that Farben employment in the United States zone—and I think this is a fairly reliable measure of the importance of Farben—is between 25 and 30 percent of the total of Farben employment in Germany. The 10 percent figure, the 9.75 figure, misleads us and has been used very broadly to deemphasize the importance of Farben in the United States zone.

The facts are to the contrary. We have from 25 to 30 percent of Farben in the United States zone.

The CHAIRMAN. How much of it is in the Russian zone?

Mr. NIXON. I couldn't give you a calculation based on this same set of figures, because I haven't the data. There is a substantial proportion in the Russian zone. I couldn't tell you, Senator.

The CHAIRMAN. Where is the greatest Farben employment?

Mr. NIXON. I rather imagine that the greatest number of employees is in the Russian zone.

The CHAIRMAN. Greater than the American zone?

Mr. NIXON. Yes.

The CHAIRMAN. How does the British zone compare?

Mr. NIXON. I think the British zone is probably a little less than ours. You see, we have given you the exact figures so far as the calculation—

The CHAIRMAN. Of course, you realize our military government could do nothing in the British zone. Were the British carrying on about as we were, or even to a lesser extent?

Mr. NIXON. I would presume even to a lesser extent, because they are not getting the same kind of pressure that they have gotten in the United States from this committee.

The CHAIRMAN. Is there anything in the French Zone?

Mr. NIXON. Yes, there are some important installations in the French zone, but likewise they are not carrying out an effective program. Obviously, we have to talk about the zone we know about.

The CHAIRMAN. Certainly; and the only zone in which we can actually operate.

Mr. NIXON. But the point I want to make is that our zone is not unimportant. This is not a 10-percent zone. It is 25 or 30 percent. If you look at it from another point of view, the bases of the old units of Farben are in our zone, in the French and the British zones, and are not in the Soviet zone. In the general removal of plants—

The CHAIRMAN. Was the headquarters of Farben in our zone?

Mr. NIXON. Yes, sir; Frankfurt. But in the general relocation of German industry, the new plants were located over in the Russian zone. These are the purely war industries—the light metals, the synthetic rubber, the heavy stuff—which automatically come up for destruction. The basic units of Farben, the old plants, the basis of the German cartel before the war, are in our zone, the French and the British zones, and a very, very major part of it in our zone. We cannot avoid the implications of responsibility in the Farben problem for the United States by referring to the 10-percent figure.

The CHAIRMAN. The management of these plants is in German hands, isn't it, in our zone?

Mr. NIXON. Yes, under the supervision of a control officer.

The CHAIRMAN. Is that the old management of the plants?

Mr. NIXON. By and large it is, sir.

The CHAIRMAN. You have the same picture there that we had in Italy, where our people said they couldn't operate because the Italians had hung all the Fascists and they couldn't get a plant in operation without Fascist management.

Mr. NIXON. They can't even claim that in our zone.

The CHAIRMAN. They still kept the same group?

Mr. NIXON. Yes. Presumably they have instituted denazification. I would like to say a little bit about that as I go along.

The CHAIRMAN. Sort of like a delousing program, isn't it, in which they use a little DDT?

Mr. NIXON. DDT is much stronger than the denazification program.

The CHAIRMAN. You know how they squirted DDT down the back of your neck. I thought possibly the denazification program of the management was similar to the delousing.

Mr. NIXON. The DDT is good stuff. I don't like to compare our denazification record with DDT. As a GI, I am partisan to DDT.

The CHAIRMAN. It was simply a surface delousing and didn't go internally; is that it?

Mr. NIXON. That is right, but it was very effective, Senator, in killing the louse.

Just one other point. There is a tendency to take these Montan plants and the action that we direct toward them and use that to cover up our failure really to get at the basic old-line Farben institutions. The figure was quoted by General Draper that they included 52 percent of the capacity. That is true if you include the Montan plants, but if you look at the 27 plants which are non-Montan plants, those that are really I. G. Farben plants, only 7 out of the 27 have even been made available for reparations. The employment figures are something like this: 31,000 employment capacity has not been touched by reparations, and only 6,000 employment capacity has even been made available for reparations, out of the old Farben-owned plants in the United States zone.

The CHAIRMAN. The Montan plants were largely munitions plants, weren't they?

Mr. NIXON. Yes, sir; pretty largely. I think there is one machine-tool plant. By and large, they were purely war plants. They were all built after 1936 for war production as a part of the war program, but of course there was tremendous expansion connected with the war in the old-line I. G. Farben plants. There was no effective effort on our part to define and draw a line how much of this was war stuff and how much of it wasn't, and how much of it we should get rid of to destroy the war potential.

You mentioned the question of why these things happened. When you get into the realm of motivations, perhaps you are a better judge than I of these things. I would like to mention just one case that may be of interest to you that perhaps gives you a little crack in the door, why some of these things are happening. It is the case of Carl Peters. Carl Peters has been removed from Germany because of his relations with I. G. Farben officials which threatened a major scandal. It is my judgment that a real attempt has been made to cover up the operations of Carl Peters. Carl Peters was with the Advanced Solvents Corporation before the war, the American affiliate of I. G. Farben. He was involved in an antitrust proceeding which was taken against several Farben affiliates. The action against him was nolle prossed when he entered the Army and became a colonel over at the Pentagon Building. A little later on, as a civilian, he was sent to Germany on the staff of Fiat, hired initially by the Foreign Economic Administration. He went into Germany and, according to records which you

can get from the Counterintelligence Corps, engaged in numerous relationships with top I. G. Farben officials. It is the opinion of at least some of the counterintelligence operatives that Peters has been engaged in dealings with the Germans looking toward renewed interconnections among the German Farben concerns and the American interests. We know that he discussed with high Farben officials the resumption of production in Norsk Hydro, a Norwegian plant taken over by I. G. Farben during the occupation.

They held Peters on two presumably minor charges, of having acted as a letter-drop for mail between Germans and of having allegedly brought unauthorized Germans into his quarters and given them food.

The serious part of this is that all this operation was for high I. G. Farben officials. He talked with top people, such as Dr. Von Knieriem and Dr. Bosch, the son of the former head of I. G. Farben.

It is my understanding that Peters has been quietly removed from the German scene, but I think that this is a matter which justified very serious investigation, and it is perhaps a case which gives us a little view of the kind of influence that probably is being brought to bear in the underground of the operations in Germany.

The problem we have also had in the operation with Farben is very fine words, good expressions of intention, and very little action. There is no excuse in the case of Farben for having made available out of the basic Farben plants only 7 of the 27 plants. This is getting close to a year after the end of the war. Farben has been investigated more than any other plant. We know all about Farben. Its criminal nature has been thoroughly exposed.

The CHAIRMAN. We have had available the records with which we could do that.

Mr. NIXON. Of course, sir. What we have lacked over in Germany is a staff directed to this problem, who has the desire and enthusiasm really to go in and do a job of disarming Germany. Instead, we engage in a lot of debates on a high economic plane, of the German level of industry and German standard of living, and we put a lot of these questions in a predominant role over and above the basic question and directive of really destroying Germany's war potentials.

That is what I wanted to say to you on the case of Farben. I would like to tell you a little bit about the efforts and the results of the four powers.

The CHAIRMAN. What about Farben stock going up about 21 points after Farben's destruction had been officially announced?

Mr. NIXON. I am glad you mentioned that. I meant to mention that. I think that the rise in the stock market of Farben made good sense. I. G. Farben should be rising on the stock market in Germany. It rose because the people of Germany really knew what was happening. They lived next door to the I. G. Farben plants. They know that Farben was not being broken up. I would only suggest that the way to handle that problem is not to take the stock off the market and prevent its quotation; in other words, not to hide from the people of the world this one index of what is happening to Farben.

The CHAIRMAN. Then you agree with me that that was not just a little frenzied buying on the market, but actually was based upon some sound analysis of the possibilities of Farben?

Mr. NIXON. Absolutely.

The CHAIRMAN. Of course, the other excuse has been put up to me frequently when I have asked about it.

Mr. NIXON. It is just not borne out by the facts. You can look at the facts in the case and find evidence for optimism about Farben, if you are a German buying stock.

The CHAIRMAN. In other words, Germans don't play the stock market as a game. They play the stock market systematically. They play it as they played war. They are serious.

Mr. NIXON. I would like to tell you about the efforts on the quadripartite to pass a law requiring the decartelization and decentralization of the great concentrations of economic power in Germany. As you know, the Potsdam Agreement required that—

At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts, and other monopolistic arrangements.

Despite this clear directive, there is today no law in Germany requiring the decentralization and the decartelization of the great concentrations of economic power in Germany. This has resulted from a perhaps complex situation that I would like to describe to you as simply as possible.

At the outset I would like to point out that it is true that on November 27, 1945, the United States, the Soviet, and the French representatives in the military government there agreed on a draft of a law which would be effective to this end, and that the whole operation is now stalemated by the vigorous opposition of the British to the passage of an effective law. It is necessary for me to emphasize to you, however, that the failure to get this law is not merely the result of British opposition, but follows from the fact that the United States representatives given the responsibility of getting this law, at least in the initial stages lasting for two or three months, (1) did not push the United States policy, (2) in many instances vigorously opposed that policy and undermined that policy with reference to the other members of the quadripartite group, and (3) they have advocated emasculating compromises and created confusion which makes a major contribution to the situation we have today of failing to have passed this particular measure.

The CHAIRMAN. From your study over there, is it your considered opinion that the centralization or monopoly of industry in Germany brought about by the cartel system, speaking there of the internal cartel system, was what was really their No. 1 war potential? The centralized control of all industry made them capable of a war of aggression?

Mr. NIXON. We have found that the extraordinary concentration of finance and industry in Germany made it possible to develop the totalitarian impact of their war in a degree which would otherwise have been impossible. When the Nazis came to power, they did not have to centralize German industry. They did not have to —

The CHAIRMAN. They didn't need to have a War Production Board. They already had it built up.

Mr. NIXON. It was there, ready for their utilization. I shouldn't put it that way, perhaps. I should put it, rather, that this concentration existed and moved with the Nazis in coordinated activity to develop the Nazi system, to bring the Nazis to power, because they

had visions of extending their monopoly power, of extending their wealth and extending their control throughout the world, and they realized that to do that you had to join up with the forces in Germany any that were sympathetic with aggressive warfare and that were unsympathetic to the development of the German Republic.

The CHAIRMAN. Then, do you agree with me in the theory that monopoly raised to the n th degree by cartelization makes it absolutely necessary for one of two things to happen, either for government to take over business or business to take over government?

Mr. NIXON. It certainly moved in that direction in Germany.

The CHAIRMAN. You get a totalitarian state as a result of that. Either way it moves, you get totalitarianism.

Mr. NIXON. I think that is an inevitable consequence.

The CHAIRMAN. Isn't that a disadvantage rather than an aid to the economy of the German people as a whole—being removed from competition and having everything centralized in a small group?

Mr. NIXON. It deters for many economic reasons, and then it deters in an overwhelming way because of the inevitable drive to an aggressive war, which has brought such horror to the German people twice in three decades. There is no question about it.

The CHAIRMAN. We get back to Woodrow Wilson's old thesis that a nation is a strong nation with a great number of rich men in it, but it gets in a dangerous state when it has a few very rich men controlling.

Mr. NIXON. That is right.

This issue is reflected, I think, in the matter I now want to go into a little bit more in detail. I don't intend to go even into the detail that I have in the statement here, of some of the perhaps complicated quadripartite legislative negotiations, but I would like to describe the issue to you. The issue that arose was whether or not you are going to pass a really effective law against excessive concentration of power in Germany or one that would not be effective. The effective law, I think it is generally agreed, would be one that would be a mandatory law. Such a mandatory law would say, "An excessive concentration of economic power is defined by A, B, C. Excessive concentrations of economic power are outlawed. They will be destroyed. If there are any special cases, they have to come in, make an appeal, and ask for exemption." That was the general outline of the mandatory law. That was the basis of the law which subsequently came to be the law supported by France, the Soviet Union and the United States.

What I think is properly indicated as an ineffective law is a non-mandatory law in which you indicate generally certain tests, without great specificity of what a cartel is and what is excess size and what is excess concentration of power. Then you say that you are going to set up a board that will look at the Germany economy, and they will pick out the ones that they decide are excess and make plans to destroy them. It is a separate, different way of going at the problem.

The first proposal was supported by the Soviet Union, who proposed that a definition should be 3,000 employees and 25,000,000 reichmarks turnover, and by the United States, which added to these tests the proposal that production of more than 10 percent of the product in any field should be a further test.

The nonmandatory law was proposed by the British, who at the same time tried to make the point that size was not really a bad thing in and of itself, and maybe you should not go so hard on the big units in Germany, and also that you have to hedge the prevention of cartels for Germany because of the necessity of Germany's having an opportunity to engage in national trade.

The basic United States policy with regard to cartels is very clear.

The CHAIRMAN. To engage in international trade outside the sterling bloc. Would you find that additional string on it?

Mr. NIXON. They didn't say that.

The CHAIRMAN. They didn't say that, but that is what it would mean, wouldn't it?

Mr. NIXON. I suppose that is true. They certainly were interested in preserving some international trade basis for Germany, and I don't suppose, Senator, that it was an international trade arrangement which would do harm to Britain, not in their assumption; quite the contrary.

The United States policy basically was always tough—

The CHAIRMAN. The effect of that, however, is to build up competitors for us and for Russia in international trade.

Mr. NIXON. I think that Britain was interested in the potentialities of profitable international trade with Germany. There is no question about that. And they were willing to compromise the prohibition of Germany's participation in international cartels in order to get that end.

The United States policy in this regard has always been tough from Washington. We were strong for prevention of cartels and for destruction of the German cartel organization. Unfortunately, the United States representatives charged with the work of carrying out this United States policy and implementing it in the legislative conferences did not share this policy.

Let me say at the outset that it is my judgment that General Clay did agree with the tough policy, and in all my work with Clay on this problem I never found any indication from him that he was not going down the line for a tough policy. I have to say that at the outset. But below him, his officials were sabotaging his policy. How were they doing it? Perhaps I had better say who they were. First, of course, is General Draper, the head of the Economics Division, former Dillon, Read official; Mr. Laird Bell, a corporation lawyer of Chicago, of the Liberty League stripe, who was the Deputy Chief of the Economics Division, who was the United States member on the working committee to prepare this law, who since he has come home has talked a great deal and made it very clear that he disagrees with Potsdam and JCS 1067 and the entire United States policy, but at that time he was the man doing the job; a Major Petroff, a Russian speaking United States Major, former lawyer with General Motors Corp.; Lieutenant Colonel Bowie, of General Clay's staff; and a member of Mr. Murphy's staff.

Generally speaking, they took the attitude that to apply the really tough mandatory law was being too tough with Germany, that this was a part of the hysterical Morgenthau approach, that that was a blind program to tear up Germany, that it would reduce the level of the German economy too much, that if you did that Germany

couldn't pay for imports. I recall one of the officials, I think on Murphy's staff, asking me one day, "How could Germany manage to live without the Siemens Corp.?" That was their general orientation.

As a result of this, they failed to push the United States policy and to support the mandatory law. They misrepresented the United States position to other powers and attempted to change the Soviet position of support for the mandatory law. They specifically went to them and indicated, "We didn't really mean it when we referred to our support for the mandatory law." It was reported to me that Major Petroff, on the specific instruction of Ambassador Murphy, went to the Soviet representative and tried to get them to move their position away from support of the mandatory law. Likewise, General Draper himself told me that at one point in the operation he was going to the Soviets and trying to get them to change their position in support of the mandatory law—this, mind you, at a time when we had developed for years in the United States a tough policy with regard to German cartels.

In addition, they created confusion. There were incorrect minutes written, which confused the entire situation and led to delay and weakened the efforts to get a tough law.

Finally, these same forces attempted to get Washington to relax the policy by expressing excessive defeatism, telling them it was impossible to get a tough law and trying to get them to give them permission for a weaker position.

In the midst of all this, there developed what I think you might call the duel of the cables. This little duel of the cables was a four-way cable exchange, with the people I have mentioned sending cables to the United States telling how bad the thing was and how we have got to change our pushing for a mandatory law, and "Won't you let us abandon these mandatory measures?" That was on the one hand. On the other hand, DICEA was sending cables over here saying, "Look, the whole mandatory program has been jeopardized, and confusion has been created. It is essential that we have from the United States a clarification of the entire policy of the United States." We managed to get word over here of the situation and, as a result, what we call a TWX conference was called on the 24th of October, a teletype conference. In Berlin there were General Clay, Mr. Murphy, Mr. Bell, Major Petroff, Mr. Fahy, the legal adviser, Mr. Heath, and myself. In the United States there were the representatives of the State Department, the Justice Department, the Treasury Department I believe, and the War Department, connected with this problem. At the TWX conference Washington gave us definite instructions to support a mandatory law, and it was to be assumed at that point that the matter was closed. All right, now at least we are cleared up, and we will go ahead and get a mandatory law.

At this teletype conference, which lasted for about 4 hours, Mr. Murphy had nothing to say. Later, evidently he wired the State Department through its own means of communication and received from Byrnes a cable in answer which was very confused and, which gave permission to drop two of the most effective mandatory tests and suggested that we retain the third; that is, the percentage of control in any field as the sole mandatory test. This change in instructions from the State Department came at the same time that

we had reached agreement in the Legal Division finally upon a mandatory law. So, we found ourselves in the Legal Division in the position of drawing the law, getting it in mandatory form, fighting out agreement on that, and at the same time, as a result of Murphy's cable, getting an alteration in the United States policy which was a retreat from the basic mandatory position.

What Murphy sent to Washington, I don't know, because when I asked to see the cable I was told that it was a secret cable, so I didn't see it.

This heightened the confusion, and on the 3d of November Mr. Fahy sent a cable asking, "What now?" On the 5th of November, as a result of a little side meeting held by Major General Echols and General Draper and Mr. Fahy, perhaps two or three others, in which DICEA was not involved, they decided to send a cable asking for permission to drop all the mandatory tests in the quadripartite operation, except the one on percentage of production. You recall that at this time General Clay and Mr. Murphy had come to the United States. So, when I saw that cable, I sent a cable immediately saying that there was terrific confusion, that the whole United States policy was being jeopardized by the confusion and by the efforts to abandon the mandatory position. I said that as long as Clay and Murphy were there, they should be gotten together and the matter should be cleared up. Consequently, on the 6th of November, General Clay, from Washington, sent a cable back to Berlin in which he said, "Maintain the mandatory tests, and do not drop them except as a very last resort." The cable, of which you can get the text if you wish, I presume was a hard-hitting cable indicating "Stick to your guns for a mandatory test."

This presumably cleared up the matter as far as we were concerned, after a big flurry of trying to get, in my judgment, the officials charged with this job really to stick to the track as far as our policy was concerned.

After that we went through a rather interesting period in which we were told that the Soviets then were opposed to the mandatory law. This was made a little difficult by the language question, but after some real efforts on our part, it was clarified that the Soviets didn't oppose the law, that they were vigorously in support of it, that they wanted a hard-hitting mandatory law, and that the confusion that resulted had been the confusion created by having such a shift in policy on the part of the United States and by having one United States representative saying that this is the policy and another United States representative saying that something else is the policy.

This was subsequently clarified, and in the coordinating committee, on the 27th of November, General Clay brought the matter up again, and at that time there was agreement of the three powers on behalf of the mandatory law, but the British refused to support that law. Consequently, General Clay withdrew the law, with the statement that it would be necessary now to have governmental approaches to Britain in an attempt to get them to support an effective measure. That, as far as I know, is where the matter rests at the present time.

The CHAIRMAN. There is no uniformity over there at all?

Mr. NIXON. There is no law whatsoever to destroy German cartels.

The CHAIRMAN. A uniform law would have obtained a uniform handling of the situation regardless of zone?

Mr. NIXON. It is a little more than that, Senator. It is not merely uniformity. It is policy. There isn't any policy at all now.

The CHAIRMAN. A uniform law would have established a policy.

Mr. NIXON. Yes, sir; and a uniform policy.

The CHAIRMAN. Which could have been enforced in all four zones?

Mr. NIXON. Yes, sir.

The CHAIRMAN. It is now in the discretion of the zone commander in each zone?

Mr. NIXON. That is right, and it means that virtually nothing is being done. We have no policy to break up Siemens, we have no policy to break up Opel, we have no policy to break up Bausch, we have no policy to break up Daimler-Benz. We have no spelled-out program with regard to excessive concentrations of economic power in the United States zone, and of course there is none in Germany.

That is the story of the decartelization law.

The order of presentation in my paper is denazification and then external assets. If you don't mind, I would like to the external assets story at this point and come to denazification second.

One of the major objectives that dominates our entire operation in Germany is the destruction of the war potential of Germany, the assurance that Germany never again can wage war. We know that this is not merely a question of destroying the instruments of warfare, but is it more than that, a question of destroying the economic bases for warfare in Germany. We know, further, that one of the most important aspects of doing this job is the destruction of the hidden economic bases of Germany outside of her boundaries.

In a carefully studied and developed program, Germany camouflaged and hid a large sum of money and wealth throughout the countries of the world, which she used before the war to build up stock piles, for espionage, and during the war for espionage, for trade, and for the continuation of her aggressive activities.

The program directed toward this volume of Germany's external wealth is essentially a disarmament program, basically directed toward destroying her war potential and providing security for the nations of the world.

The CHAIRMAN. By removing her foreign bases of operating and evading her treaties?

Mr. NIXON. That is right. It is secondarily a problem of reparations. The first objective is the objective of disarmament. It is difficult to tell you how much this volume of wealth amounts to. It has been estimated that the volume, excluding the United States, United Kingdom, Canada, Italy, Central and Eastern Europe, is at least 1½ billion dollars. It is my personal opinion that if we really were to get at all the assets and uncover all the hidden wealth in all the countries, it would amount to as much as \$3,000,000,000.

On this question a considerable controversy has developed, particularly with the State Department, and I think it is necessary that I outline to you the action we have taken with regard to external assets and the differences of opinion that I have with the developments of this program.

As you perhaps know, President Truman took with him to the Potsdam Conference the draft of a law to investigate and marshal

all of Germany's external assets. At the instance of the American representative there, the Potsdam Declaration stated:

Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German-owned external assets not already under the control of the United Nations which have taken part in the war against Germany.

Immediately following the Potsdam Conference there was introduced in military government quadripartite channels a draft of the law to carry out this objective, and after a good bit of discussion, on the 30th of October, Law No. 5, Military Government Law No. 5, the vesting and marshalling decree, was passed, signed by General Eisenhower, General Koenig, Marshal Zhukov, and Field Marshal Montgomery.

This Allied Control Council Law No. 2, vesting and marshalling German external assets, states in its preamble that the Control Council is determined to assume control of all German assets abroad and to divest the said assets of their German ownership, with the intention thereby of promoting international peace and collective security by the elimination of the German war potential.

The decree creates a German External Property Commission composed of representatives of the four occupying powers in Germany. The Commission is constituted "as an intergovernmental agency of the Control Council, vested with all the necessary powers and authority."

The law vests in this Commission—

all rights, titles and interests with respect of any property outside Germany which is owned or controlled by any person of German nationality or by any corporation or business organization deemed to be German.

In addition, Law 5 gives the four-powered German External Property Commission complete authority to do all acts necessary to carry out the vesting and marshalling of all German external assets pursuant to the terms of the decree.

This is the basic law.

On the 5th of November 1945, I was designated as acting United States representative of the German External Property Commission. In anticipation of this designation, the division had already created the necessary documents implementing the decree. It involved communicating with the neutral countries particularly, asking their adherence to the decree, notifying them of it, and I also proposed that there should be an immediate indication that it was the intention of the four powers to use all means necessary, including sanctions, if required, in order to root out all of Germany's assets in all neutral countries.

Immediately upon the holding of the first preliminary meeting of the German External Property Commission on the 27th of November, we received a cable from the State Department which directed the United States representative to make the following proposals:

First, the German External Property Commission should be organized into two separate operating units. In one unit, the Soviet Union would be the sole voting member and the other three powers would be observers. They would have to do with Bulgaria, Hungary, Rumania, Finland, and eastern Austria. In the second unit, the other three powers would be the voters, and presumably the Soviet Union would be an observer.

The second request was that the Control Council and the GEPC should agree to exempt all the Latin American Republics from the coverage of the vesting decree "upon representations of the United States member that these countries have satisfactorily carried out their replacement and reparations program." It was suggested that we should temporarily delay the issuance of this decision, but that it should be gotten ready for immediate action.

Upon receipt of this cable, I prepared and sent to General Clay a draft of the documents necessary to carry out the instructions of the cable. At the same time I put a covering memorandum on the documents suggesting that these documents should not be presented for reasons which I submitted in a longer memorandum presented to General Clay, giving my reactions to the instructions. In substance, the memorandum that I sent to General Clay objected to the proposal to divide the German External Property Commission, on the grounds that such action was in direct conflict with the quadripartite nature of Control Council Law 5 and that it would undermine the only effective basis for action, namely, vigorous joint four-power cooperation. I pointed out that it was unfortunate for the United States to take the initiative in breaking the unity of the four powers in this important international operation at a time particularly when unity was so much required. I objected to the proposal to remove the Western Hemisphere republics from the coverage of the decree, particularly Argentina. I stated that it was not my understanding that Argentina could be considered to have been a member of the United Nations actively engaged in the war against Germany, and to propose that she be excluded from four-power action on external assets was a violation of the Potsdam Agreement.

At the same time, a few days later, we received a cable from the State Department telling us, that they were beginning tripartite operations and meetings with regard to Germany's external assets and instructing us "to reach no agreements without prior concurrence by the State Department."

I objected to this proposal, saying that it was not my understanding that the State Department could proceed to implement the vesting decree in the manner indicated without transgressing the jurisdiction and responsibility of the German External Property Commission, that the continuation of this action placed the United States representative on the Commission in an impossible position inasmuch as he was unaware of the status of negotiations being conducted by the State Department which were of most immediate concern to GEPC and because it placed the United States representative in a most embarrassing position vis-a-vis the Soviet representative on the Commission. In addition, I attached a proposed program designed to expedite the effective operation of the German External Property Commission. I requested permission to introduce this paper as a guide to the Commission's activities, but such permission was never granted.

In a meeting of the military government staff on the 1st of December, General Clay made reference to the cable from the State Department and indicated full agreement with the position I had taken. General Clay stated that the proposal to split GEPC into two parts was "gravely against the spirit of quadripartite machinery." More-

over, General Clay indicated his definite opposition to the suggested proposal to eliminate the hemisphere republics from the coverage of the decree. He pointed out that he had fought for the passage of this law. He said that we had to have four-power operation and that it should be applied throughout the world and that for him almost in the next breath to come in and make two proposals to split the thing into two parts and to exclude a hemisphere would be personally embarrassing to him, besides the other serious implications of taking such a step.

At his instructions, I went to the Soviet representative on the Commission and asked him his view with regard to the proposal to split the Commission. The representative is a man named Denisov. He stated to me that the Soviets were interested in the application of Law 5 in all countries, including the neutral countries, and that they did not know of any agreement by the Soviet Union to renounce or compromise the participation of the Soviet Union in implementing the Allied Control Law No. 5.

This matter disturbed us very much, so on the 15th of December General Clay and I arranged a teletype conference with Washington to seek clarification. At this end there were Major General Hildring, Lieutenant Colonel Gross, Mr. Rubin and Mr. Surrey of the State Department. In opening the conference, General Clay expressed our views as I have outlined them about the proposals and informed them that we would proceed to follow the orders of the State Department but that we felt it necessary immediately to tell them of our apprehensions at their instructions. The State Department representatives indicated that they had had preliminary discussions on this matter with Mr. Braden and with Mr. Thorpe, who was acting for Mr. Clayton who was absent at the time. At the conclusion of the conference in which we discussed these discussions here in Washington, which I shall mention later on, we were told by the Washington conferees; "We will prepare detailed cable on the questions you raised, after which you may desire further TWX conference. You need take no action pending further advice."

At the time I left Germany we had heard no further word. The last word that General Clay had said to me was to try to see what could be done to see if we could get the thing cleared up.

At the same time that this delay was going on, we were receiving almost day by day cables from agents in the neutral countries describing to us the operation of Nazi agents in camouflaging and dissipating German assets. We felt the urgency of time very much and felt the necessity of quick action. We were put completely in limbo by the instruction to take no action without concurrence in Washington, by the fact that we didn't know whether the Commission was to be in one part or two parts, and by the fact that there were tripartite operations going on on the very same problem, about which we were very imperfectly and only incidentally being kept informed.

The month of December was a month in which the United States representative on all quadripartite parties was the chairman, and we had counted on that month to give us an opportunity to push the interests of Law 5 very vigorously. Of course, we lost that opportunity.

Since I have been back here, I have learned that the State Department has sent cables to the United States embassies in Moscow, Paris,

and London, requesting that they make appropriate arrangements to approach the Soviet Foreign Office and to inform them of the developments of a tripartite nature regarding Germany's external assets. As far as I know, no such approach to the Soviet Government has yet been made. Meanwhile, arrangements have been completed for a meeting of the Swiss officials with the French, British, and American officials here in Washington on March 11, and it is my further understanding that the Soviet Union has not been invited to send representatives or even to have observers at this meeting.

On the basis of these facts, I am led to the following conclusions:

1. The United States State Department and the British Foreign Office have been, and are now, preventing the Allied Control Authority through the German External Property Commission from proceeding to implement Law 5, the vesting and marshalling of external assets decree, and thus are bypassing and nullifying the four-power action taken at Berlin with regard to external assets.

2. The United States State Department, together with the British and French Foreign Offices have maneuvered to split the quadripartite German External Property Commission into "eastern and western units" and are proceeding to crystallize this split among the four powers in regard to the external-assets problem. This unwarranted action, in my judgment, stems from the concern on the part of certain influential and apparently dominating influences in these Offices to avoid having the Soviet Union, through genuine quadripartite action, involved in the external assets question in countries such as Spain, Portugal, Switzerland, Sweden, and Argentina.

3. By failing to implement vigorously the quadripartite Allied Control Authority action against Germany's external assets, the United States and Great Britain are losing the opportunity to develop an effective, forceful drive to root out all of Germany's assets. We are applying ineffectually a "would you be so kind" approach in the drive for the camouflaged assets of the Germans in such Fascist countries as Spain, Portugal, and Argentina. As a result of this, our drive to divest Germany of its external wealth has bogged down and is profoundly jeopardized in the future.

I would like to discuss each of these charges one by one.

The CHAIRMAN. Let's recess until 2 o'clock and finish then. This is a good point to break off.

Let's sum up a little bit here. As it now stands, we still don't have Law 5 implemented?

Mr. NIXON. That is right, sir.

The CHAIRMAN. We still have a split unit that is not able to work on a unified world-wide basis?

Mr. NIXON. That is right.

The CHAIRMAN. We still are holding one member of the quadripartite agreement at arm's length in certain sections and putting him in control in others?

Mr. NIXON. That is right.

The CHAIRMAN. So, the criticism leveled at Russia's action in certain sections is caused by this action here in which she is put in charge of sections with merely observers from the other three nations; is that right?

Mr. NIXON. I would say that contributes to it.

The CHAIRMAN. She can feel also that she is merely an observer and hasn't much to do elsewhere, so she might as well go ahead and do what she can where she can.

(Whereupon, at 12:15 p. m., a recess was taken until 2 p. m. of the same day.)

AFTER RECESS

(The meeting reconvened at 2:17 p. m., Senator Elbert D. Thomas, Utah, presiding.)

Senator THOMAS. You had better give us the page if you are going to follow your prepared statement, Mr. Nixon.

Mr. NIXON. Senator Thomas, I haven't been reading the statement. I have been summarizing it. I had just recounted some of the background of the action with regard to Germany's external assets, and I had pointed out that on the basis of this background I drew three conclusions, and I proposed to discuss these conclusions a little bit more in detail. That is what I would like to proceed with at this point.

The conclusion that I had just come to, the first one, was the fact that:

The United States State Department and the British Foreign Office have been, and are now, preventing the Allied Control Authority through the German External Property Commission from proceeding to implement Law 5, the vesting and marshalling of external assets decree, and thus are bypassing and nullifying the four-power action taken at Berlin with regard to external assets.

I should like to enlarge upon this point. The action of the Allied Control Authority, represented by General Eisenhower, General Koenig, Marshal Montgomery, and General Zhukov, in passing a special law for the vesting and marshalling of Germany's external assets, was based upon the realistic judgment that it is imperative to have full joint four-power operation in order to effectively take over the hidden assets of Germany. Reference to the language of Law 5 indicates beyond doubt the unqualified joint four power nature of the operation contemplated and emphasizes the urgency of this action for world security and for the elimination of Germany's war potential. The entire basis of Allied Control Authority action with regard to Germany is four power combined operation, which is the objective of all ACA legislation.

In the face of this fact, the United States State Department, the British Foreign Office, and representatives of the French Government have proceeded virtually to ignore Law 5 and have proceeded without significant reference to this law or to the agency which it created to establish their own procedures with regard to Germany's external assets. Taking advantage of the admitted necessity of utilizing diplomatic channels when approaching foreign governments, these foreign offices have moved to take over the entire operation with regard to Germany's external assets in the vital neutral countries. This they have done on a tripartite basis. The extent to which this action has gone is reflected in the proposal of the British to set up in London a special tripartite agency to deal with Germany's external assets in the neutral countries. This clearly duplicates the already specifically designated field of operation of the Control Authority's GEPC, the only difference being that the Soviet Union is not included.

During the period in which the four-power operation in Germany was immobilized by the instructions of the State Department to take no action with regard to this question and the uncertainty as to whether it was to be on a united basis or on a two-unit basis, there were meetings being held on a tripartite basis in Paris, London, and Washington, to proceed to the implementation of Law 5. Thus, as of today the four-power machinery in Germany has been completely

bypassed so far as the administration, operation, and policy with regard to Germany's external assets are concerned.

The State Department bases its case for division of GEPC into two parts on the interpretation of one section of the Potsdam Declaration and on the aide memoire which they exchanged with the Soviet Union in September. The Potsdam Agreement in its section on reparations provides that the Soviet Union "renounces all claim in respect of reparations to German foreign assets" in all countries other than Bulgaria, Finland, Hungary, Rumania, and eastern Austria. According to the State Department interpretation, this language includes all the activities with regard to vesting and marshalling external assets in the countries enumerated. It applies not only to the operation as far as reparations is concerned, but to the aspects of disarmament of Germany's external foreign basis of wealth. In other words, unilaterally the State Department is applying the Potsdam Declaration assignment of "spheres of influence" with regard to "claims for reparations" to the operation and the policy aspects of vesting and marshalling Germany's external assets.

It is also claimed by the State Department that the separation was further crystallized and established in an aide memoire sent to the Soviet Union on the 7th of September, to which the Soviet Union replied on September 16 that it had no objection. It has not been possible to get a copy of this aide memoire, but Mr. Seymour Rubin, of the State Department who is involved in this matter, has acknowledged that the aide memoire merely reiterates the separation indicated in the Potsdam Agreement so far as disposition of Germany's external assets is concerned. Mr. Rubin has acknowledged that under the memorandum, the proposed division only applies to the disposition of assets.

(Senator Kilgore took the chair.)

Mr. Nixon (continuing). Curiously enough, in spite of the obviously ample means of communication, the State Department has never really specifically sought clarification of this issue. They have never contacted the Soviet Union to ask if they agree with this interpretation of Potsdam. In the State Department cable in late January to the United States embassies in Paris, London, and Moscow, asking them that they inform the Soviets or that they consider informing the Soviets about the tripartite operations, no attempt was made to secure specific clarification of the interpretation being made by the three powers regarding the split in the operation of vesting Germany's external assets. The entire development of tripartite operation in the field of vesting and marshalling of Germany's assets outside her boundaries has been without the assent of the Soviet Union and without significant reference to the Allied Control Authority or to the German External Property Commission.

I should like to indicate to you why I believe that the assumption of the State Department in this case is unwarranted. In the first place, it is perfectly clear that the Potsdam language does not call for separate operation of the Allied Powers in connection with Germany's external assets. Quite the contrary is true, for in the basic statement with regard to external assets it provides that steps shall be taken "by the Control Council to exercise control and the power of disposition over German-owned external assets." The division into spheres of influence with respect to reparations is in an entirely dif-

ferent category. If a different interpretation were to be made of the provisions of Potsdam, a very specific and forthright clarification would have to be required from the parties concerned. To my knowledge, no effort has been made to obtain this.

It is interesting to notice that the Foreign Economic Administration, a representative of which I think presented a report to you not so long ago, corroborates the interpretation I have made of the external assets problem and specifically rejects the State Department application of the Potsdam Agreement provision regarding reparations from Germany's external assets. They state in the report that they filed with you:

The division of German foreign assets among the greater powers into spheres of interest for reparations purposes set forth in the Berlin protocol * * *, does not remove the necessity for reaching an international agreement—if anything, it increases it.

Also, as recently as the end of last month, Ambassador Murphy, after a lengthy official silence on this entire matter, has finally communicated his view or his acknowledgment of the fact that the Potsdam Declaration does not establish a basis for separating the operation of vesting and marshalling German's external assets. That makes it perfectly clear that that is not in any of the agreements reached at Potsdam and is not in the language of any of the International documents about which he has knowledge. This statement is in the hands of the State Department at the present time.

The CHAIRMAN. Mr. Nixon, you mentioned Mr. Rubin. What is his official connection with the State Department?

Mr. NIXON. I couldn't give you his official title. He is the man who has been in charge of their "safe haven" operation.

The CHAIRMAN. The reason I ask that question is the fact that after reaching an agreement with Mr. Acheson and also with Mr. Clayton and Mr. Braden about certain evidence of which we wanted to get into the record, Mr. Rubin and two others came from the State Department and talked to me, and the next thing I knew every block was thrown in the way of getting any evidence released. I am wondering what Mr. Rubin's position might be in that connection, because he is apparently the man who threw the block in the way of the release of information.

Mr. NIXON. He may attempt to throw the blocks to me in a way, too.

I couldn't give you the title.

The CHAIRMAN. He doesn't appear to be old enough and diplomatic enough to rule the State Department, but I just wonder how he throws his blocks in.

Mr. NIXON. I am sorry, I couldn't answer that question for you. I presume you will be able to solve that problem in your own way.

The CHAIRMAN. I think I will, eventually. We may give him a fiddle and call him Rubinoff.

Mr. NIXON. In the second place, when I went to the Soviets again, by instruction of General Clay, I asked them again what their view was in regard to their participation in the vesting and marshalling of Germany's external assets. They said that they had made inquiry of their political advisers, and they knew nothing of an agreement which would have separated the activity of GEPC into two parts.

They further stated that it was the opinion of their political advisers that the passage of Law 5 superseded any previous agreement providing any arrangement other than that contained in law 5. They seemed to have a pretty high regard for the signatures of Eisenhower, Zhukov, Montgomery, and Koenig, and they are inclined to go by the document that they signed.

Again as recently as at the end of January the British came in to the German External Property Commission and made the proposal to split the Commission which the State Department had originally urged that we make. Curiously enough, the first proposal to this effect was made by the British that they were going to do it, and they asked that they have United States support. Instead of that, the State Department evidently decided to carry the ball itself and gave us instructions to make the split. When we held that thing up, the British decided to come in to the Commission and try to make the split themselves and brought the proposal in to the German External Property Commission. General Clay has reported this again in language which I think makes it clear that he is not very sympathetic with it, and he has reported that this action has threatened a break-up of the German External Property Commission in Germany.

The CHAIRMAN. How much has it delayed the operation of the Commission?

Mr. NIXON. Sir, the law was promulgated on the first of November. Today is near the end of February. In those three months the operation and the implementation in Germany of a four-power operation on this problem has been almost completely stalemated, purely because we don't know whether we are one part or two parts.

The CHAIRMAN. About all we have so far is the so-called Blue Book issued by Mr. Braden on Argentina which has not been implemented but which simply defines a very dangerous situation.

Mr. NIXON. We have had a little more than that, of course. That is an admirable document. In addition to that, there are tripartite developments with regard to Germany's external assets, and there is a continuation of the "safe haven" program which we have always had in operation. But this has not resulted in an effective drive for Germany's external assets.

The CHAIRMAN. The only effect of the "safe haven" program is to preclude American investors from going in and buying companies like I. G. Farben and others and operating them themselves. Isn't that about all there is to it? It has precluded them from paying American exchange for them, from giving them dollar exchange in lieu of stocks in their companies.

Mr. NIXON. Essentially that is correct, but the important thing is that today the Nazis and Nazi agents are dissipating and camouflaging German assets throughout the world and they haven't heard anything in actual effect about the Germany External Property Commission or the drive of the Allies to get those assets. It is now three months since the passage of the law.

The CHAIRMAN. All we have done is preclude American investors from getting control of this, from seeking control of it, whereas we have allowed them to go ahead in their own sweet way and do what they want to with the assets. Isn't that right?

Mr. NIXON. That is right.

Interestingly enough, the British did not share the United States confidence in the rationalization of the United States State Department as to the basis for splitting up the four-power operation on external assets—this is very clear—although they sought the same objective, because they decided to do it in a different fashion. On the 5th of December the Ministry of Economic Warfare sent a cable which discussed the proposed draft of the three powers which would govern the tripartite meetings to be held with the neutral countries on external assets. They were drawing a draft to sort of govern their operations. In this draft, one of the preliminary drafts, it said the three powers would be acting on behalf of the Allied Control Authority. To this the British made an objection. They objected and proposed that the words “on behalf of the Allied Control Authority” be deleted because in their view the inclusion created the possibility that the Soviet Union could claim the right to participation, and such deletion was therefore necessary in order to forestall any possibility of such a claim. The British stated that both the United States and French Governments would “presumably agree” that it was desirable that nothing should be included in these exchanges that “might conceivably lead to a Russian claim to have a say in this particular matter.” On the 14th of December Ambassador Coffery advised Secretary Byrnes by cable that the French had agreed with the British proposal to delete these words, and it is my understanding that the State Department also agreed.

At the end of this cable they had as an afterthought a further reason for not having these words. It is stated that these words should be deleted because there is no assurance that the Soviet Union would approve this tripartite group acting on its behalf in connection with the external assets in the neutral countries. Clearly, it was not the opinion of the British that on the basis of the Potsdam Agreement the Soviet Union would agree to being excluded from the operations in regard to external assets in the neutral countries.

While all of this exchange was going on, we were being told very blithely by the State Department, “It is all fixed up. It is clear in Potsdam, and we have an aide memoire.” After we read Potsdam carefully, we found that Potsdam said nothing of that sort, and the State Department has now been forced really to retreat from this interpretation. We found also that the aide memoire did not address itself to the precise question at hand, but merely reiterated the language of Potsdam, to which of course the Soviet Union had no objection. I call this conniving of a reprehensible sort.

Just one other example of it. At the meeting of the German External Property Commission on the 14th of December I was approached by the French member of the Commission, M. Renouf, who explained to me that he had been in Paris at the tripartite meetings of the Reparations Commission and that the representatives of the Finance Ministry of France had come to him disturbed about the possibility of four power operation on external assets. They were disturbed particularly at the Soviet Union’s having “an eye into” certain countries, such as Spain and Switzerland, and he thought we should do something to manage to avoid this.

As we were standing there talking, we were joined by the British member of the commission, Brigadier Greenshields, who had not heard our previous conversation, but who himself immediately entered a

proposal that, "We have to do something to divide the operation. Let the Soviets take their countries, and we will handle the rest of it." He proposed that we should meet outside the four-power quadripartite commission, meet informally, to draft a proposal which one of us would then introduce to split up the German External Property Commission. In other words, he was proposing a tripartite caucus. It was perfectly clear that they didn't share the confidence of the State Department that the Soviet Union didn't want to be in on this, nor did they share the State Department's interpretation of the language of Potsdam. They realized that something had to be done.

The CHAIRMAN. In effect, the whole theory of UNO is starting to split into two grand subdivisions, Russia and Middle Europe; and the United States, England, France, and the rest of the world. In other words, if we exclude Russia as an observer, they have a right to exclude the United States, England, and France as observers, under this theory that has been approved, and then what we have is a question again of balance of power, which might lead to another war.

Mr. NIXON. The point is this: We fought the war on a united basis. In one sense, a very important sense, this is still an aspect of fighting the war. We are trying to disarm Germany's hidden assets outside of the country. Our top representatives, General Eisenhower and General Clay, for example, felt that we had to do this on a four-power basis, that we had more power if the four of us were united and going in together for these assets. They proceeded to adopt legislation which was very clear. The language was unmistakable. This operation now is being undermined on a three-power basis by secret cables, by an exchange of plans and schemes to put it on a three-power basis and to exclude the genuine four-power operation.

The CHAIRMAN. No; I disagree with you on that. Isn't it the furtherance of that policy which was quite prevalent in Europe immediately after VE-day that England and France and the United States would line up against Russia, which was common gossip on the Continent and the British Isles?

Mr. NIXON. Of course it was.

The CHAIRMAN. That is all you heard, that they must get together. Isn't that the dividing line immediately set up in that division of external assets? That is the first division that you get into. The other steps will come naturally.

Mr. NIXON. It is certainly in that direction, but I don't like to accept that.

The CHAIRMAN. I know, but I mean it is a step in that direction.

Mr. NIXON. Absolutely. There is no question about it.

The CHAIRMAN. And it is following the same theory.

Mr. NIXON. That is right. I was just going to say something on the political motivations of this. It is difficult to assess motives, I suppose, in a thing of this sort. There is one other reason for this that I want to mention. In the teletype conference which we had with the State Department and with General Hildring on the 15th of December, they said that their proposal to separate the operation of GEPC was due "to the strong feeling in the State Department that complete quadripartite operation of Law 5 in such countries as Spain might breed conflicts with respect to foreign policy which it is strongly desired to avoid." I have told you that the French wanted to have

them keep an eye out for certain situations. The British emphasis on keeping them out was just unqualified.

This unwarranted and diligent effort to disunify the four powers leads to a profound suspicion that it is being sought by at least some forces in the United States State Department and in the British and French foreign offices who are sympathetic to the creation of a western bloc versus the East. It is certainly clear that the actions taken are consistent with the creation of blocs in Europe and inconsistent with the thorough preservation of joint four-power coordinated activity in Europe.

Furthermore, I charge that elements in both the United States, British, and French foreign offices have consciously maneuvered to prevent all four powers from being involved in the search for external assets in the neutral countries, because that would lay bare the fascist or reactionary regimes in countries such as Spain, Portugal, Switzerland, Sweden, and Argentina, and would reveal all the elements of collaboration of certain interests in the Allied countries with these regimes. Such genuine quadripartite action would completely upset the appletart for plans of compromise regarding Germany's external assets in the interest of trade and commercial advantages, and in the interest of avoiding the creation of too radical regimes in the future.

The net result of the failure to develop a coordinated drive for these assets is to prevent an adequately effective drive to get Germany's external assets. It is my judgment that this is still a war task and it should be pursued without compromising qualification, that we should go toward these assets in the same way that we would go after a camouflaged machine-gun nest, with the same unity and the same uncompromising purpose, instead of taking the attitude of bargaining, the attitude of "would you be so kind" in the approach to countries like Spain, Argentina, Portugal, and the other neutrals.

Perhaps the most important aspect of this is the question of what to do with regard to sanctions. Will we use sanctions? The original proposal in Germany that this be indicated as a policy in dealing with external assets was deleted from the communication to the neutral countries. It is my understanding that there has then ensued a controversy particularly between the United States and Britain and and within the United States forces as to whether or not we will use sanctions, with the general inclination to be that we will use them if Britain will use them, but we are disinclined to use unilateral sanctions. Britain doesn't want to use sanctions. Therefore, we give to Britain a veto over the use of sanctions, having excluded the Soviet Union, who we know would support us on that kind of policy; we put ourselves in a position where we cannot develop the effective economic weapons to complete this drive for Germany's external assets, and this is a situation where only loaded economic guns will work. You can't fool the neutral countries unless you are willing to use force in the sense of economic sanctions.

Analysis of our accomplishments regarding external assets in the neutral countries I think will adequately bear me out in my contention that we have not yet, 9 months after the war has ended, developed an effective drive for these assets. I don't intend to go over these countries in any detail with you. I have indicated briefly what the situation is there. If you will go through the neutral countries, country by country, you will find that they have not accepted the

sovereignty of the four powers in getting the assets. They are not turning the assets over. Such progress as we have made has been very partial and generally ineffective. Generally speaking, in spite of the efforts that have been made, at the present time there is a continuation of the dissipation and further concealment of these assets throughout all of the neutral countries.

I submit that this is a very sad record. I don't know whether the United States State Department is permitting itself to be a pawn of the British, whether the situation is the reverse, or whether this is just a "happy coincidence" of fears and prejudices in the international field. It is clear that behind the backs of the Allied Control Authority there has been secret conniving to avoid full four-power activity with respect to Germany's external assets. This activity coincides with an utter failure to formulate an effective drive to disarm the Nazis of their foreign economic bases and thus sacrifices on the altar of international power politics one of the purposes for which such vast human and material contributions were made from September 1939 to May 1945. This action has already limited and has seriously jeopardized the future unity of all the Allied Powers, which is as vital in peace as it was in war.

I understand that General Clay has just recently indicated further discussions with the Soviet on this question, and they have restated their interest in full four-power operation on this problem. I saw this morning a story from Berlin relating to this question, indicating that there has been some change in the State Department's position. I am in no position to evaluate this since it is a very recent development. It is my understanding, however, that the Swiss are scheduled to come to Washington on March 11, that there has been no invitation to the Soviet Union to be involved in the drive for these assets in these conferences, and that they are proceeding on a tripartite basis to the implementation and the application of Law 5.

It is my feeling that immediate steps should be taken to restore our operations to a genuine four-power basis, to bring about the active and equal involvement of the Soviet Union in the drive against German assets in neutral countries and to formulate a hard-hitting, uncompromising program to make sure that no obstacles are placed in the path of the drive to disarm Nazi Germany and to create security for the people of the world.

That is what I wanted to say on external assets.

The CHAIRMAN. The thing that worries me about this is that you started in this on a four-power basis, and it looks to me as if this is the first step to divide it into two opposing camps.

Mr. NIXON. I don't know whether it is the first step. It certainly is a step.

Mr. CHAIRMAN. It is a step in that direction.

Mr. NIXON. Yes, sir.

The CHAIRMAN. Which disunites the United Nations.

Mr. NIXON. That is my judgment.

The CHAIRMAN. It would make the United Nations an impotent organization.

Mr. NIXON. It is in that direction; yes, sir.

The CHAIRMAN. Senator Thomas, do you have any questions you want to ask?

Senator THOMAS. No; not without the background which I missed this morning.

The CHAIRMAN. This morning's hearing didn't go into that. This morning's hearing went into the question of cartels in Germany.

Mr. NIXON. I covered a little bit of the background on external assets, which Senator Thomas missed.

Senator THOMAS. May I ask one question that may come up? Where was Bedell-Smith all the time that Eisenhower was signing this four-power agreement? Was he with him?

Mr. NIXON. Yes, sir. He was the chief of staff in Frankfurt.

Senator THOMAS. He was a party, then, to the four-power agreement?

Mr. NIXON. In the sense that he was Eisenhower's chief of staff, yes, of course. I am sure he was thoroughly acquainted with all the developments in this connection. It is a very important legislative operation, one of the main legislative accomplishments of the Allied Control Authority.

Senator THOMAS. Where has he been? Has he been active in any of these things since that time?

Mr. NIXON. No. Of course, both he and General Eisenhower left Germany very shortly after the law was passed.

Senator THOMAS. He came out with Eisenhower?

Mr. NIXON. Yes, sir.

I wanted to discuss denazification a little bit. I should like to divide my comments in this respect into two parts. I would like to address myself first to the action we are taking with regard to the industrial and financial leaders, and then I would like to give you some impressions about the progress and the deficiencies with regard to our removal program of Nazis.

In the statement there is a restatement of the documents and the policy upon which our denazification program is based. It is necessary only for me to indicate that from Crimea on we stated in unequivocal terms that the first objective was thorough destruction of nazism in all its aspects and to purge it from German life—a very clear statement in that respect. It was also clear that we thought of this not merely in terms of getting the Nazi Brown Shirt who was on the street, but in terms of wiping out the collaborators and partners of the Nazis and the Nazi Reich, of including in that the industrial group that you mentioned this morning as being partners in the scheme and plan of the German Third Reich. This is recognized in the documents.

It also was specifically set forth in a very interesting document, War Department pamphlet No. 31-110A, entitled "Military Government Guide, Dissolution of the Nazi Party and Its Affiliated Organizations, Denazification of Important Business Concerns in Germany."

Senator THOMAS. What is the date?

Mr. NIXON. This pamphlet was issued in March 1945 by General Marshall for the information and guidance of all concerned.

This document had a list of 1,800 business leaders and officials who exercised a preponderant influence in Germany. To quote the guide, it said these leaders have—

in an outstanding way, thrived under National Socialism, who welcomed it in the beginning, aided the Nazis to obtain power, supported them in office, shared

the spoils of expropriation and conquest, or otherwise benefited in their careers or fortunes under the Nazis.

The pamphlet listed them in detail, described their connections, and said that, as security measures, they should be immediately put under arrest and should be held for subsequent trial.

When JCS 1067 was issued on the 10th of May, it had a provision in it on denazification and on the arrest of certain categories of persons. I don't know that this section of JCS 1067 has ever been made public. I don't believe it has. It is going to be all right, I think, to point out that one of the categories that it had included as people who should be arrested and held for trial was a group of Nazis and Nazi sympathizers holding important positions in industry, commerce, finance, and agriculture; and it stated in JCS 1067 that it may generally be assumed, in the absence of evidence to the contrary, that any persons holding such positions are Nazis or Nazi sympathizers, and it provided that these people should be arrested and held for trial. If there was any reason that you weren't going to arrest them, you should send your reasons and recommendations to the Government through the Joint Chiefs of Staff.

It is my contention that this directive to arrest the key industrial and financial figures has not been applied in the United States zone. The reasons for this are several. Primarily, the responsibility for carrying out this vital provision of JCS 1067 has never been specifically assigned. In the second place, the Arrest Categories Handbook, which governs the operation of the Counter-Intelligence Corps, does not conform to the orders of JCS 1067, and despite persistent efforts by the Public Safety Division in the German military government requesting such revision, this change has never been made. What does this mean? It means that our counterintelligence agents have never had orders to go out and get a certain category of industrial and financial leaders. We have never spelled out who they were and given instructions and developed a staff to put these people under arrest and to hold them until we are able and ready to judge them for their guilt.

I am not saying, you understand, that there are not some industrial and financial leaders arrested. There are some. There are many of them who were arrested because they, by chance, held certain high Nazi positions or because they were in one way or another in a mandatory-arrest category, but it is on a purely hit-or-miss basis. There has never been a clear assignment of responsibility to do this job, a sitting down and saying, "Here are the categories of people that we are going to hold. We are going to take this list that General Marshall issued in March 1945, and we are going to apply it in our zone." That has never been done.

We ran into this confusion and this situation in several respects; particularly we ran up against problems arising from the fact that in our investigations we had arrested for interrogation certain financial and industrial leaders. When we first went in there, it was very simple. All you needed to arrest a man was a carbine, and we didn't have much trouble. As order began to be restored, procedures were developed, of course, which was perfectly proper and desirable, but with the development of these procedures there was no policy with regard to industrial and financial leaders. We finished interrogating a man, and then we were faced with the problem: What authority do

we have to hold him? By what test do we decide whether he is in or out? We began to face some criticism because we were holding Germans in prison without "specific charges," and there was general confusion about the entire matter.

This was brought out, for example, at the conclusion of our I. G. Farben investigation. We had a large number of I. G. Farben directors who had been extensively interrogated and profoundly implicated in the I. G. Farben operation. We had these men in prison. We finished our investigation, and we ran into a controversy about whether they should be retained in prison: There was a general confusion both on my staff and in military government generally in Frankfurt about the status of these people. Particularly we got into a controversy with the I. G. Farben control officer, Colonel Pillsbury. When the position of my division was made clear to him, that these people would be kept in prison and tried for their guilt as officials of I. G. Farben, it was his insistence that they should work for him, out of custody, until such time as specific charges were drafted and brought against them.

What kind of men were involved? Men like Paul Denker, the director of Farben's accounting division and an important official in various Farben subsidiaries, including those manufacturing poison gas for the Wehrmacht; Carl von Heider, general director of sales of inorganic chemicals; Hans Kugler, general director of sales of dyestuffs, the man who held the position of commissar of the Czech dyestuff industry when the I. G. Farben moved into Czechoslovakia to take it over; Helmuth Borgwardt, general director of sales of organic chemicals; Geunther Frank-Fahle, chief of the central finance office and director of Max Ilgner's notorious espionage group in N. W. 7; and Kurt Kruger, another Ilgner lieutenant; Herbert Stein, chief legal adviser of the chemical and dyestuffs division and an old Nazi; and Gustave Kupper, head of the legal division of the dyestuffs department, who was known as the camouflage expert of I. G. Farben.

The CHAIRMAN. Is he the man who acted as Schmidt's attorney when Schmidt was being interrogated?

Mr. NIXON. Yes. He was in the company of Schmidt a great deal when he was being interrogated. He was the top camouflage expert. Kupper had quite a career. He was arrested for awhile. Then he was let out. Then he was hired by the I. G. Farben control officer at his full I. G. Farben salary, and then when law 8 came out he had his salary cut to that of a common laborer but still was hired. He was one of those that we protested being let go with Colonel Pillsbury and Colonel Pillsbury insisted he needed him. When I next checked up, I found he was in jail for some insurance fraud which was not directly connected with his I. G. Farben activities. So, they had to take him out of the I. G. Farben control office.

There were I. G. Farben people in jail.

The CHAIRMAN. He was not acting purely in a legal capacity for I. G. Farben, or Colonel Pillsbury's statement would not hold water. If he was needed for the operation of the plant, he was not a legal staff man. He was an operational man.

Mr. NIXON. He wasn't operating plants. He was drafting reports for Colonel Pillsbury, and Colonel Pillsbury didn't think he should be in jail while that was being done.

We conducted our investigation of I. G. Farben with all these people in custody and managed to get the information. I don't want to leave you with the impression that there were not I. G. Farben people in jail.

General Clay asked me to give him a report to the best of the information that was available of the status of I. G. Farben top officials, which I did the first of January or thereabouts. At that time I think there were eight of the board of managers of I. G. Farben who were in prison in the United States zone, and there were four of them who were not in prison. There was one member of the board of directors who happened to be an obertruppenfuhrer in the SS and was in prison for being an SS official. None of the rest of them were in prison, to the best of our knowledge. The sort of second-string directors of Farben, the department heads, the men I have just described, generally speaking, were not in prison. Again it was purely on a hit-and-miss operation, with no programmatic plan as to who was in and who was out. One of the men who was in dispute was a man named Gierlichs who, as I left Germany, was being tried for perjury, having lied to our investigators. This man was found guilty, sentenced to 2 years in prison, and his sentence was suspended.

The CHAIRMAN. Whom was he writing reports for?

Mr. NIXON. He wasn't really writing any reports. We were trying to get some information from him, interrogating him about the operation of I. G. chemicals in camouflaging Swiss assets, and he lied to us, and we caught him, in a manner of speaking.

The same situation arose in connection with an investigation we have undertaken with regard to the major German banks. Our preliminary investigation showed us that there was a complete integration of the German financial system, the German industrial system, and the German military system, and the German political system—complete and utter. On the basis of that, we took the position that we had to investigate these big banks. Consequently, we arranged to pick up the members of the boards of directors and the boards of managers of the Big Six German banks, those that we could get in our zone, and held them for interrogation. We didn't meet with much sympathy in this program from some quarters. We had support from General Clay and from Mr. Dodge, the head of the Finance Division. They said go ahead.

The CHAIRMAN. General Draper was a bank director himself, wasn't he, and would sympathize with his fellow sufferers abroad?

Mr. NIXON. He was an official of Dillon Reed. I am very careful about the things I say about General Draper.

We had some difficulties in arranging to pick these people up. We couldn't get the Counterintelligence Corps to give us the men to do it, so we had to deputize our own staff people to go out and pick them up. Then we had trouble. I mention this because it reflects the general orientation in which we had to operate. We had trouble getting jail space for these people. The attitude on the part of General Adcock and his officials was that this was a sort of screwball idea, anyway, another one of these Bernstein schemes to tear up Germany. They were very doubtful about whether it should be done and were not very much inclined to give us any jail space. So, for several days we had to keep these people under house arrest while we were having great difficulty arranging jail space for the people. Finally, we got them in.

Another example to give you an idea of the thing is what we call the Freudenberg case. Richard Freudenberg was an extremely important German industrial leader, a member of the Nazi Party. His local military government detachment had petitioned for his exemption from our denazification order and for permission authorizing him to continue in his business. He was one of the largest leather and shoe manufacturers in Germany and one of the richest Nazis, with an income amounting to over 1,000,000 marks in 1944, the biggest income I ever saw of any individual in our investigations. He made very great contributions financially to the Nazis, and he received the high position of Wehrwirtschaftsführer, which is war economy leader, and was a member of the Gauwirtschaftskammer, the regional economic council. These positions alone put him in a mandatory arrest category, but of course he wasn't arrested. What they were talking about was whether they were to maintain his position in his business. That detachment of the military government had appealed for him to be maintained in that position. In spite of the record that I have just cited to you, the USFET (that is the United States Forces in the European Theater) denazification appeal board voted four to one to exempt this man from application of the denazification directive and to allow him to continue his position as an industrial leader.

At this time we had him in custody as a director of the Deutsche Bank, which we were investigating. Colonel Babcock, of the Public Safety Division, who argued against the retention of Freudenberg in this business, who cast the one vote against him, said: "I voted against this man because if he is reinstated, he will supervise the removal of lesser officials under Law No. 8, and it will be ridiculous for us to remove smaller Nazis and leave the big one in." However, Mr. Reinhardt, representing Ambassador Robert Murphy on the appeals board, insisted, "What we are doing here through denazification is nothing less than a social revolution. If the Russians want to Bolshevize their side of the Elbe that is their business, but it is not in conformity with American standards to cut away the basis of private property." This viewpoint was concurred in by the Industry Division, whose representative added, "This man is an extremely capable industrialist, a kind of Henry Ford." At the very time that this extraordinary decision was taken, Freudenberg was under arrest, as I said, for interrogation by us, and it was only after very extensive and vigorous representations that we were able to have the decision of the denazification board temporarily tabled.

There has been a general tendency to announce that we have completed the arrest of all the people we need to arrest in Germany. The numbers could be multiplied. General Adcock, in a meeting of the branch chiefs on the 30th of November, announced that 98 percent of the arrests under the SHAEF Arrest Categories Handbook had been completed.

The CHAIRMAN. I wonder what would happen if those gentlemen who talk about the sanctity of property could be called into a large amphitheater to face the mothers of boys who were killed in Germany. I wonder how much they would think of the sanctity of property. Recently one Harvard professor talked about the sanctity of property, and he went back to Blackstone. In Blackstone's day the theft of five pence was a capital offense. We have gotten away from

that. The sanctity of property is not as great now, theoretically, as the sanctity of human life.

Mr. Nixon. I am afraid some of them don't have that in mind, sir. There has been a great deal of talk about the sad state of affairs where we have 100,000 Germans in jail and the problem of what to do with them and how we have to let them go. In the first place, there are significant proportions of them who should be arrested in the existing mandatory categories who have not been arrested; despite the claim that 98 percent of it is done, the fact is that there are only about 85,000 in the mandatory-arrest categories in prison, and there are probably 200,000 in this category in existence in the United States zone.

We had a report from the AP on the 3d of January from Third Army Headquarters which stated that so far only about 16 percent of the SS officers had been rounded up. In the November 20 military government report there is some corroborating evidence. It says that of the NSKK (that is the Nazi Socialist Motor Corps, which was one of their Nazi formations) there are 320 top officials who should be found, but only 123 have been accounted for. In the central headquarters of the NSKK, not included above, there are 200 estimated in the mandatory arrest categories, and only 45 have been accounted for, and even this was not verified. In the same report it is said that of the 478 top officers in the headquarters of the Waffen SS, only 119 are known to be arrested. We have a long way to go to pick these people up.

A representation of the attitude of these people is contained in this little publication put out by the Information Control Division of USFET, called *News of Germany*, dated December 15. The headline of it is "Morale Good in Internment Camps." The people in these jails are the top Nazi officials of *ortsgruppenleiter* and above, members of the Gestapo, the top members of the German police organization, the top officials of the SS, the top officials of the SA. These are the people that are in prison. This is a story about the good morale. It says:

Although camp conditions vary in some respects, all internees are allotted an equal number of calories daily, according to specific classification: Nonworkers, 2,200; workers, 2,900; hospital patients, minors, and those suffering from malnutrition, 3,300. Camp buildings are for the most part centrally heated with average room temperatures running from 64 to 68 degrees. Hot or warm showers and laundry facilities are available to internees at least once weekly. Warm clothing, either captured German uniforms or reworked United States Army items, are issued to prisoners in addition to a minimum of three blankets per person. Internees receive regular PW Post Exchange rations, including an average of two packs of cigarette tobacco a week, candy, and soap. They are allowed one package from home per month. They have an infirmary, dispensary, hospital, recreation facilities. Some camps have instituted large-scale programs of arts and handicraft and classes in skilled labor designed to equip prisoners for their return to normal life.

These are Gestapo agents, SS men, top officials of the Nazi Party.

The CHAIRMAN. You have seen the equipment with which the American combat soldier went into action. The blanket made me think of it. He had one.

Mr. Nixon. If he was lucky. Also, Senator, I have seen the conditions in some of the displaced persons and refugee camps in Berlin and elsewhere in Bavaria, and I know that most of them would be willing to trade places with the Nazis that we have in jail. They are

not eating as well, they are not as warm. There can be no question of that.

At the present time we have no program to take care and to judge these people. There is no plan as to how they are going to be handled, when they are going to be tried. There is uncertainty about the future of their trial. The whole question of actually dealing with—

The CHAIRMAN. In other words, there has been no subdivision over there with a sufficient number of courts to expedite the trials. You are having a lot of headline play on the Nuremberg trials, but there should be groups handling trials in every one of those camps.

Mr. NIXON. You said not a sufficient number. There are no courts and not trials for these people. We have some war-crimes trials, and by "war crimes" we meant people who shot parachutists, United States airmen, or something of that sort. We have some of that, but for this category of Gestapo men, SS men, Nazi Party officials, we have no trials; we have no definite plans for taking care of them. We have no plans right now for making them labor or for any punishment. They are going through this winter in Germany better off than the rest of the Germans.

The CHAIRMAN. A sort of reconstruction program that we are putting on for them to tide them over the hard times?

Mr. NIXON. Yes. We are teaching them handicraft, so they can return to normal life. That makes an impression on a Gestapo agent.

Further than that, the problem of these industrial leaders, sir, is very serious because we are on the verge of failing really to involve this very culpable group in the judgment that must be directed against Germany as a result of the aggressive war.

The CHAIRMAN. Mr. Nixon, I didn't have time when I was in Germany, but in Italy I was checking up and when the Fascist government took over any industrial leader, say a plant manager, who was not in sympathy with the party was replaced with somebody who was. I presume the same thing took place in Germany. On the other hand, we are following the policy of not replacing these men. Doesn't that have a bad effect upon the Germans in the denazification program, leaving these men in who probably had kicked some good German or good Italian out because that German or that Italian didn't agree with the totalitarian program? We come in and leave these people in. Doesn't that sort of hamstringing our efforts at denazification of the common workers?

Mr. NIXON. That is right. We met this problem specifically when we talked to certain Germans who were not Nazis, who were afraid to come and work with military government because, they said, "The Nazis are going to come back. There is no indication that they are being wiped out, and we are afraid that a year from now they will be acting against us."

The CHAIRMAN. I am glad you got that specific one in, because I felt that that was going on.

Mr. NIXON. We have met that. I think that if you were to get intelligence reports, which undoubtedly would be available to you, you would find increasing evidence of concern of this sort.

The CHAIRMAN. Could I ask you one question at this point? What has happened to DICEA?

Mr. NIXON. Senator, I suppose you want a very candid answer to that question.

The CHAIRMAN. Yes. Be perfectly frank.

Mr. NIXON. DICEA ceased to exist on the 15th of December. I say ceased to exist, but that is straining the language a little bit. DICEA was stillborn. I don't know what reports have been made to this committee about it, but it is my judgment—and I think the record will bear it out—that the creation of DICEA was merely a way station on the drive to eliminate and to break up in Germany the only cohesive, hard-hitting group of people over there who were inclined to be tough on the Germans.

The CHAIRMAN. I am asking that question because I am very much interested. While I was in Germany, I asked the President to set up an organization to do exactly what you folks were supposed to do, and I know he issued the necessary orders. DICEA was supposed to be the answer.

Mr. NIXON. Let me illustrate it. This that I have in front of me is the organization plan of the Office of Military Government. It has in here pages of description of the functions of every division. This is the page for DICEA [indicating].

The CHAIRMAN. Four lines.

Mr. NIXON. Four lines. It says:

The functions and responsibilities of the Division of Cartels and External Assets are to be announced later, and appropriate responsibilities of other divisions will be adjusted correspondingly at that time.

On the 5th of December they increased it to have these additional lines which gave us some responsibility for investigating external assets.

The CHAIRMAN. In the investigation of external assets the basis of your investigation must be the records in Germany.

Mr. NIXON. That is right.

The CHAIRMAN. We have no way of going into Argentina and grabbing records, but if we have records in Germany, then we have something to go on. The same thing applies to Spain, Sweden, Switzerland, and every other nation. Therefore, it appears to me that DICEA or some similar organization is absolutely essential if we were going to disarm the German war machine.

Mr. NIXON. What has happened, of course, is that the two branches of work presumably to be done by DICEA have been divided. One of them is over in the Finance Division, external assets; and the cartel work is over under General Draper in the Economics Division. The fact is that the responsibility——

The CHAIRMAN. Do you know whether General Draper attended the conference on cartels?

Mr. NIXON. No; I don't know.

The CHAIRMAN. There were other representatives of Dillon Reed there. I just wondered if he was there collaborating.

Mr. NIXON. What happened on DICEA is that its functions were never defined. It never had a staff. It had a rump staff that we took over from the Finance Division. Then we got into this circle: "Since your duties are not defined, it is impossible to spell out what your staff needs are. Therefore, you can't get any staff until they are clearly defined, and we can't define your duties until certain other things are cleared up."

The CHAIRMAN. And you can't define your powers because your duties haven't been defined?

Mr. NIXON. Yes, sir. In addition, we had one curious thing. We were given a very impossible designation of space which showed us the status of the Division over there. The bulk of this space, except for the second floor over the enlisted women's mess, became available for occupancy in January 1946, about a month after the last gasp of DICEA.

You know perhaps better than I that there has been a controversy of long standing about our military government policies. In some degree the United States Treasury in the past has represented a vigorous point of view. Colonel Bernstein there in military government reflected that same point of view, and he had about him men who I think really wanted to destroy the German capacity to wage war, who felt strongly about these things. I don't like the terms "hard" and "soft" peace, because I think the problem isn't exactly that. It is a question of whom you are hard on and whom you are soft on. In any event, there was this kind of conflict and difference of opinion. For a long time I think there was an inclination on the part of important people in military government to get rid of this group around Colonel Bernstein who were a fly in the ointment. We agitated the situation on denazification. We were pushing hard on the question of the level of industry for Germany. We were aggressive about the elimination of cartels. All of these things seemed to be embarrassing in certain quarters.

The CHAIRMAN. Don't you imagine that some of the cartel records there might have been extremely embarrassing to certain groups in the United States of America, for instance, and in England?

Mr. NIXON. I think eventually when these reports become available that that will be found to be true.

The CHAIRMAN. Do you think the reports will ever become available in toto?

Mr. NIXON. They are prepared and made available to the Civil Affairs Division. I can't say beyond that. I don't know.

The CHAIRMAN. We can't make them available here in Washington.

Mr. NIXON. It is a question of making those that are finished available and of going through and doing the rest of the job that still remains to be done. We have only scratched the surface in Germany in these problems.

The CHAIRMAN. What is your opinion? In my opinion it would take 5 years thoroughly to analyze those records.

Mr. NIXON. I think that is correct. It is a tremendous job. I just learned last night that in our investigation of the German banks we are at least uncovering really sensational evidence of the involvement of the German banks in the German plans for waging aggressive war. We discovered, for example, that in 1937 General Kesselring called together the representatives of the Big Six German banks, two from each bank. He told them of the German plans to expand the German aircraft supply for military purposes and made arrangements and gave instructions at this secret meeting for the big banks to engage in the process of financing the expansion of this industry. From 1937 on, these banks were definitely involved in the finance aspects of rearming Germany for aggressive war. The records are replete with this kind of evidence. We found, for example, the existence of the secret account by Baron von Schroeder up in Cologne for the benefit and convenience of Reichsfuhrer SS Himmler, con-

tributed each year by what he called a circle of friends. This contributed each year a million reichmarks for the secret fund of Himmler. Contributing to this were each of the big banks in Germany. We had the bank slip that went between, for example, the members of the board of management of the Dresden Bank "O. K." To us this means the basic and fundamental involvement in the Nazi plan, and it should not be allowed to slip.

To come back to the question on DICEA, I don't want to go into that too much, but I would just point out that before DICEA was created, Colonel Bernstein was the head of the Finance Division, had a field staff, and had a quadripartite function. He was in a certain strategic position. On September 12, when the order dividing DICEA came out, he was given a very small staff. He had no quadripartite functions. He had very uncertain duties. He was only to investigate, with no power or relationship to policy. Of all the divisions in the military government, this was the only one that was put under the supervision of the legal adviser. As you know, Colonel Bernstein left very shortly and never returned. There was an effort made to define DICEA's jurisdiction, to give it some connection with policy. There was a feeling that just to investigate and make reports had no meaning unless you could relate that to what happened to cartels, to what happened to Germany's external assets. This was approved by General Clay in principle, but with reservations which made it ineffective.

When Colonel Bernstein left, I took over the responsibility for the Division, and almost immediately there was a general plan for the reorganization of the Office of Military Government, and we were all invited to indicate the needs we felt for a staff and the responsibilities we felt we should have. We did that and spelled out what we thought was a dignified proposal for the responsibilities of our Division as one of the nine divisions in military government, giving us some policy responsibility. This, of course, we were never given.

I was called in on the 8th of October by General Draper, by Mr. Bell, by Mr. Dodge, Colonel Bowie, and Colonel Whipple, and pressure was put on me to withdraw our claim to that kind of jurisdiction. It was a rather one-sided meeting, a very interesting one. We took the position that if we are to be a Division, we are to be a Division and not a stepchild, and that as far as we were concerned if that was not the inclination, then General Clay could make that decision. I called General Clay and told him about the disagreement, and he indicated he wouldn't do anything about it until he had talked to me.

Two or three weeks later we had a discussion on this matter in which he explained that it was impossible to define the responsibilities of DICEA until he knew whether Colonel Bernstein was returning. In the meanwhile, there had developed a controversy between the Treasury Department and the State Department over the status of the Treasury in the operation of military government, particularly as regards financial matters. This was evidently the substance of an exchange of communications between the Secretaries of War, State, and Treasury, which had a determining influence on whether Colonel Bernstein was to return. It is my understanding that the decision was unsatisfactory to the Treasury and to Colonel Bernstein, and he decided not to return.

When General Clay came back from his short visit to the United States on the 10th of November, he told me that Colonel Bernstein was not to return and asked me to stay as head of the Division. I made the point to him that under the circumstances, without defining our duties, without clarifying our status, without giving us a definite charter upon which to operate, and particularly as a result of the evident cutting off of the Treasury from these operations, it was not my judgment that there was a basis for effective operation. Consequently, I didn't feel capable, any more than Colonel Bernstein did, of assuming that responsibility without the authority that I thought would be necessary to do an effective job.

From then on, the development of DICEA merely dragged along. We did some significant investigations at this time. You can get the list of reports that we submitted, and I think they will be impressive. We have special letters of commendation for the kind of work that we have done over there from the Alien Property Custodian and others who have used our materials. We initiated at this very time the investigation of the big banks. We were working, but the existence of the outfit was limited, and by the 15th of December it was determined to put an end to the existence of the Division, which had existed in only a sort of half way, anyway, and to divide the work between the Finance and Economics Divisions.

That is the story of DICEA.

I don't know what motivation to impute to General Clay in this. I don't know what motivation to impute to others. It is only perfectly clear that the result of the last 6 months of development in Germany has been to eliminate the last cohesive group of people who are really strong about denazification, about wiping out concentration of economic power in Germany, about having a generally tough and faithful policy of implementing policy as far as the Potsdam agreement is concerned. Today this group is completely dissipated in Germany. About that there can be no question.

The last thing I wanted to cover was the question of the removals from positions of power and influence of Nazis in Germany. This I distinguish from the arrests of industrial leaders and financial leaders for trial. This is merely removing there people from positions of influence.

At the very outset General Eisenhower and General Devers and General Bradley instituted a pretty tough policy with regard to Nazis, and it was the order of the day to remove all Nazi Party members, of which there are about 7,000,000 in Germany, from positions of influence.

At the end of June we undertook to write a new directive to govern denazification. This directive, under the guidance of the Political Division, under the guidance of Ambassador Murphy, in its original draft was to remove the mandatory categories of removing Nazis who joined the party at any date and to make a very weak and discretionary application of denazification. There ensued a controversy inside the committees as a result of which we were able to establish, with the very effective collaboration of the Manpower Division and the Public Safety Division with our point of view, the date of May 1, 1937, as a good rough rule-of-thumb basis for dividing the mandatory removables from the nonmandatory removables. We issued the

basic directive July 7, the directive that came to be the guide in regard to removals.

On this point I ought to tell you a little bit about the division that we make on the first of May 1937. Generally speaking, we categorize as active Nazis those who joined the party before May 1, 1937, or those who were officials in the Nazi Party or its formations. Actually, the party lists were closed from May 1, 1933, to May 1, 1937, and you couldn't join the Nazi Party if you wanted to. Only a few groups from the SA, from the SS, from the Hitler Youth, and a few other very special cases were permitted to enter the party. The party was something to be sought after. So, actually what we do is to designate those who joined the party before May 1, 1933, as those who are in the mandatory removal categories. Those who joined afterward are presumably discretionary, and depending on the other factors in the case you make a judgment as to whether to remove them.

The original intention was that the discretionary would really be discretionary in the sense that ultimately a lot of them would be removed. Unfortunately, the inclination has been to make this discretion a one-way street, meaning pretty largely discretion to retain and not much discretion to remove.

In July, August, and September, this directive was applied pretty vigorously in some fields, in finance and civil affairs. We had a press conference in September, and we announced the removal of 25,000 Nazis from the banking and finance system of Germany. At the same time, we were running into the situation that we were doing this job, and in other fields, particularly transportation, communications, commerce, industry, post office, no denazification was being done. We were denazifying people out of finance, and they were going over into these other fields and getting jobs.

THE CHAIRMAN. How about school teachers?

MR. NIXON. School teachers were being denazified; yes, sir.

We set up in the Finance Division a system of field teams, the only group that ever did that in Germany. We sent people out into the field to see to it that denazification was put into effect. These denazification teams, I think, did an outstanding job in removing Nazis and seeing that in our field the job was carried through. Incidentally and inevitably, we got a lot of information about what was happening in the other fields. As a result of the bad picture that existed at that time, we presented to General Clay in September a basic memorandum describing the deficiencies of the program. At the very same time, the press, which has done an outstanding job in Germany, a really outstanding job in Germany—particularly Ray Danniell of the New York Times and Carl Leven of the Herald Tribune—publicized the fact that Nazis were still in positions of power. He had his famous interview with General Patton, and as a result particularly of the Danniell story there was a big flurry of activity with regard to denazification.

Here I want to stop to make one point. A lot of things that have happened in Germany have happened in the nature of putting out fires. When Ray Danniell writes a story on denazification or on the kind of DP Army we have, then there is a big flurry of activity. When the Kilgore committee puts out a blast about I. G. Farben, then there is a flurry of activity, and something happens. But it has

been constantly on the basis of putting out fires after the thing has been pointed out to be in bad shape.

The CHAIRMAN. In other words, a spot cleaning up?

Mr. NIXON. Absolutely. That is what happened at this time. There was an issuance of a very strong position by General Eisenhower, who was always strongly in favor of denazification, the passage of Law 8, which was to remove Nazis from business and industry, and a general forward spurt in the whole operation. Very shortly thereafter, however, the spurt began to die down and the job of continuing to carry through the program began to deteriorate. We then ran into this kind of problem: Month by month we announced the completion of the job. On August 20 the Political Affairs Division said that the task of denazification was completed, except for rehabilitation and reeducation. This was even before the flurry of September. When Byron Price came over and made his report, he reported that denazification was completed and that in some cases we had gone too far and too fast. Month by month there has been a tendency to announce the job as complete. This flies in the face of the facts. Just let me indicate why.

On the 15th of December there was a report on the status of denazification by the Public Safety Division. You have to have in mind that there are about 17 million people who live in the United States zone, and there are probably 2½ million members of the Nazi Party in the United States zone. As of December 15, we had collected a total of 1,100,000 fragebogen—questionnaires. Of this total we had a backlog of 240,000 that we hadn't even looked at. We didn't know whether they were Nazis or not. On the basis of previous returns, probably around 40,000 or 50,000 of them were Nazis.

We have removed, according to these reports, about 200,000 Nazis from positions of influence. I do not for one minute want to detract from the significance of that. That is an accomplishment, but it is certainly wrong to look at that figure and say that the job is done. Under existing reports, there are at least 100,000 Nazis in the mandatory categories or in the categories where the Public Safety Branch has recommended removal who are still holding positions of authority. We are getting about 40,000 more fragebogen each month. There is just no basis for saying that we have gone too far and that we have completed the job, because we haven't. Our own figures will not bear it out.

An example of this spot operation that you mentioned is the case of the railroads. The railroads were the least effectively denazified of any group in Germany, although in their monthly reports you get no idea of it. They have a tendency to tell you how many they have removed and not to mention how many they haven't removed. That is a consistent pattern of report. You read the monthly reports, and you think everything is all right, but when I got ready to get on the plane in January I was given a list by a Social Democrat in Frankfurt, an official of the party, of the top Nazis who are still in the railroad system, a long list, and a list of people who would like to have jobs in the railroad system who are not Nazis. This also got into the hands of our investigating units, and our investigating units went out in the field and came back with reports of the extensive Nazi infiltration in the railroad system. Then it got into the papers. The New York Herald Tribune printed a story about all the Nazis in

the railroad system. Then a couple of days later, all of a sudden they are going to remove 4,300 mandatory removables from the railroad system and they are going to remove the German head of the railroad system, who is an old Nazi and an old Nazi railroad man—again indicating the way in which this thing is operated.

In December we sent joint investigation teams, finance teams, and public-safety teams out into the United States zone to investigate the status of denazification particularly with regard to Law 8, which applied to business and commerce. These reports came back showing the serious deficiencies in denazification, the tendency, particularly in business and commerce, to remove people and then to rehire them as laborers, so that the Nazi president of a company is fired as a Nazi and rehired in the position of a common laborer, which is purely a paper designation. He comes right back and does his job. This is not an exceptional situation. It is general in Germany. There is general evasion of this aspect of denazification. They pointed out many other examples, the names of the individuals, the offices they hold, and their Nazi records, as an indication that we still have a long way to go.

I have just heard from Germany that these reports have been ordered suppressed and destroyed by General Mead, the head of the Internal Affairs Division of OMGUS, and the head of Public Safety.

The question raises itself, why we have failed to do this job, why we have failed to accomplish this denazification. It is not a failure merely of adequate personnel. It is a failure of having people there who really vigorously believe in doing this particular job. At every level of military government, from one end of the zone to the other, we have encountered the arguments of expediency and convenience of retaining Nazis, the necessity of keeping things running, the dangers of angering the Germans and creating a dissatisfied bloc which would be ripe for communism, the resentment of lower headquarters against interference from higher headquarters, and in many cases the fantastic comparison of Nazi politics with Republican-Democratic rivalry in the United States. Responsible officers have cried out against the injustice of removing a Nazi without a hearing, in spite of the fact that such hearings were expressly prohibited. They argue that vigorous denazification lowers our prestige, as compared with the British who are reported to be not so vigorous. They have attacked Law 8 on the ground that it was Communist-inspired. It was instituted, you know, by General Eisenhower.

We ran into innumerable examples I could give you. We ran into one case, Colonel Starnes, former Congressman from Alabama, former member of the Dies committee, who was going throughout Germany representing a division of the United States group, Control Council, urging that detachments should ignore denazification and that they pick the men they needed to get German industry started.

In another example, the chief finance officer for all of Land Baden Württemberg, Lt. Col. George Auffinger, in dealings with our field investigators consistently maintained that denazification would drive the German people into the hands of the Communists, that we did not destroy one dictatorship in order to build another, that we must preserve a bulwark against Russia. Colonel Auffinger, incidentally, has a long record of stubborn opposition to denazification.

Major Scholley, former finance officer at Mannheim, on August 23 described denazification as "witch-hunting." Lt. J. P. Varda, one of the MG officers in the Bavarian detachment, described it as an irksome and irrational obsession of higher headquarters, stated that removal created a bloc of dissatisfied Germans who became ripe for communism and also created a public safety problem by arousing the anger of those Germans.

I don't want to give you the impression that there are not exceptions to this. We ran into some fine exceptions, men who really were interested in doing the job of denazification. As a result, in part, of their activity, we have accomplished what we have accomplished. But the type of attitude that I have just recounted is not the exception. It was characteristic of the general attitude that we ran into throughout Germany.

That is all I want to say about the record over there. There is much more that could be said. I want to make one other point.

As I left Germany the plan was being developed for turning the denazification policy over to Germans. General Clay had appointed a Denazification Policy Board consisting of Mr. Fahy, as chairman, Ambassador Murphy, Mr. Dodge, General Draper, and General Mead. They had working for them a working committee. In these discussions the former groups who had fought for vigorous denazification in the past were pretty much out of the picture, and the picture was now dominated by men who had either been positively unsympathetic in the past or who at least had not had a record of pushing denazification. Their whole attitude was one of easing up on denazification. Their proposal was to turn the program over to Germans. In some respects there can be no objection to that, but there was no assurance that we were going to have Germans who were positively anti-Nazis, who were anti-Fascist Germans who believed aggressively in democracy. We received from the Germans, as part of their plan, a proposal from the German ministers of justice as to how they would have denazification handled. That proposal is fantastic, because it would completely wipe out denazification.

They propose, for example, that a mitigating factor in judging a Nazi was if he had substantial losses in the war, or if he was a regular attendant at church, or if he had lost relatives in the war, or if he had made a substantial contribution to the community. Their most vigorous punishment for the top Nazis was confiscation of their property and loss of civil rights for, I think, 5 years. But for the person who wrongfully or recklessly charged a person with being a Nazi, under the terms of their law, they were going to give him 5 years in prison and 5 years' loss of all civil rights. They reserved their tougher punishment for the man who was interested in charging that other people were Nazis.

It is not irrelevant that one of the ministers-president is a former member of the German State Party, who praised Hitler's policy in the Reichstag in 1933 when Hitler was taking it over. Another has been attacked by his fellow Germans as being reactionary and opposed to the denazification program. One of the ministers of justice was a contributing member to the SS.

These men are not going to carry through the important and subtle task of doing the job of denazifying Germany. It is just unavoidable

to recognize that in Germany the antidemocratic, militarist, Nazi, Fascist principles still predominate in the minds of the German people, and there is no evident basis to justify—certainly there is none in the plans that exist at the present time—turning over this program to the Germans. We do not have assurance, on the basis of our record, that the kind of supervision that would be forthcoming from the few Americans left in a relationship to this problem would be enough to overcome the lethargy, the lack of understanding, and the lack of sympathy on the part of the vast bulk of the German people with regard to the fundamental objectives of denazification. Because of that, I am gravely concerned not only that our accomplishments have not yet been completed, but particularly because of this phase of our development we jeopardize what we have done and we threaten the possibility that the job will not be completed and, worse than that, that what we have done will be abandoned in the months to come.

That is all I have, Senator.

The CHAIRMAN. Thank you, Mr. Nixon.

If you have time in the next few days, I wonder if you would check to see if you have anything to add to this in the way of exhibits.

We appreciate your coming up here. Your testimony has been most interesting because it shows what a long way we have to go, and it also illuminates some of the things that have had people in the United States puzzled.

MR. NIXON. I think the people are sort of like that stock market in Germany. The people are puzzled here with good reason, and they are not wrong in being puzzled.

The CHAIRMAN. I have two items which I want to make a part of this record. One is a statement which I made in December. The other consists of excerpts from the Nuremberg trial indictment.

(The material referred to follows:)

CAN WE AFFORD TO REVIVE NAZI INDUSTRY.—STATEMENT BY SENATOR HARLEY M. KILGORE, DECEMBER 21, 1945

I am profoundly disturbed by a number of recent events pointing to an attitude on the part of some of our key officials which countenances and even bolsters Nazism in the economic and political life of Germany. The Byron Price report, the document on Germany lately issued by the State Department, and the facts about the conduct of our military government revealed at the hearings of the Senate Subcommittee on War Mobilization, indicate that our original objective of destroying Germany's war potential has gone awry. This first and vital consideration for guarding the peace of the world and the welfare of its many peoples is being sacrificed to an appearance of magnanimity towards a vanquished foe. I should like to ask: What is masked by this appearance of magnanimity? For what private and selfish ends are our national security and the security of our allies placed in jeopardy?

It has become clear that despite the feasibility of destroying Germany's industrial potential for war without starving her population, reports indicate that some of our military government administrators in Germany have so far signally failed to carry out the Potsdam Agreement for making Germany provide reparations to her victims and at the same time securing an effective industrial disarmament. These administrators have blinded themselves to the role played by German industry in the Nazi aggressions and to the fact that the German economy as now constituted is a powerful menace to the peace of the world—more powerful in many respects than it was in 1939. They take the position that German businessmen are politically neutral and that no effort should be made to penalize German industry or prevent it from recapturing its prewar position in world markets. The attitude of these military government officials is an outgrowth of their connections with industrial and financial enterprises which had close prewar ties with the

Nazis. They are still sympathetic to the cause of cartelism and to their old German cartel partners. And they look forward to resuming commercial relationships with a rehabilitated German industry whose leading figures are well known to them, rather than to striking out on new paths of economic enterprise. However earnest the public statements of General Clay, deputy military governor for Germany, the men he has appointed to positions of control—William H. Draper, of Dillon, Read; Rufus Wysor, of Republic Steel; Laird Bell; Frederick Devereux; J. Boyd and others—are apparently fundamentally opposed to the deindustrialization program. Nazi industrial organization is not repugnant to them and they have shown every disposition to make their peace with it.

In this willingness to compromise with the most dangerous aspect of nazism, they have apparently found support from the State Department, which, while it still pays lip-service to industrial disarmament, has in fact redefined the Potsdam agreement so as to permit the rebirth of Germany's industrial war machine, I believe without concurrence by the President. And they have had as well the co-operation of the Army. Because of their background and training our military officials believe that successful conclusion of military operations is their main objective. They are not primarily concerned with eradication of the Nazi philosophy, no matter how hostile it may be to the country they represent. For that reason they fail to go below the surface and cannot wholeheartedly work for an objective which means the setting up of a new philosophy within a nation which they have conquered by arms. For that reason I believe men more conversant with these ideas would be better equipped to define and implement policy than men whose training is strictly military. Furthermore, our military men look for perfection of organization without regard to the type of persons they employ and for that reason they are prone to accept Nazis who have held administrative positions rather than to train new people. In Italy, for instance, high military officials complained to me that the Italians had ruined the operation of the automobile plants by killing off the managers who were Fascists after the Italian people had tried them and directed their execution by appropriate courts.

Nowhere has the reluctance of American occupation officials to carry out the Potsdam agreement been demonstrated more forcefully than in the case of I. G. Farben, monster German chemical combine without whose facilities Germany could not have waged war, which was at one with the Nazi government in planning, executing, and reaping the profits of Germany's aggressions, and whose wartime capacity is still more than 80 percent intact. It would be impossible to disarm Germany industrially without breaking up I. G. Farben. Nevertheless, although directives to encompass this end were issued as long ago as last July, documentary evidence presented to the Senate Subcommittee on War Mobilization this month states that "No I. G.-owned plants have been destroyed," and "No I. G. or Montan (owned by the Government but operated by I. G.) plants are earmarked for destruction." The American control officers in charge excused their failure to order the destruction of explosives plants with statements such as "The equipment is too massive to dismantle," or, as in the case of the poison gas plant in Gendorf, "This is a war plant and is available for reparations. It is felt, however, that the plant would aid in the over-all economy of Bavaria to such an extent that the plant should not be made available for reparations." The top officer in command of the disposition of Farben properties, Colonel Pillsbury, said that the accomplishment of the July directive was not "practicable."

Officials in the State Department and in the military government who are helping to revive German industry argue that the guaranty of a minimum German standard of living requires the revival of German industry and export trade to pay for the importation of food and other necessities. This is a distortion of the Potsdam agreement, which did not guarantee the Germans a minimum standard of living, but on the contrary provided only that the maximum standard should not be higher than that of the surrounding countries. The concern of some of our officials with this problem is the more curious in that Germany's standard today is higher than that of most of the countries she ravaged. In order to provide for a German caloric value in excess of that of her former victims, these officials are planning to reconstruct German industries. They do so in full knowledge that the dismantling of those industries would provide raw materials and capital goods whose acquisition by the victim nations would promote their development and break their dependence upon German industry. Our policies should not aim to deprive the German people of the means of subsistence. But our prior concern should be the requirements of the nations who were allied with us in the fight against nazism. We should be less preoccupied with time-

tables for rebuilding German industry and more preoccupied with the rehabilitation of our allies.

It would, moreover, be false to assume that industrial disarmament means starvation for Germany. For 50 years, the imbalance of the German economy, with its overemphasis on munitions and munitions-supporting industries, was carefully nurtured. In designing an economy whose function was to prepare the nation for war, agricultural production was deliberately dwarfed until just before the outbreak of World War II. There is every reason why this agricultural production should be further expanded. It is absurd to follow any prewar pattern in reconstituting German industry. In Germany there was no "normal" prewar pattern. Unless we make basic and fundamental changes in the German economy, we shall be perpetuating the type of organization that is itself an incitement to war.

I have this consideration in mind when I am critical of the State Department's recent report on Germany, which declares that the United States does not "selfishly" wish to weaken "German industries of a peaceful character in which Germany has produced effectively for world markets." In this context "peaceful industries" is a contradiction in terms. Congressional investigations have shown how Germany insidiously used the "peaceful industries" in which she supplied world markets as effective weapons of economic warfare, to secure a stranglehold upon and cripple the vital production of nations marked for conquest. It would be suicidal for American policy to aid in rebuilding such industries, jeopardizing our national security and world peace for the sake of short-term cartel profits to a few corporations whose views prevailed in the councils of our military government.

EXCERPTS FROM THE NUREMBERG TRIAL INDICTMENT

The parts of the indictment having to do particularly with industrialists are count 1, part IV, E, and count 3, E.

Count 1 (the common plan or conspiracy), part IV (particulars) reads:

"(E) *The acquiring or totalitarian control in Germany: Economic; and the economic planning and mobilization for aggressive war*

"2. They used organizations of German business as instruments of economic mobilization for war.

"3. They directed Germany's economy toward the preparation and equipment of the military machine. To this end they directed finance, capital investment, and foreign trade.

"4. The Nazi conspirators, and in particular the industrialists among them, embarked upon a huge rearmament program and set out to produce and develop huge quantities of materials of war and to create a powerful military potential. * * *

Count 3 (war crimes) (E) Plunder of Public and Private Property, recites the systematic exploitation of occupied countries. Among the practices cited are:

"2. They seized raw materials and industrial machinery in all of the occupied countries, removed them to Germany and used them in the interest of the German war effort and the German economy * * *

"4. In an attempt to give the color of legality to illegal acquisitions of property, they forced owners of property to go through the forms of 'voluntary' and 'legal' transfers * * *

"9. From their program of terror, slavery, spoliation and organized outrage, the Nazi conspirators created an instrument for the personal profit and aggrandizement of themselves and their adherents. They secured for themselves and their adherents: (a) Positions in administration of business involving power, influence, and lucrative perquisites; (b) the use of cheap forced labor; (c) the acquisition on advantageous terms of foreign properties, business interests, and raw materials; (d) the basis for the industrial supremacy of Germany."

Appendix A to the indictment presented on November 20 shows the relationship of the individuals to the various counts. Gustov Krupp, who was indicted but for reasons of health removed from the trial, was described as follows:

"The defendant Krupp was between 1932 and 1945: head of the Friedrich Krupp A. G., a member of the General Economic Council, president of the Reich Union of German Industry, and head of the Group for Mining and Production of Iron and Metal under the Reich Ministry of Economics. The defendant Krupp used the foregoing positions, his personal influence, and his connection with the Fuehrer in such a manner that: he promoted the accession to power of the Nazi

conspirators and the consolidation of their control over Germany set forth in count 1 of the indictment; he promoted the preparation for war set forth in count 1 of the indictment; he participated in the military and economic planning and preparation for the Nazi conspirators for wars of aggression and wars in violation of international treaties, agreements, and assurances set forth in counts 1 and 2 of the indictment; and he authorized, directed and participated in the war crimes set forth in count 3 of the indictment and the crimes against humanity set forth in count 4 of the indictment, including more particularly the exploitation and abuse of human beings for labor in the conduct of aggressive wars."

In the opening statement Justice Jackson, the chief American prosecutor said:

"On November 30, 1934, a decree 'regulating national labor introduced the fuehrer's principle into industrial relations. It was by such bait that the great German industrialists were induced to support the Nazi cause, to their own ultimate ruin. * * *

"Financiers, economists, industrialists, jointed in the plan [to put Germany on a war footing] and promote elaborate alterations in industry and finance to support an unprecedented concentration of resources and energies upon preparation for war. * * * These preparations were of a magnitude which surpassed all need of defense and every defendant, and every intelligent German, well understood them to be for aggressive purposes."

In the presentation of evidence on the economic preparation for aggressive war, on November 23, 1945, it was said:

"The Nazi Government officials provided the leadership in preparing Germany for war. They received, however, the enthusiastic cooperation of German industrialists. The role played by the industrialists in converting Germany to a war economy is an important one * * *."

(Whereupon, at 3:50 p. m., the committee adjourned, subject to the call of the chairman.)

ELIMINATION OF GERMAN RESOURCES FOR WAR

WEDNESDAY, MARCH 6, 1946

UNITED STATES SENATE,
COMMITTEE ON MILITARY AFFAIRS,
SUBCOMMITTEE ON WAR MOBILIZATION,
Washington, D. C.

The subcommittee met at 10:15 a. m., pursuant to call of the chairman, in the Senate Military Affairs Committee room, the Capitol, Senator Harley M. Kilgore, of West Virginia (chairman) presiding.

Present: Senator Harley M. Kilgore, West Virginia, and Senator Elbert D. Thomas, Utah.

Also present: Dr. Herbert Schimmel, chief investigator.

The CHAIRMAN. The committee will come to order.

The witness this morning is Maj. Gen. John H. Hilldring.

General, for the benefit of the record, will you state your official capacity?

TESTIMONY OF MAJ. GEN. JOHN H. HILLDRING, DIRECTOR, CIVIL AFFAIRS DIVISION, WAR DEPARTMENT

General HILLDRING. All right, sir. John H. Hilldring, major general, Director, Civil Affairs Division, War Department.

At the request of Senator Kilgore, I have prepared a statement on the subject of displaced persons in Germany and Austria. Rather than read this lengthy statement, Senator, I would like to summarize it and give you the full statement for incorporation in the record, if that is agreeable to you, sir.

The CHAIRMAN. That is agreeable. Your prepared statement will be made a part of the record at this point.

(The statement referred to follows:)

PREPARED STATEMENT BY MAJ. GEN. JOHN H. HILLDRING, ON DISPLACED PERSONS IN GERMANY AND AUSTRIA AND ON RECORDS OF NAZI PARTY MEMBERS OUTSIDE GERMANY

The Nazi practice of exploitation and extermination of human beings left in its wake one of the most complicated and perplexing problems confronting the Allies in the occupation of Germany and Austria. This was the problem of displaced persons. As the Germans overran Europe, they deported to Germany millions of persons of all nationalities—French, Belgian, Dutch, Czech, Yugoslav, Polish, Baltic, Russian, and many others. In addition many persons of enemy nationality, such as Hungarians, Rumanians, and Bulgarians, were brought to Germany. These millions of persons were exploited by the Nazis in a variety of ways connected with the German war effort. Many were forced to build fortifications along the French coast, the Siegfried Line, and the eastern front. Many were drafted for labor in munitions factories. Others were used as agricultural laborers. Still others were used in paramilitary formations of the Wehrmacht. As the German labor shortage became more acute, greater reliance

was placed on these laborers, and the last drop of sweat was squeezed from them to bolster the Nazi war machine. Simultaneously, the Germans embarked upon a campaign of mass murder of millions of persons throughout areas of Europe under their control. Many of these racial, religious, and political prisoners were brought to concentration camps in Germany and Austria to be worked or starved to death or to be scientifically massacred.

Before D-day it was impossible to estimate with any degree of accuracy the number of unfortunate persons in these categories who would be found alive when the Allied armies finally conquered Germany. Nevertheless, detailed plans were made to cope with many contingencies.

The liberation, care, and repatriation of United Nations displaced persons was recognized as a major Allied objective. From the strictly military point of view, it was desired to prevent hindrance to military operations or military government by uncontrolled movement of displaced persons and refugees. Equally important was our recognition of the privations suffered by these displaced persons and our desire to relieve conditions of want among them, to protect them against interference or ill treatment by the Germans, and to effect their rapid and orderly repatriation.

A large segment of our mission has already been successfully completed. Out of over 6½ million displaced persons in the western areas of Germany, over 5½ million have already been repatriated. The United States Army contributed materially to this achievement by repatriating over 2,700,000 from areas under its control. The completion of this phase of the displaced persons program has been due to remarkable cooperation and initiative on the part of the various military and civilian agencies involved. In retrospect it is impossible to credit any single organization or individual with sole responsibility for these achievements. From before D-day until July 1945, the actual responsibility for planning and operation rested with Supreme Headquarters, Allied Expeditionary Force (SHAEF). Cooperating with SHAEF during this entire period were representatives of civilian agencies such as United Nations Relief and Rehabilitation Administration (UNRRA) and the Intergovernmental Committee on Refugees, representatives of all of the Allied Nations having nationals in Germany, and many voluntary agencies working under the coordination of the UNRRA. Within the Military Establishment itself, there was a degree of cooperation and improvisation which is a tribute to our military organization and that of our Allies. SHAEF integrated the activities of the British, American, and French Armies under its command, and also coordinated with United States forces in Austria, Supreme Allied Commander, Mediterranean (SACMED), and the Soviet military authorities.

After the termination of SHAEF in July 1945, the Commanding General, United States Forces, European theater, assumed responsibility for displaced persons within the United States zone of Germany. However, the techniques of cooperation developed during the period of combined command were effectively continued. For example, the former displaced persons section of G-5 SHAEF, consisting of United States, British, and French officers, was continued for about 3 months as the Combined Displaced Persons Executive. Later, some of the functions of the Combined Displaced Persons Executive were assumed by UNRRA and others by the Combined Repatriation Executive, which was established on a quadripartite basis by the Control Council. Continuity was also assured by continuation within the United States zone of the policies established previously by SHAEF and of existing arrangements with UNRRA.

Before discussing the special problems created by displaced persons, particularly by those who have not yet been repatriated, I would like to give the committee a brief chronological survey of the policies and procedures carried out during the period of mass repatriation.

Toward the end of 1943 SHAEF began to develop plans, in coordination with Allied Governments and UNRRA representatives, for dealing with displaced persons' problems. On June 4, 1944, instructions relating to the control, care, relief, and repatriation of displaced persons were issued in the form of an "outline plan" to Army group commanders. These were supplemented by detailed instructions issued as SHAEF Administrative Memorandum No. 39 on November 18, 1944 (revised April 16, 1945), and in the Guide to the Care of Displaced Persons in Germany (revised May 1945).

Under these instructions, displaced persons uncovered by military forces were assembled in collecting points or areas, where they were given food, temporary shelter, and first aid. From there they were directed to assembly centers, where they were cared for until their repatriation was possible. When uncovered in

areas of rapid military advance, they were directed to stand fast until arrangements could be made to collect them in assembly centers. As soon as conditions permitted, United Nations displaced persons were returned to reception centers in their own countries, where their governments assumed full responsibility for them. In liberated countries, such as France and Belgium, the care of displaced persons was a responsibility of the Allied Governments concerned, assisted and advised by a SHAEF mission and, after the dissolution of SHAEF, by United States Forces, European theater (USFET), and British military missions.

In enemy territory, United Nations and Italian displaced persons were a direct responsibility of the Allied forces, while ex-enemy displaced persons were made the responsibility of enemy authorities supervised by military government.

Here are some examples of how these instructions were implemented: European Allied Governments provided large numbers of liaison officers for repatriation, to be employed by military commanders to assist in the control, identification, care, and repatriation of their nationals. At one stage in the program, as many as 800 liaison officers were deployed representing France, Belgium, Holland, Czechoslovakia, Union of Soviet Socialist Republics, Poland, Norway, Luxemburg, Italy, Greece, Denmark, and Yugoslavia. UNRRA provided specialist and administrative personnel, to assist in the displaced persons staff work at various headquarters, and assembly center teams to be employed by military commanders in administering United Nations assembly centers. This contribution will be discussed in more detail later. A limited number of military government detachments were trained and assigned for special work in dealing with displaced persons. Finally, many of the governments established within their own countries adequate reception facilities to which their nationals could be returned.

As the German armies were driven back from France and the low countries, they tried to evacuate as many displaced persons as possible in order to conserve their labor for the defense of Germany. As a result, fewer than 100,000 displaced persons were uncovered by Allied armies west of the Rhine. During the period of disintegration, as Allied armies converged upon Germany from all directions, the Germans changed their previous tactics of evacuating displaced persons to the rear. Instead they tried to force hundreds of thousands of displaced persons into Allied supply lines. Thus military commanders were presented with a problem of controlling movement and supply characterized at the time as second in importance only to actual military operations against the broken Wehrmacht. The challenge was successfully met.

Displaced persons were rapidly brought under control, organized repatriation movements to western countries began almost immediately, and uncontrolled mass movement of displaced persons in rear areas was eliminated in several weeks. This pattern was repeated in every new area uncovered by Allied forces. At least 2 weeks elapsed before the displaced persons, many of whom were bypassed by fast-moving troops, were collected, moved off the main roads, and a satisfactory degree of control established.

Seriousness with which all Army commanders regarded the problem is emphasized by the fact that during the early stages it was treated as a direct command, rather than a military government, responsibility. Where consistent with military operations, combat units were utilized in the care and control of displaced persons. Thus, in the Sixth Army group, 80 specially trained teams, with personnel drawn from combat units, were pressed into service; in the Ruhr, the Ninth United States Army utilized 4 infantry divisions to deal with displaced persons; in the Rhineland and Saarland, corps commanders each assigned an artillery group to direct displaced-persons operations in the area. These combat units supplemented the work of several score special military government displaced-persons detachments which had received many months' intensive training. By May, more than 100 UNRRA teams were in the field assisting the military. Although within a short time after VE-day mass movements of displaced persons along the roads had all been stopped, displaced persons continued to be uncovered in large numbers, particularly in large cities and on farms. Moreover, many thousands made their presence known only when they learned of definite opportunities for repatriation.

The peak period of repatriation was reached during late May and early June, when 60,000 to 80,000 displaced persons were being repatriated daily as a result of simultaneous movements of western Europeans and Soviet citizens. The problem of western Europeans was virtually solved during this period, except for a few thousand. Hundreds of thousands of these western Europeans were evacuated or repatriated during this period by air. For example, out of 1,500,000 Frenchmen repatriated, more than 150,000 were returned by air. The return of

Czechs was also completed with the repatriation of an estimated 100,000 through the centers at Pilsen and Budweis.

Although some informal exchanges of Soviet citizens had actually taken place when British and United States forces first established contact with the Red army, mass transfer of Soviet citizens officially began with the signing of the Halle agreement on May 22, 1945. Movement was halted temporarily following the withdrawal of British and United States forces from Thuringia, Saxony, Magdeburg, and Mecklenburg, but recommenced on July 14. Altogether over 2,000,000 Soviet citizens were repatriated from western Germany. Informal movement of Italians began in early June. A series of conferences at Bolzano, Frankfurt, and Bern among representatives of SHAEF, Allied Forces Headquarters (AFHQ), and Swiss authorities subsequently resulted in formal agreements for movements of Italians across the Brenner Pass and through Switzerland. Almost 600,000 Italians have been repatriated pursuant to these agreements.

In coping with the enormous task of handling displaced persons, the military authorities have received valuable assistance from UNRRA. I have already mentioned the participation of UNRRA in planning before D-day. The blueprint for assistance by UNRRA in the military period was established in the agreement of November 1944 between General Eisenhower, as Supreme Commander of the Allied Expeditionary Force, and Governor Lehman, Director-General of UNRRA. The stated objectives of this agreement were to facilitate the assumption by UNRRA in the postmilitary period of those responsibilities with which it might be charged and to insure a continuous uniformity of policy in the military and postmilitary periods. Among the specific measures provided by the agreement were that UNRRA liaison officers would be attached to SHAEF for assistance in coordination of planning and subsequent operations and that UNRRA would provide personnel for the purpose of planning and assisting the military authorities in carrying out displaced-persons operations. UNRRA also undertook to coordinate and supervise the activities of nongovernmental civil agencies engaged upon work for displaced persons.

As a result of this agreement, the military authorities issued instructions that UNRRA personnel should replace military personnel to the maximum extent possible, and as soon as possible, in handling displaced persons. A phased schedule was established calling for deployment of 450 UNRRA teams by May 15, 1945. Due to numerous difficulties, the first UNRRA teams did not enter Germany until April, and then only in spearhead teams of 7 rather than the full number of 13. Fortunately, during the months of May, June, and July, deployment of UNRRA teams was increased rapidly from about 100 spearhead teams on the 1st of May to 350 complete teams on July 15. There are now about 4,600 UNRRA personnel in the western areas of Germany; and, with but few exceptions, the actual administration of the centers is in charge of such personnel. UNRRA has its own central headquarters covering the United States, British, and French zones of Germany.

In deploying UNRRA teams and in expanding to the fullest possible extent the responsibilities of UNRRA under the SHAEF-UNRRA agreement, the military had in mind the desirability of facilitating early turn-over to UNRRA of complete responsibility for displaced persons. In the United States zone, it was planned to hand this responsibility over to UNRRA on October 1, 1945. This action was made impossible, however, by passage of Resolution No. 71 at the UNRRA Council meeting in August. This resolution prohibited UNRRA from furnishing basic supplies, equipment, and transportation to displaced persons in Germany. Due to this continued necessity for furnishing supplies, it was necessary for the military to retain basic responsibility for displaced persons while at the same time enabling UNRRA to furnish the maximum amount of assistance permitted by its charter and resolutions. As mentioned previously, the SHAEF-UNRRA agreement was continued in the United States zone until a new agreement could be concluded which would take into account the effect of the UNRRA Council resolution. This new agreement actually came into effect in February 1946.

In addition to operating the displaced persons centers, UNRRA has performed an extremely useful function in coordinating and supervising activities of voluntary relief agencies on behalf of displaced persons in Germany. In this way the experience of many sectarian and nonsectarian agencies in relief has been utilized with a minimum of confusion.

UNRRA, through its Central Tracing Bureau, has also taken over from the military authorities the important and burdensome task of locating displaced persons for the benefit of their relatives throughout the world. In addition, as of October 1, 1945, UNRRA Central Headquarters for Germany took over from the

Combined Displaced Persons Executive the responsibility for statistical reporting with respect to displaced persons in British, French, and United States zones of occupation in Germany.

As a result of the extensive mass repatriation operations described above, repatriation of the following nationalities is considered complete, with minor exceptions: French, Dutch, Belgian, Luxemburg, Danish, Norwegian, Italian, and Soviets. However, there still remain in the United States zone of Germany approximately 500,000 displaced persons, of whom about 325,000 are in assembly centers. The Poles, numbering about 200,000, constitute the largest single group still on hand. Other identifiable nationalities receiving United Nations treatment are Latvians (43,000), Lithuanians (31,000), Estonians (16,000), and Yugoslavia (20,000). In addition, there are in the United States zone approximately 45,000 Jews of all national origins, including some who recently entered the zone from other areas.

The problems raised by some of the remaining groups are unique and must be considered separately from the type of problem encountered among the groups who could be repatriated promptly en masse.

A special problem was created by the survivors of those groups who had been singled out by the Nazis for extermination. The SHAEF instructions provided that, regardless of nationality—whether Allied, enemy, neutral, or stateless—persons who had been persecuted because of race, religion, or activities in favor of the United Nations were to receive the same assistance as United Nations nationals.

However, many of these persons were found in such appalling condition that it was necessary to give them special consideration in order to attempt to raise them to the physical level of other displaced persons.

Our military leaders, though constantly exposed to the horrors of war, were shocked by the unspeakable condition in the Nazi concentration camps. General Eisenhower promptly summoned a representative delegation of Congressmen and newspaper editors to view these conditions. The verdict of this delegation has been echoed by every other person who witnessed these concentration camps: the perpetrators of this infamy must be punished; the survivors must be helped.

Some of the survivors, I regret to say, were already beyond help. Their glazed eyes and shriveled bodies were evidence that for them liberation had come too late. For the others, the ones who could be saved, we regarded it, and still regard it, as a sacred duty to render the maximum assistance possible.

Many of the concentration-camp victims were political opponents of the Nazis, representing many nationalities in addition to German. As soon as these were well enough to travel, they were returned to their native countries, or to their former residences within Germany. Among the victims, however, were Jews of all nationalities. Five million of their coreligionists had been murdered by the Nazis during the war. Many of the ragged remnants had no desire to spend the remainder of their lives in the morgue. These had to be cared for until they could be resettled elsewhere in accordance with their desires. In our zone it was decided that these unfortunate persons could best be afforded the specialized treatment they needed in separate centers. As a result of this policy, we now have a number of large centers for Jewish displaced persons. Because these persons are remaining in Germany only temporarily, and because the German economy has been so completely disrupted, it has proved most practicable to keep the groups as communities, rather than to disperse them as individuals. Wherever possible, these persons have been billeted in German homes from which the occupants have been evacuated. In many cases, it has been necessary to accommodate them in barracks.

The unique and urgent nature of the problems affecting Jewish displaced persons prompted General Eisenhower last August to request the War Department to furnish an outstanding Jewish civilian as his adviser on Jewish affairs.

Maj. Judah Nadich, senior Jewish chaplain in the European theater, served temporarily in this capacity until the appointment of Judge Simon H. Rifkind. Under General Eisenhower and subsequently under General McNarney, Judge Rifkind has performed a critical task with remarkable skill and understanding. Representatives from the principal American-Jewish organizations have frequently visited our zone under UNRRA auspices. Their suggestions for improvement of conditions have proved very useful. Outstanding social and relief work has been performed in the assembly centers by trained workers from various voluntary agencies, notably the Joint Distribution Committee, operating under the coordination and supervision of UNRRA. The Jewish displaced persons are now anxiously awaiting the recommendations of the Anglo-American Committee of

Inquiry on Palestine which are expected to have an important bearing on their future. Meanwhile, every effort is being made to continue improvement in conditions of food, clothing, housing, education, and vocational training.

Another difficult problem—screening—has been encountered in the course of handling displaced persons who have thus far elected to remain in Germany. Initial plans called for elaborate and detailed registration of displaced persons. A careful distinction was to be made between those entitled to preferred treatment, because of loyalty to the United Nations, and those who were not. However, due to the large numbers of displaced persons handled in a short period of time, it was not possible until recently to undertake thorough screening of displaced persons. Upon conclusion of mass repatriation, procedures were established for eliminating from the camps those persons who were not entitled to receive United Nations displaced-persons treatment. Under existing directives, the military authorities are now authorized to screen all displaced persons for pro-Nazi or pro-Fascist tendencies and to discharge persons in those categories from displaced-persons camps. In addition, they are authorized to repatriate, without regard to their individual wishes and by force if necessary, those displaced persons desired by their governments who have actively collaborated with the enemy.

Another special problem has occurred in connection with handling of Soviet citizens. The Yalta agreement of February 11, 1945, provided for mutual assistance by the United States and Soviet Union in care and repatriation of their respective citizens. When repatriation had been completed of those Soviet citizens who desired repatriation, the problem arose as to whether our troops would be required to compel the repatriation of those comparatively few Soviet citizens who had indicated that they would not voluntarily return to the Soviet Union. A directive was issued which provided that such persons should not be forcibly repatriated unless they were captured in German uniforms or deserted from the Red army or collaborated actively with the enemy. The provisions of this directive are now being carried out. Baltic nationals have not been considered by the United States to be Soviet citizens within the scope of the Yalta agreement unless they affirmatively claim such citizenship and their claim is accepted by the Soviet authorities.

I have spoken mostly of displaced persons in Germany. The United States forces in Austria have also made a notable contribution to the solution of displaced-persons problems. Under Gen. Mark Clark, the American Army has repatriated 500,000 displaced persons of many nationalities. The situation in Austria was initially complicated by large numbers of Germans who were draining Austrian resources by their continued presence. General Clark met this problem by repatriating most of these persons before winter, so that of the 160,000 present before repatriation began, less than 10,000 now remain. The United States zone in Austria has been a key route for movement of displaced persons from Germany to southeastern Europe. The latest statistics from the United States zone of Austria indicate that a total of 200,000 displaced persons are still on hand. Out of this number approximately 50,000 were United Nations nationals who were accommodated in centers. The remaining 150,000 consisted of enemy or ex-enemy nationals—Bulgarians, Germans, Hungarians, Rumanians, Sudetens, and Volksdeutsche.

There is one other matter which Senator Kilgore asked me to take up today. The Army discovered, in the United States zone in Germany, the membership records of the Nazi Party, and has taken them to Berlin for use by the four occupying powers in administration of military government.

Since the 20 tons of records were in a chaotic state when they were discovered, the job of putting them in order has taken time. As these records are reorganized, Army personnel is microfilming membership cards and related documents covering party membership outside of Germany and Austria for transmittal to this country. The microfilms are being forwarded to the War Department as they are made and will continue to arrive until sometime in May. At the request of Senator Kilgore, the War Department has already furnished the subcommittee with the first two rolls of film. Today I am delivering rolls 3, 4, and 5. On the request of the subcommittee, we are transcribing that portion of the material in these first five rolls which relates to the United States and Argentina. This work will be completed and forwarded to the committee within a few days. I must emphasize, however, that the original records were made by Germans, and not by the Army, and that the War Department cannot vouch for their accuracy. Also, since the job of going through the entire file in Berlin has not yet been completed, the microfilms received here thus far may not cover any country completely. Finally, we have found it very difficult to read microfilms of the German script, in which many of

the entries on the party membership cards are made and cannot be sure that our transcription of this material is accurate in all cases.

General HILLDRING. As the committee knows, it was the Nazi practice to exploit and frequently exterminate the displaced persons in Germany and Austria. The record of the treatment of displaced persons, those slave laborers who had been imported into Germany by the Nazis, is, as everyone knows, one of the sorriest pages in history. It therefore was quite natural and in complete consonance with our political policy to plan long before we entered Germany and Austria, or any part of Europe, for that matter, but most especially Germany, to gather up, to protect, and to repatriate, and to the extent that we could, to rehabilitate, these unfortunate people.

As a result of lengthy planning, the armies in the west, we feel, did a fairly creditable job with respect to these unfortunate people. The Anglo-American Allies gathered up—

The CHAIRMAN. Could I ask you a question at this point, for the purpose of getting the information into the record?

General HILLDRING. Yes, Senator.

The CHAIRMAN. Isn't it a fact that when you took over you found that a great number of the displaced persons were really unfit for travel, and what caused you to have to hold them so long was to get them in shape so you could repatriate them?

General HILLDRING. That is right, Senator.

The CHAIRMAN. That has not been made clear to the American people, and I think that ought to be mentioned here.

General HILLDRING. There were a great many displaced persons who had been worked so hard, who had been fed so little, who had been abused physically and psychologically, to the point where when they were repatriated they were not in physical or mental condition even to be moved from the localities in which they found them. I have made that point rather clear, Senator, in my long statement.

The Anglo-American Armies gathered up in the zones of Germany which they occupied about five and a half million of these displaced persons—about six and a half million, I should say. Of this number, we have repatriated, the Americans and British, to date, about five and a half million, leaving about a million in the three western zones of Germany.

Of this million that remain, about five hundred thousand of them are in the jurisdiction of the United States Army and in the care of the United States Army in the United States zone of Germany. They consist mainly of Poles, Balts, Yugoslavs, and Jewish displaced persons of various national origins, some of them German and some of them Polish, practically from every country in eastern Europe. That is our present displaced-persons job.

I want now, in fairness to the organization that has been of very great assistance to the Army, to mention the part which UNRRA has played in this displaced-persons program in Germany.

It has always been the attitude of the Army, Senator, that once the logistical problem of repatriating those who were repatriable—that is, the five and a half million I have mentioned earlier—the job was not primarily a military one nor primarily one which the Army could do as well as other agencies, because our task has proved to be, as we expected it would be by this time, largely an individual-case welfare problem, and I think it is no disparagement of the Army for me to say

that the Army does not consider it is particularly competent in that welfare project. Therefore, we early negotiated with UNRRA to take over this displaced-persons problem. That is what we call the core of the problem, the part we now have, and in preparation for that and to assist us in the earlier problem with respect to the larger number, we took UNRRA with us when we started this program on D-day.

UNRRA has contributed for this work nearly 5,000 individuals, and today the administration of our camps in the United States zone almost exclusively is being done under supervision and responsibility of the Army by UNRRA personnel. It was my hope and that of the Army that we would be able to transfer complete responsibility and authority to UNRRA for this job last October, and we negotiated a preliminary agreement with UNRRA, with the headquarters of UNRRA here in Washington, in anticipation of that transition.

However, when the UNRRA Conference in London last August—at which I was present—failed to appropriate or permit the use of UNRRA funds for the expenditure of supplies of any kind for any displaced persons in Germany, of course the Army had to retain the job because we do have, with respect to these displaced persons, the necessity for the importation of a considerable quantity of supplies.

The CHAIRMAN. What were the grounds on which UNRRA declined to take that over?

General HILLDRING. I can't really testify as an expert on that, Senator, because I was there simply needing the American delegates to approve the negotiation. I was not a member of the Conference.

I think, Senator—this is my personal view now, and if somebody want to say it isn't true, it probably isn't. I can't say it officially—but last August, I rather think that the attitude of the neighbors of Germany who were present at UNRRA was not at that time one of anxiety to help in Germany, for whatever reason they happened to be there; anybody. I think that was the obstacle that blocked the thing more than any other.

The CHAIRMAN. Weren't those people discriminating against some of their own nationals?

General HILLDRING. Yes; they were, Senator. I think, if you want to get an official answer to that, you might ask Will Clayton to give it to you, the Assistant Secretary of State. He was the head of our delegation there, and he can answer it authoritatively.

The CHAIRMAN. I have often been puzzled about that decision. I couldn't understand it.

General HILLDRING. I want to say for the record that the Army is most appreciative of UNRRA's assistance to us, and we are very grateful to them that they have provided the personnel they have to handle this job for us, which, without their help, would have been exceedingly difficult.

I am reminded of a story that exemplifies our difficulties in these camps, Senator. General Eisenhower told it to the House Foreign Relations Committee on last Thanksgiving morning when he was testifying for the UNRRA appropriation. General Eisenhower was visiting a DP camp, and when he drove in this particular morning he saw a great confusion; and he said to the people present: "I'm awfully sorry that my visit here causes so much commotion. Will you please tell them that I'm just another fellow and I feel very badly that my coming has been responsible for any excitement or confusion?"

Whereupon the camp director said to him: "General, I can ease your mind on that. Your coming has nothing to do with this running around you see. The reason for the disturbance is the fact that there were five babies born in camp last night." General Eisenhower said: "I couldn't help but feel quite a bit sorry for the little second lieutenant who was in charge of the 5,000 people and all their problems in that particular camp."

The CHAIRMAN. So you might say that the displaced person is a growing problem.

General HILLDRING. Yes, sir.

As you probably know, our displaced persons are divided into two general categories, and we treat them as two general categories. I am talking now about the ones we have now in the camps. There is the group of united nationals now in our zone who, for a variety of reasons, do not want to be repatriated. Those we still have, and that is by far the larger part of our present problem. They are Balts, Poles, Balkans, and other eastern Europeans, largely. Then there is a smaller group; they are not persecuted people; that is, they have not been persecuted. They were imported into Germany as slave laborers, and they worked for the Germans. Aside from that, they have not been persecuted. Then we have those who have been persecuted. That is a small number, about 45,000 at the present time out of the 500,000 that we have in our zone. They are of all nationalities, from all parts of eastern Europe, and some of them from Germany itself. Largely, they are Jews who have been persecuted because of their race and religion. By far, as you know, these are the people that deserve our best care, that arouse the greatest sympathy in the human being who sees their plight and who studies their record of the last 13 or 14 years, and it early occurred to us in the United States zone that it was one of the fundamental considerations in relation to their care that they be settled apart from the other displaced persons. It is not segregation; it is separate treatment that we are giving them, apart from the others, and we have for some time now settled, colonized, the persecuted apart from the rest of the displaced persons, and we do give them special treatment.

Of the remainder, we are in the process, and have been in the process for some months, of screening out those who have Nazi and Fascist backgrounds. I think it was while General Eisenhower was still in command at the theater that instructions were sent to him to begin the screening, which is a difficult job with a half million people, but the screening has proceeded quite far. The only thing we can do with these people is to screen them out and expel them from the displaced-persons camps.

I think that is a thumbnail sketch.

The CHAIRMAN. What does your screening process indicate as to the percentage, say, of the 500,000?

General HILLDRING. The numbers are rather small, percentagewise; not large. I would say well under 5 percent. A very small percentage.

The CHAIRMAN. Isn't that the reason that those people don't want to be repatriated?

General HILLDRING. It is pretty difficult to say, Senator.

The CHAIRMAN. For instance, a Pole, shall we say, who had been connected with the Nazi group, would hesitate to be repatriated into Poland, with the feeling in Poland the way it is. Aren't we placed on

the horns of this dilemma: We might repatriate a man just for purposes of execution, and that is kind of a cold-blooded decision to ask an American to make. Other people might make it, but it is kind of cold-blooded to ask an American to make a decision like that.

General HILLDRING. That's right; sir. You are probably acquainted with our rule on repatriation. We do not forcibly repatriate a man unless it can be proved that he was apprehended in a German uniform; that is, if he fought with the Germans, if he was a traitor, if he was a collaborationist, or was guilty of treasonable conduct, whether in or out of uniform. We repatriate him whether he wants to go home or not, Senator; but in the absence of treason or active collaboration, we do not forcibly repatriate that fellow. But I don't think you can definitely say—though it is unquestionably true that the reason some of them don't want to go home is because they were pro-Nazi, but that isn't the only reason. I was there last August and September, and I looked into this question because I have to come up on the Hill here and explain this boarding house I am running over there. I have to have definite facts when I appear before these Military Committees.

I recognized that far back—the implications for me as a soldier who has to justify this business on the Hill. We had twice as many then as we have now. We had stopped repatriation largely because we didn't have candidates. A large number of these people were Poles, and the camp directors would tell me they are not Facists, they are not Nazis. As a matter of fact, many of them are just ordinary folks that are afraid of the present regime, and there is no basis for their fear of the present Polish regime.

We are now engaged in a campaign of education in which the Polish delegations assist, telling these people that they ought to go home. There isn't anything to be afraid of; they are not going to be shot. As a result of that educational campaign among these people, many of whom, Senator, are fine people, but illiterate and have had very few benefits—they are, for that reason, subject to emotional appeals. They respond to rumors around the camps.

With respect to those people—and I saw many of them—there wasn't any reason why they shouldn't have gone home. In the meantime many of them have gone home, and I think among those who still remain are many who have no real legitimate basis for fearing a return to their homeland. The trick is to convince them that there isn't any legitimate basis for that fear.

The CHAIRMAN. In other words, they have a feeling of uncertainty as to their future if they leave where they are?

General HILLDRING. That is right, Senator.

The CHAIRMAN. And such feeling of security as they now have, they hesitate to give up?

General HILLDRING. Many of them are quite candid in saying—and this is one of the problems that we must face in the months to come—some of them, I am sure—maybe I shouldn't say this, but it is the truth—many of them, I am sure, are staying, Senator, because they have never been any better off in their lives. They have never been as well off in their lives as they are today, and they are just reluctant to leave a condition which is entirely agreeable to them, in which they have no torments, no fears. UNRRA is pleasant to them. The United States Army is pleasant to them. They just decide in their

personal interest to stay where they are rather than take a long trip into an uncertain area.

The CHAIRMAN. That is the impression I got.

I want to ask you two or three questions, and you can answer them or not as you feel you should. I know there has been a great deal of discussion over the number of American troops as well as civilians that we have over in Germany, and I want to make it plain right at the outset that I believe we should maintain sufficient personnel over there to handle the job. Don't get the idea that I am insisting that we cut ourselves down. I think we should have enough over there to handle the job, to complete the program of denazification and to get the displaced persons replaced and repatriated and also to recapture the captured materials and to see that they are properly used. Do you think we could make economies in personnel and in cost to the Government by using displaced persons to help the authorities in the occupation of Germany, for example, say, in recovery and guarding of surplus property that we may pick up, things of that kind, and also in assisting the administration of camps?

General HILLDRING. Yes, Senator.

The CHAIRMAN. I noted when I was in Europe that we were using displaced Russians, in spots, to assist us in our quartermaster depots guarding German prisoners who were at work in the depots, and we were using displaced Poles for the same job, and they were doing a fine job.

General HILLDRING. Yes, sir.

The CHAIRMAN. They were apparently very proud and happy and working very nicely. Apparently, there was no resentment on the part of German prisoners of war to be handled by these people. That is the reason why I asked the question.

General HILLDRING. I don't think we should be too disturbed about their attitude in it.

The CHAIRMAN. Would it be safe, however, to use the persecuted displaced personnel for this job—the persecutees?

General HILLDRING. Yes; I am sure General McNarney, we in the War Department and OMGUS and USFET, would have no objection at all to using persecutees for guarding German prisoners or any other duties in the occupation. As a matter of fact, Senator, we have utilized for a variety of reasons the persecutees to the greatest extent we could, long before manpower questions, which is now our greatest crisis, as you know, obtained. We used displaced persons to the maximum number. We gave their employment by the Army and by German civilian agencies priority over the employment of Germans, for the reason that we wanted these unfortunate people to be employed for that sake itself. There isn't anything more debilitating, I think, to those people than to sit in a camp or to sit in a colony and twiddle their thumbs; so, before it was a question of manpower, we still emphasized the employment of displaced persons and gave them a priority, both in the Army and in UNRRA, above Germans, and that still is our program.

General Eisenhower—I happen to have a note here on General Eisenhower's view—as early as last September, informed his Army that in seeking individuals for employment by occupation forces, priority over Germans will be given always to displaced persons. I have the UNRRA policy here, which is stated in a little more elaborate

way, but follows the same general principle. Then, in addition to that, the UNRRA program contemplates the establishment of training projects in schools to further occupy the hands and minds of these people and to have as a definite objective an enhancement of their skill in the area and at the work they will have upon repatriation.

About 10 days ago, the War Department again, this time in the interest of the manpower problem, urged upon General McNarney again the maximum utilization of displaced persons in proper places; also asking especially to make work, if necessary, for the persecutees. In other words, to give them something to do.

I do know that Judge Rifkin is, with respect to the persecutees, especially devoting himself to this project of giving these people something to do, awaiting the day when they may be resettled.

The CHAIRMAN. I think there is an additional reason, General. My general impression of a lot of these persecutees was their dazed mental condition. They seemed to be in a haze, and some work would have to be done to get them out of that; something to set them thinking.

General HILLDRING. That is right.

The CHAIRMAN. Isn't that your general impression?

General HILLDRING. Exactly, sir. The point I am trying to make serves two purposes. It releases us on the manpower side. I think it achieves probably an equally meritorious objective in rinsing the minds of these unfortunate people of the fretting and worrying and memories of the anguish and fears of the future that certainly beset their minds.

The CHAIRMAN. It stops them from sitting down and thinking what they have gone through and makes them think of the future.

General HILLDRING. That's right, sir.

The CHAIRMAN. One other thing: We have been bombarded to a certain extent on the Senate floor and also through the United States mails by individuals and also by organizations like the Steuben Society about the fact that we are starving the German people in the European theater, the particular charge being leveled right at the United States of America. From the views that you had and from your information, can you tell us the true state of facts on that?

General HILLDRING. Yes; I can, Senator. The United States Army, as part of its project, was directed to prevent mass starvation and disease in Germany, and we have followed those instructions wherever we have gone in the world in this war and the last war. I can safely say and without hesitation, Senator, that there is no starvation today in the U. S. zone in Germany, which is the limit of our responsibility. I don't say that there isn't hunger somewhere or other. There is in every country in the world.

The CHAIRMAN. There has been in the United States.

General HILLDRING. Yes. The general situation in Germany today, with respect to food and feeding, is far above the starvation level. Every careful observer, official and unofficial, has borne out our observation and our findings in that regard, and we have not arrived at our judgment by superficial observation. We have had scientific examinations, samplings made of the German population, so this really is not the view or the impression or the judgment of any one person, but the result of a scientific approach, Senator, to the ascertainment of the real situation.

The CHAIRMAN. In other words, you feel that within our zone in Germany, the physical welfare of the people is not being damaged?

General HILLDRING. It is not being damaged. There is one qualification, Senator, which I would like to put in here for the future. The world food situation today is precarious. Whether or not between now and the harvest in the fall we are going to be able to maintain this level depends on our getting in the months to come the small quantity of food, almost entirely wheat, that we have on request for allocation. But that lies in the future and will be determined upon many factors; but as far as the present and the past are concerned, I can be most emphatic.

The CHAIRMAN. Do you think, General, that we will be able to get them to farm intensively in the area, to take care of summer crops? You know, you can do a lot with truck gardens to tide over until the fall.

General HILLDRING. We are doing everything we can by every means at our disposal to maximize food production in Germany this year. I think it has been said in the press—and this is true—that we are not going to get a bumper crop; that is, despite the authority we have and the pressures we are going to put on, we are not going to achieve as much of a crop in Germany as has been achieved in Germany before 1939. The reason for that is that the Germans deliberately robbed their soil of fertilizer for 7 years.

The CHAIRMAN. To make munitions?

General HILLDRING. Yes.

The CHAIRMAN. They used their nitrates for munitions?

General HILLDRING. They used their nitrates for munitions. The effect of that is apparent in the condition of the German soil; and this year, unfortunately, not only is food in shortage, in world shortage, but so is fertilizer; so we are not going to be able to rejuvenate the German fertility this year as we would like to, if we had an unlimited supply of fertilizer.

The CHAIRMAN. General, isn't it also a fact that with starved soil like that, even if you had a 7-year supply of fertilizer, you couldn't throw it all on at once? You have to take the normal flow into the soil, and it will take the same time to build it up, almost, as it took to starve it.

General HILLDRING. My food authorities say almost that, Senator, that you don't restore a soil overnight that has been starved for a long period.

The CHAIRMAN. You burn the wheat when you put too much nitrate on it.

General HILLDRING. That's right.

The CHAIRMAN. One question for the record: From your knowledge of the Potsdam agreement, does it in any way impose starvation on German people, either at present or in the future?

General HILLDRING. No, sir.

The CHAIRMAN. In other words, does the agreement say they must be starved?

General HILLDRING. No, sir.

The CHAIRMAN. I just wanted to get that in the record.

General HILLDRING. Quite the contrary, Senator. Potsdam says that the Four Powers still leave to Germany the means of achieving a level of standard of living not higher than the average of Europe,

except the USSR and the United Kingdom, which is quite the contrary of what has been said and what I have read about the Potsdam declaration.

The CHAIRMAN. General, I am going to ask you two or three questions, and don't feel embarrassed if you don't want to or haven't the material to answer them; just say so. One question is this: In screening these displaced persons, have you found much evidence that captured soldiers of countries like Poland, Yugoslavia, Czechoslovakia, who were really prisoners of war of Germany and should be treated as such, were used in the manufacture of munitions and the building of fortifications and the operation of coal mines and those various other things which are contrary to the Geneva Convention?

General HILLDRING. No, sir. I could look into it. I would have no objection to answering the question if I had the facts. I just haven't seen any.

The CHAIRMAN. I wonder if it would be too much trouble for you to make some investigations as to the civilian personnel?

General HILLDRING. No.

The CHAIRMAN. Because I ran into men who claimed that they were captured Russian soldiers and captured German soldiers who were in these slave labor camps. Of course, I had no way of verifying it, and only the records of the camps could verify it, and I couldn't do that. That would be a violation of the conventions of war. I think we should have information for the American public about those violations, because we already have information that our prisoners were used by Japan to mine coal, which is contrary. You remember the reason we were slow in operating mines was because we had to release German prisoners of war. We couldn't let them work while they were even in a parole status.

General HILLDRING. Yes, sir. I will be glad to investigate that and file all the information I can get with the committee.

The CHAIRMAN. In addition to the statement you make today.

General HILLDRING. Yes, sir; in addition to this statement. I have one other statement, Senator, I would like to make.

The CHAIRMAN. Go right ahead.

General HILLDRING. There is one other matter which you have asked me to take up today. As you know, the Army discovered in the U. S. zone in Germany the membership records of the Nazi Party and has taken them to Berlin for use by the four occupying powers in the administration of military government. Since the 20 tons of records were in a chaotic state when they were discovered, the job of putting them in order has taken a little time. As these records are reorganized, Army personnel is microfilming membership cards and related documents covering party memberships outside of Germany and Austria for transmittal to this country. The microfilms are being forwarded to the War Department as they are made and will continue to arrive until sometime in May, when we expect to have the last one filed.

At our request, Senator, the War Department has already furnished the subcommittee with the first two rolls of films. Today, I am delivering rolls 3, 4, and 5. At the request of the subcommittee, we are transmitting that portion of the material in these first five rolls which relates to the United States and Argentina. This work will be

completed and forwarded to the committee in a few days. It takes a little time to transcribe this German script into legible English.

I wish to emphasize, however, that the original records were made by Germans and not by the Army—in other words, these are German records and not U. S. Army records—and that the War Department cannot vouch for their accuracy. We just report to you where we got them and what they are.

The CHAIRMAN. In other words, it is the home lodge reports; they had so many members in a certain place.

General HILLDRING. That's right. The home lodge says they are the members, and that is what these records are, sir. Also, since the job of going through the entire file in Berlin has not yet been completed, the microfilms received here thus far may not cover any country completely.

Finally, we have found it very difficult to read the microfilms with the German script, in which many of the entries of the party membership cards are made, and cannot be sure that our transcription of this material is accurate in all cases. We are doing our level best to make it accurate.

The CHAIRMAN. General, it is my belief that the people of the United States should be advised as to what Germany's records show. I believe it is educational for the American public and is a warning of what might take place in the future. For that reason, I am going to order that these transcribed records be put in the subcommittee record as a part of your testimony, if you will permit.

General HILLDRING. I have no objection, sir.

The CHAIRMAN. It is so ordered.

(The records referred to will be printed as a separate document.)

The CHAIRMAN. I want to take this opportunity, General, to congratulate you upon your new job. From my past experience with you, I think you will do a bang-up job. I think that we have had need for some time for a man in this particular job.

I also want to express my appreciation for the committee for the way you cooperated with us all the way through in endeavoring to let the public know everything that is shown in the picture, so that no false propaganda could go out to hurt. That is one reason for the hearing this morning—to block false propaganda which is going on.

General HILLDRING. I appreciate, more than you realize, Senator, your sentiments, and I think I have only one regret, and that is that I shall, after 30 years, leave the Army and, with respect to the Congress, the two committees over here—the Military Affairs Committee on both sides of the Capitol—which, for the last 7 years, have been unbelievably generous to me.

(Off the record.)

The CHAIRMAN. I certainly want to thank you for appearing this morning, General.

I also want to make a part of the record this morning a report on displaced persons, which I have received from the American Jewish Conference.

(The report referred to follows:)

AMERICAN JEWISH CONFERENCE,
New York 17, N. Y., March 8, 1946.

Senator HARLEY M. KILGORE,
Chairman, Subcommittee on War Mobilization
Senate Military Affairs Committee, Washington, D. C.

DEAR SENATOR: I have the privilege of transmitting herewith the attached report from Louis Lipsky, chairman of the executive committee of the American Jewish Conference. This organization is an affiliated body of 63 national Jewish organizations who are banded together on the problems of displaced persons and immigration into Palestine.

The data presented in the attached is developed by on-the-spot observers who report conditions under which former persecutees live in the American zone. This material is submitted to your committee because we feel it is definitely related to the problems of occupation and denazification which your committee has been studying.

Yours respectfully,

DAVID R. WAHL,
Washington Secretary, American Jewish Conference.

MEMORANDUM SUBMITTED BY THE AMERICAN JEWISH CONFERENCE

1. Unless there is positive and immediate action looking to the rehabilitation and resettlement of the 100,000 displaced Jews now in Germany,¹ demoralization will set in, and there is every danger of a disaster which will shock the democratic world.

This alarming forecast is the substance of a message which was brought within the last fortnight to the American Jewish Conference by Dr. Zalman Grinberg, chairman of the Council of the Liberated Jews of Germany, who flew to this country to report to the Jews of America on the conditions under which the Jews of Europe now live.

Dr. Grinberg, a 33-year-old X-ray specialist and a survivor of the Kovno ghetto and the Dachau concentration camp, was recently elected spokesman for the displaced Jews in Germany. A scientist, his reports on the situation are dispassionate and objective and confirm other reports which have been transmitted to the American Jewish Conference by its UNRRA-accredited representatives abroad.

Dr. Grinberg is convinced that morale among the Jewish survivors of the Hitler camps is disintegrating. It is now 10 months since they were liberated by the Allied Armies, but for them liberation has proved a great disillusionment because they have neither firm ground under their feet nor a permanent roof over their heads. He believes that if the Jews in the camps are compelled to continue in a state of uncertainty over their future, and if no immediate steps are taken to make their lives useful and productive, there will be a wave of suicides and other uncontrollable acts of despair within the next few months.

2. The overwhelming majority of the Jews in the camps desire to emigrate to Palestine as quickly as possible. This has repeatedly been made clear by competent observers who have visited the camps and most recently in a poll conducted by UNRRA at the instance of the Anglo-American Committee of Inquiry. This poll showed that more than 98 percent of the Jews in the camps designated Palestine as their choice. The purpose of this memorandum is not to develop or elaborate on this fact but to emphasize that pending the removal of these Jews to Palestine, action must be taken to assure their rehabilitation in the interim period.

3. Idleness menaces the welfare of thousands of the camp inmates. Training opportunities and work must be found for them without delay, not only so that they may live normally but so that they may begin to train themselves for useful life wherever they may ultimately be settled. In this connection, Dr. Grinberg urges that farmland must be made available to the displaced persons. This has been done hitherto only on a very small scale.

Many other forms of useful occupation can be found for Jewish displaced persons. Many of them are people of high intellectual attainment and could be employed by military government and UNRRA. This would be of great advantage, not only to the displaced persons themselves but to the authorities,

¹ This is the total number of Jews in Germany. The number in the American zone is estimated at 60,000.

inasmuch as difficulty has been experienced in staffing governmental agencies in Germany with people thoroughly familiar with the war and peace aims of the United Nations.

4. Many of the displaced persons are suffering physically from the effects of their long confinement in Nazi concentration camps and are in need of medical attention. Dr. Grinberg, who is in charge of an all-Jewish hospital at St. Ottilien, calls attention to the fact that there is a pressing need for a number of all-Jewish hospitals, particularly for the care of tuberculosis and maternity cases. He points out that the Jewish displaced persons have a psychological horror of receiving medical treatment from German physicians because of the memory of past cruelties inflicted by Nazi "scientists." He believes that there are a number of Jewish medical men among the inmates of the camps capable of staffing these hospitals.

5. As a result of his meetings with high Allied authorities in Germany and in this country, Dr. Grinberg believes that there is a sympathetic understanding of the problem of Jewish displaced persons, but both he and representatives of the American Jewish Conference who have been in Germany report that the directives and policies fail frequently of implementation because of the "long distance" between headquarters and the camps. He believes, moreover, and in this he is fortified by the evidence of other observers, that there is a solicitude for the German economy which militates against a thorough and effective rehabilitation program. This has had a demoralizing effect on the Jewish displaced persons, who, having managed miraculously to emerge alive from the hell of Nazi concentration camps, and mindful that the wealth of 5,700,000 Jews was fed into that economy, were hopeful that they would be accorded a priority on the consideration and sympathy of the Allied liberators. Their reaction to their present condition was summed up very bluntly and tragically by Dr. Grinberg in the statement which he made to the delegates of the American Jewish Conference in Cleveland February 18th: "As matters now stand, it is better to be a conquered German than a liberated Jew."

6. In his statements to us, Dr. Grinberg has emphasized major rehabilitation needs. Many other proposals are contained in a report by Mr. Horace Marston, a representative of the American Jewish Conference, who visited 12 Jewish assembly centers in the American zone in Germany during the month of January. His report, dated February 1, and attached hereto, was transmitted to the American Jewish Conference by Mr. J. H. Whiting, Zone Director of UNRRA, with the comment: "Mr. Marston's excellent report should stimulate constructive action by all concerned with providing greater opportunities for the Jewish displaced persons in Germany."

7. It should be emphasized that the problem of the care of Jewish displaced persons in Germany is not only a humanitarian matter affecting the welfare of the displaced persons themselves but is also part of the denazification program in Germany. It is manifest that the German people are influenced by the attitude of Allied authorities. Any impression that the Allied authorities are lacking in consideration for the victims of Hitler gives encouragement and impetus to continuing dissemination of Nazi propaganda.

8. In addition to the problem of the care and rehabilitation of displaced Jews in Germany, there is the major problem of rescuing Jews who are the victims of anti-Semitism in Poland and other east European countries and who have been seeking entry into the American zone in Germany. It is estimated that there are now 60,000 Jews left in Poland and approximately 250,000 who are being repatriated from Russia to Poland. A number of Jews from Poland have already crossed into the American zone in Germany and have found sanctuary there. They owe their lives and their hopes for freedom primarily to the generosity of American officials. How many more will seek a haven there cannot be estimated, for Hitler's anti-Semitic propaganda is recrudescing despite governmental efforts to curb it. It is earnestly hoped that the authorities will continue to receive these refugees. The number of Jews who may seek to come is extremely small compared with the number—some 2,200,000—of Germans who are being transferred from Czechoslovakia and Poland to Germany. The number is also small when it is recalled that there were once 600,000 Jews in Germany and that today less than 10,000 of that 600,000 remain there. It is a paradox and one difficult to understand perhaps, in the light of the history of the last 15 years, that Jews should now be pleading to go to Germany as a haven of refuge. This is understandable, however, when it is recognized that these Jews do not desire to remain in Germany and seek no philanthropy or charity. It is because of their confidence

in American tradition and American dedication to the principles of liberty that they seek the shelter of the American flag, believing that with American assistance they will be enabled to find their way to their own homeland.

AMERICAN JEWISH CONFERENCE,
By LOUIS LIPSKY,
Chairman, Executive Committee.

MEMORANDUM

To: American Jewish Conference.

From: Horace Marston.

Subject: Jewish Displaced Persons, Assembly Centers in United States Third and Seventh Army Area, Germany.

INTRODUCTION

After thorough discussion of problems concerning the general welfare of Jewish displaced persons with UNRRA officials and representatives of cooperating voluntary agencies, 12 Jewish assembly centers were visited. Most of these centers are located in the United States Third Army area. The visits occurred between January 1 and January 25. Not less than one full day, and often more, was spent at every one of the major camps.

The following observations and recommendations are based on a number of assumptions:

1. The only real solution of the displaced-persons problem lies, of course, in the long-awaited decision on the final destination and disposition of displaced persons. Their continued uncertainty over their ultimate fate creates psychological injury and causes bitterness and frustration.

2. In spite of the recognized desirability of obtaining an immediate and definite solution on the final disposition of Jewish displaced persons—particularly the burning problem of free immigration into Palestine—there is the likelihood that displaced-persons operations will have to be continued for some time to come. Plans, therefore, must be made looking to continuance of displaced-persons centers and toward perfection of displaced-persons care.

3. Immediate physical needs, food and shelter, are being provided adequately at assembly centers and at transient camps. New centers have been opened throughout the last 2 months, and still others are being planned to fill the needs of persecutees who continue to arrive in the United States zone.

4. Considering the indescribable experiences of displaced persons and persecutees during the last years, provision only for physical needs is inadequate. Ample recognition must be given to the mental, moral, and psychological needs of these unfortunate people. From now on, therefore, the main emphasis of all plans and operations should be placed on the rehabilitation aspects of the displaced-persons program.

5. If the rehabilitation program is to be successful, it must be founded on thorough understanding of the psychological difficulties of the displaced persons which are the result of the occurrences of the last few years. They must be viewed with sympathy and good will. The obstacles which some displaced persons present to their own rehabilitation, the fact that work has become degrading to some, that certain menial tasks are not carried out willingly, the frustration and the absence of meaningful existence, must be fully understood. It is to the credit of the Jewish displaced persons that they have had the fortitude to survive at all, and more so that the overwhelming majority are eagerly awaiting a return to a normal and healthy life. The majority are willingly abiding by all laws and have set a high moral standard. It thus becomes essential to take care of the psychological needs of those who, with some effort, must be brought back to an appreciation of life itself and the concomitants of normal living in a normal society.

RECOMMENDATIONS

The following observations and suggestions are set forth to facilitate the necessary process of rehabilitation:

I. Education

There still exists a great dearth of trained teachers, of school books, and even the simplest implements, such as paper and pencils. Although in some camps

admirable efforts have been made toward the creation of a camp school system, there does not seem to exist an over-all plan, and the existence and execution of educational plans are left in the hands and depend upon the imagination of the individual camp committee and/or the educator attached to the UNRRA team.

There must be established immediately a coordinated over-all plan to fill the educational needs of young displaced persons on public- and high- school levels.

II. Special training

An important part of the educational program is the training of young displaced persons for special skills and trades. Creation of trade schools and workshops has also been left largely to the initiative of the individual camp committees and UNRRA teams; no coordinated effort to create equal facilities for all camps according to plan is noticeable.

The program of agricultural training, so vital to the preparation for successful settlement, particularly in Palestine, is still wholly insufficient. In spite of the existence of some very excellent farm sites, which were obtained with the help of the military government, there are still assembly centers for which such agricultural training facilities must be made available. In some instances, military government has shown what appears to be excessive anxiety for "the equilibrium" of German economy and has been reluctant or unwilling to make farm sites available. The unspeakable cruelties and injustices which were heaped on the unfortunate Jews of Europe, and which can never be repaired, should constantly be remembered as the guiding principle in vigorous and unstinting program of rehabilitation for the few who have survived.

III. Health

The United States Army and UNRRA can point with justified pride to the fact that, unlike the wake of the last war, there have been no epidemics since VE-day. The occurrence of new disease in the camps has been confined to a minimum. It should be pointed out, however, that the ravages of the last years have left a serious mark on the health of a large number of displaced persons. An essential part of a medical rehabilitation program, therefore, should be the provision of vitamins and vitamin-rich foods for the many who still suffer the consequences of long undernourishment, particularly children and adolescents, most of whom are anemic, many tubercular, and almost all of whom are susceptible to disease. Of special concern must be the great number of expected births. Ample preparations, which are not, as yet, noticeable, must be made for the care of babies and infants. In most camps there were no layettes, diapers, Pabulum, etc., available.

Criticism, in some cases justified, has been leveled against administration and camp committees for apparent uncleanness and insufficient sanitary care. It must be pointed out that the lack of cleanliness frequently is the result of lack of sanitary facilities and that almost without exception there appeared a dearth of Lysol, brooms, and other sanitation necessities; plumbing was found to be inadequate throughout.

IV. Clothing

Immediate clothing needs seem to have been met. But here, too, it must be pointed out that for a program of rehabilitation more than a warm coat is necessary. It was noticed in almost all camps that no underwear had been issued, that supplies of socks and stockings were either nonexistent or totally insufficient. Both men and women, in many cases, found it impossible to keep themselves clean for lack of necessary underclothing, shirts, etc. The unpardonable mistake of issuing gloves to displaced persons made of the blue-gray striped cloth of their concentration-camp garb must never recur. Part of total rehabilitation of displaced persons will be the issuance of clothing that will restore their self-respect.

V. Food

There can be no doubt that the caloric content of the food which displaced persons are given is sufficiently high to regain and maintain an appearance of physical strength. The camp diet, however, is exceedingly monotonous and very poorly balanced in that it contains a considerable preponderance of starchy foods. As a result of the diet of bread, potatoes, peas, and beans, many people have taken on weight in excess of that considered healthy. In all camps there was strong dissatisfaction with the Army directive of last November, according to which Red Cross parcels are to be counted as part of the total caloric content of food distributed. Prior to that date Red Cross parcels were the only items which

brought some variation into the exceedingly monotonous diet and provided some extra calories. In addition, canned stew, which is used in great quantity, is regarded as meat, whereas the actual meat content per can is no more than 20 percent, the rest being mostly potatoes.

In the matter of fresh food supplies there also appears to be excessive reluctance on the part of military government to requisition fresh food from German farmers, for the benefit of those who have been the victims of German aggression and who are sorely in need of physical rehabilitation.

VI. Mail and tracing

A serious impediment to the restoration of a feeling of normalcy is the inexplicable delay in opening the use of the mails to displaced persons free of hampering restrictions. Whereas Germans can correspond freely throughout Germany, the Jewish displaced persons whose few remaining relatives are scattered all over the world are subjugated to a rigid postal control. The only official route of regular communication open at present is with the United States. Throughout the displaced persons camps there is bitterness and inability to understand why such measures of discrimination, as far as use of the mails is concerned, are permitted to continue 9 months after liberation.

Another serious obstacle to mental and psychological rehabilitation is the continued disquietude of displaced persons who cannot make their existence known to relatives and friends of whose address or whereabouts they are uncertain. Coordinated tracing activities are lagging far behind existing needs.

VII. Case work

The Jewish displaced persons and persecutees who have spent the last years hiding in the woods, fighting as partisans, in the ghettos erected by Nazi conquerors, or, as most of them did, in the concentration camps facing death daily, still do not live under normal conditions in the assembly centers. Abnormal living has become habitual to many, and this presents serious problems.

A rehabilitation program which envisages a readjustment and return to normal habits and attitudes necessitates efforts by trained personnel to care for the mass of case work problems, which, under prevailing conditions, no welfare officer in a camp is able to handle. If UNRRA is unable to provide an able staff of trained case workers, the voluntary agencies must be urged to provide such people.

VIII. Recreation

Admirable efforts have been made in most camps to provide a measure of recreation. Theater groups, choirs, sports organizations, have been created. Yet there remains the need for common rooms, where young people can spend their evenings, where man and wife, who often live separately in dormitories, can meet. The establishment of common rooms would contribute in good measure to raise and maintain a high moral standard among the displaced persons.

The immediate creation of libraries is an absolute necessity. While cooperating agencies have announced their preparedness to provide books for libraries, at the time of the survey no library was found in any of the camps visited.

IX. Employment

The most important phase of the Jewish displaced persons rehabilitation program is a far-reaching employment program. The necessity for people to work is patent. In the case of the displaced persons, work can fill not only economic and productive needs but in equal measure can provide one of the most successful methods of therapy, as well as preparation for a useful life in the future. It will serve to restore self-respect, pride in work itself, and last, but not least, the skills which have been lost and not yet recovered. But work alone is not the answer to the question of the general sense of frustration and pauperization of the displaced persons, most of whom have lost all material possessions. The few who are working privately are being paid. They are fearful, however, that in accepting work outside the confines of the camp they might lose their identity as displaced persons and become submerged in the German community. They are also afraid that they might lose their chance for consideration in emigration plans.

The many who are working within the camps receive little or no incentive. Hardly any of them feel that they are doing constructive work. Everyone knows that he is not part of a normal economy.

It is herewith suggested that most serious and immediate consideration be given to the establishment of regular production centers within or without the camps, at abandoned factory sites, etc., and that normal productive work be organized. Such production schemes might be undertaken as cooperative ventures. They

should be made to serve the great need for goods of the displaced persons themselves. UNRRA should not only be in charge of the plans of production but might also become the purchaser of the products. The number of items which could be easily and profitably manufactured are too numerous to warrant specific mention.

It must be clearly understood that the conditions under which the Jewish displaced person is to work can only be such as will help him to appreciate work. All semblance of forced labor must be carefully avoided, nor can Jewish displaced persons be expected to work either with the Germans nor for the benefit of German economy.

It will be necessary also that methods be devised whereby payments to the individual worker may be made in bankable currency. The establishment of such a banking system would restore a healthy attitude toward gainful employment, providing that the displaced person is assured that his savings can be turned into currency of the respective country to which he will eventually emigrate. Objections previously raised by the Allied Control Commission to transfer of currency by displaced persons should be reexamined. A way must be found to tackle successfully the most urgent and essential part of the displaced persons rehabilitation program—lest displaced-person care be negated and confined to the barest necessities of physical survival.

In order to forestall possible unlawful monetary manipulations, a monetary control system such as is used by the United States Army could easily be initiated.

X. Workmen's compensation

Furthermore, a system of workmen's compensation, preferably with non-German insurance companies, must be worked out immediately for those who already are working in the camps.

XI. Jewish displaced persons outside of camps

It appears absolutely necessary that the responsibility for displaced persons living in communities be clearly defined. Current Army regulations establish responsibilities only for displaced persons at official centers so far as supplies and medical care are concerned. With hardly an exception, the displaced person in the community is left to shift for himself. In most cases his allocation of food ration is one grade higher than that of the average German. With the exception of that one advantage, he received no other care. (In a few localities UNRRA has been enabled to make additional services available.) A way must be found immediately to clarify UNRRA's responsibility for displaced persons in the community.

CONCLUSION

In the light of the foregoing, there appears the inescapable fact that the rehabilitation program designed to restore the physical, mental, and moral fiber of the displaced person and to prepare him for a useful life as a content and lawabiding citizen of the country of his ultimate settlement must be planned with courage, vision, and imagination.

The full development of such a program can be achieved only if a basis for full understanding is established between all participating organizations. It is herewith suggested that a permanent organization be created for the establishment of continued liaison between the United States Army, UNRRA, the voluntary cooperating agencies, and the various central committees of liberated Jews or other democratically elected representatives of displaced persons.

HORACE MARSTON.

FEBRUARY 1, 1946.

(Whereupon, the hearing adjourned at 11 a. m., subject to the call of the chairman.)

X



